



**City Council
Special Meeting
Monday, June 20, 2022
3:00 PM
Council Chamber & Virtual
Amended Agenda**

Amended agenda items appear in Red on the agenda below.

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.

REVISED PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom for up to three minutes or an amount of time determined by the Chair. 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.

PowerPoints, videos, or other media to be presented during public comment are accepted only by email to city.clerk@cityofpaloalto.org at least 24 hours prior to the meeting. Once received, the City Clerk will have them shared at public comment for the specified item. To uphold strong cybersecurity management practices, USB's or other physical electronic storage devices are not accepted.

CALL TO ORDER

CLOSED SESSION (3:00 – 4:00 PM)

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

1. CONFERENCE WITH CITY ATTORNEY-POTENTIAL LITIGATION Subject: Threatened litigation regarding interpretation and application of non-conforming use provisions for 340 Portage and associated addresses, as set forth in September 10, 2021 letter from Sobrato Organization Authority: Potential Exposure to Litigation Under Government Code Section 54956.9(d)(2) One Case, as Defendant

AGENDA CHANGES, ADDITIONS AND DELETIONS

PUBLIC COMMENT (4:00 – 4:20 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 (4:20 – 4:30 PM)

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

2. Approve Minutes from the June 6, 2022 City Council Meeting
3. Approval of Contract Number C23181853A With Accurate Structural Incorporated for a Total Not-to-Exceed Amount of \$2,405,369 for the Installation of 9 Electric Station Perimeter Security Lighting/Camera Additions
4. Approval of a Professional Services Agreement With Carollo Engineers, Inc. for Development of a One Water Plan for the City of Palo Alto Contract Number C23183089 in the Total Amount Not-to-Exceed \$559,000
5. Approval of the Fiscal Year 2023 Investment Policy
6. Approval of a Contract with EPI-USE Labs, LLC to Host Online the City's SAP ERP System and Provide Related Services in an Amount Not to Exceed \$2,214,140 (including of \$2,014,140 for Basic Services and a Contingency of \$200,000 for Additional Services Approved by City via Task Order) over a Three-and-a-Half-Year Term
Supplemental Memo added

Q&A

7. Approval of contract number C231833249 with Digitech Computer LLC to provide Ambulance Billing Services in the amount of \$140,000 a year not to exceed \$700,000.
8. Approval of Amendment No. 2 to Contract No. C18168154 with SWA Services Group, Inc. for Janitorial Cleaning and Maintenance Services in Order to Extend the Term by Six Months through February 28, 2023 and Increase the Compensation by \$1,242,777 for a New Total Not-to-Exceed Amount of \$12,272,542.
9. Approval of a New Dark Optical Fiber License Agreement With the Palo Alto Unified School District as a Customer, From December 17, 2022 Through June 30, 2027
10. Approval of Early Renewal of Contract Number C20176092 With Equinix LLC for Addition of \$53,384 for New Service Connections and Maintenance, Approval of Past Charges of \$16,628 for Increased Services, and Approval of Addition of \$50,000 for City Manager Authority to Add Fiber Services, for a Total Not-to-Exceed Amount of \$745,476 from \$625,465

Q&A

11. Approval of Amendment Number 1 to Contract Number C21178372C with C&S Engineers, Inc. for the Airport Apron Reconstruction Project (AP-16000) in the Amount of \$215,023 for a New Total Not-to-Exceed Amount of \$1,715,023, and approval of a Budget Amendment in the Airport Fund in Fiscal Year 2022

Q&A

12. Adoption of a Resolution Implementing the Water Use Restrictions in Stage II of Palo Alto's Amended 2020 Water Shortage Contingency Plan in Compliance With the State Water Resources Control Board's May 24, 2022 Emergency Water Conservation Regulations, and Restricting Potable Irrigation to No More Than Two Days a Week, with Exceptions for Tree Health, Health and Safety, and Certain Non-Residential Zone Irrigation

Q&A

Public Letter

13. Approval and Authorization for the City Manager to Execute Purchase Orders for Electric Distribution Transformers With Prequalified Vendors in an Amount up to \$2,000,000 Annually Between FY 2022 - FY 2026 in a Total Not-to-Exceed Amount of \$10,000,000

Q&A

14. Policy and Services, Office of the City Auditor and Staff recommends that City Council Approve the Building and Permit Review Report
15. Consent of the Macias Gini & O'Connell's Single Audit Report for the Year Ended June 30, 2021

Q&A

16. Approval of an Agreement Between Santa Clara Valley Water District and the City of Palo Alto for Administration and Funding of Water Conservation and Stormwater Rebate Programs for a Total-Not-to-Exceed Amount of \$675,000 Over a Three Year Term Ending June 30, 2025
17. Approval of Professional Services Contract Number C22184801 with Construction Testing Services for On-Call Construction Dewatering and Deconstruction Services in an Amount Not to Exceed \$339,480 Over a 3-year Term.
18. Approval of Contract No. C22184848 with Salas O'Brien Engineers, Inc., for a Total Amount Not to Exceed \$110,212, for Engineering Design Services for the Municipal Service Center Lighting, Mechanical, and Electrical Improvements Project Capital Improvement Program Project (PF-16006)

Q&A

19. Approve Contract C22184489 with Martina Entriken Not to Exceed \$330,000 for a Term of Three Years to Provide a Preschool/Toddler Program
20. Adoption of a Resolution Proposing the Appropriations Limit for Fiscal Year 2023

Q&A

21. Approval of Lease Agreement between Palo Alto Unified School District (Landlord) and City of Palo Alto (Tenant) for Extended Day Care Sites for 12 months, Rent Not to Exceed \$707,676 per Year
22. Policy and Services Committee Recommendations that the City Council Support a Pending State Bill Regarding Orderly Meeting Conduct (Senate Bill 1100) and Support with Amendments a Bill Regarding Children's Camp Regulations (Assembly Bill 1737)
23. SECOND READING: Adoption of an Ordinance Amending Palo Alto Municipal Code Section 18.52.070 (Parking Regulations for CD Assessment District) to Continue a Temporary Ban on Eligibility of Commercial Office Uses Above the Ground Floor to Participate in the Downtown Parking In-Lieu Program and Making Clerical Amendments to PAMC Section 16.57.010 (Applicability) in Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District) (FIRST READING: June 6, 2022: PASSED: 6-1, Tanaka No)

Q&A

24. SECOND READING: Adoption of Two Ordinances Implementing the Objective Standards Project, Including: 1) New Chapter 18.24, Contextual Design Criteria and Objective Design Standards; 2)

Modifications to Affordable Housing (AH) Overlay District to Eliminate the Legislative Process; 3) Changes to Remove Inconsistencies and Redundancies, and Streamline Project Review Throughout Title 18 (FIRST READING: June 1, 2022: PASSED: 5-1, Cormack No, **DuBois absent**)

Q&A

25. SECOND READING: Adoption of an Ordinance Amending the City's Surveillance and Privacy Protection Ordinance to Exempt the Foothills Fire Early Warning System (PAMC 2.30.680). (FIRST READING: June 6, 2022: PASSED: 7-0)

26. SECOND READING: Adoption of an Ordinance Exempting Some Below-Grade Parking Facilities from Gross Floor Area. Zone District: R-1(10,000). Environmental Review: Final Environmental Impact Report (EIR) for the Castilleja School Project certified on June 6, 2022. (FIRST READING: June 6, 2022 PASSED: 6-1, Kou no)

27. SECOND READING: Adoption of an Ordinance Amending Title 8 of the PAMC to Expand Tree Protection to Include Additional Protected Tree Species, Revise Grounds for Tree Removal, and Make Clarifying Changes and Amending Titles 2, 9, and 18 to make Clerical Updates (FIRST READING: June 6, 2022 PASSED: 5-2, Cormack, Tanaka no)

Public Letters
At-Places Memo

CITY MANAGER COMMENTS (4:30 – 4:50 PM)

Presentation

BREAK

ACTION ITEMS

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

28. PUBLIC HEARING: Adoption of the Budget Ordinance for Fiscal Year 2023, Including the Operating and Capital Budgets, Table of Organization, and Municipal Fee Schedule; Acceptance of Updates to the Capital Improvement Plan and Sustainability/Climate Action Plan, and the Retiree Healthcare Actuarial Report; and Approval of Contributions for Retiree Healthcare Benefits (4:50 – 6:30 PM)

At-Places Memo

Presentation

29. PUBLIC HEARING: Adoption of the Community Development Block Grant Funds (CDBG) Fiscal Year 2022-23 Annual Action Plan and Adoption of a Resolution Approving Use of CDBG Funds for FY 2022-23; Approval of a Substantial Amendment to the CDBG Fiscal Year 2020-21 Annual Action Plan and Adoption of an Associated Resolution; and Budget Amendment in the FY 2023 Operating Budget in the CDBG Fund (6:30 – 7:15 PM) ***Supplemental memo, Title updated***

Presentation

30. PUBLIC HEARING / QUASI-JUDICIAL. 2850 West Bayshore [21PLN-00177]: Approval for a Major Architectural Review, Conditional Use Permit, and Vesting Tentative Map to Allow for the Demolition of an Existing Office Building and Construction of 48 Townhomes with Associated Private Streets, Utilities, Landscaping, and Amenities. Environmental Assessment: Exempt per CEQA Guidelines Section 15332. Zoning District: ROLM (Research Office and Limited Manufacturing). (7:15 – 8:45 PM)

Q&A

Presentation

Public Letters

31. Adoption of Resolutions: (1) Placing a Measure Affirming the Gas Utility Transfer on the November 2022 Ballot; (2) Placing a Business Tax on the November 2022 Ballot; and (3) Adopting a Spending Plan for Business Tax Proceeds *Late packet report added, title updated* (8:45 – 10:30 PM)

Public Letters

Presentation

COUNCIL MEMBER QUESTIONS, COMMENTS, ANNOUNCEMENTS

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

ADJOURNMENT

INFORMATION REPORTS

Information reports are provided for informational purposes only to the Council and the public but are not listed for action during this meeting's agenda.

32. Accessory Dwelling Unit (ADU) Quarterly Report (Quarter 1 through Quarter 4, Calendar Year 2021)
33. Police Response to OIR Report

OTHER INFORMATION

Standing Committee Meetings - None

Public Comment 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.

6. Approval of a Contract with EPI-USE Labs, LLC to Host Online the City's SAP ERP System and Provide Related Services in an Amount Not to Exceed \$2,214,140 (including of \$2,014,140 for Basic Services and a Contingency of \$200,000 for Additional Services Approved by City via Task Order) over a Three-and-a-Half-Year Term *Supplemental Memo added*

29. PUBLIC HEARING: Adoption of the Community Development Block Grant Funds (CDBG) Fiscal Year 2022-23 Annual Action Plan and Adoption of a Resolution Approving Use of CDBG Funds for FY 2022-23; Approval of a Substantial Amendment to the CDBG Fiscal Year 2020-21 Annual Action Plan and Adoption of an Associated Resolution; and Budget Amendment in the FY 2023 Operating Budget in the CDBG Fund (6:30 – 7:15 PM) *Supplemental memo, Title updated*

31. Adoption of Resolutions: (1) Placing a Measure Affirming the Gas Utility Transfer on the November 2022 Ballot; (2) Placing a Business Tax on the November 2022 Ballot; and (3) Adopting a Spending Plan for Business Tax Proceeds *Late packet report 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**

Schedule of Meetings



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

(ID # 14506)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approve Minutes from the June 6, 2022 City Council Meeting

From: Lesley Milton, City Clerk

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

ATTACHMENTS:

- **Attachment2.a:** Attachment A: 20220606amCCsm (PDF)



CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting
June 06, 2022

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

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

Present virtually: None

Absent: None

SPECIAL ORDERS OF THE DAY (5:00 -5:10 PM)

1. Adoption of Resolution for Sascha Priess Upon His Retirement

MOTION: Council Member Cormack moved, seconded by Mayor Burt to adopt a resolution celebrating Sascha Priess on his retirement.

MOTION PASSED: 7-0

Agenda Changes, Additions and Deletions

None.

Public Comment

Consent Calendar

Council Member Cormack registered a no vote on Agenda Item Number 3.

Council Member Tanaka registered a no vote on Agenda Item Number 4.

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

2. Approve Minutes from the May 16, 2022 City Council Meeting

3. Adoption of **Resolution 10044** Authorizing Use of Teleconferencing for Council Meetings During Covid-19 State of Emergency

DRAFT ACTION MINUTES

4. Approval of the Second Amended and Restated Purchase Order Number 4521000199 with Altec Industries, Inc., to Increase the Purchase Order Amount by \$40,024 to a New Not-to-Exceed Amount of \$707,092, for the Purchase of Two Peterbilt Crane Trucks through a Cooperative Contract, in the Scheduled Vehicle and Equipment Replacement -Fiscal Year 2020 Capital Improvement Project (VR-20000), with the Not-to-Exceed Amount Including \$687,222 for the Two Trucks and a Contingency Amount of \$19,870.
5. Adoption of **Resolution 10045** Calling for a General Municipal Election to be held November 8, 2022
6. Approval of Amendment No. 4 to Contract Number C18171717 With Perkins + Will for Preparation of the North Ventura Coordinated Area Plan (NVCAP) for a Term Through December 31, 2023.
7. Adoption of the first reading of an Ordinance Amending the City's Surveillance and Privacy Protection Ordinance to Exempt the Foothills Fire Early Warning System (PAMC 2.30.680).
8. Adoption of Side Letter of Agreement and Salary Schedule for the Service Employees International Union (SEIU) -Hourly Unit and Adoption of Salary Schedule for Limited Hourlies
9. Approve a Fiscal Year 2023 Program for Domestic Recycling of Mixed Paper and Mixed Rigid Plastics; Authorize Staff to Negotiate a Corresponding Contract Amendment with GreenWaste of Palo Alto for Program Costs in an Amount Not to Exceed \$1.2M

MOTION SPLIT FOR THE PURPOSE OF VOTING

MOTION PASSED for Items 2, 5-9: 7-0

MOTION PASSED for Items 3: 6-1, Cormack no

MOTION PASSED for Item 4: 6-1, Tanaka No

City Manager Comments

Action Items

10. PUBLIC HEARING: Adoption of an Ordinance Amending Palo Alto Municipal Code Section 18.52.070 (Parking Regulations for CD Assessment District) to Continue a Temporary Ban on Eligibility of Commercial Office Uses Above the Ground Floor to Participate in the Downtown Parking In-Lieu Program

DRAFT ACTION MINUTES

and Making Clerical Amendments to PAMC Section 16.57.010 (Applicability) in Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District)

MOTION: Mayor Burt moved, seconded by Council Member Cormack to adopt an ordinance amending:

- A. Palo Alto Municipal Code (PAMC) Section 18.52.070 (Parking Regulations for CD Assessment District) to continue a temporary ban for three years on the eligibility of commercial office uses above the ground floor to participate in the Downtown Parking In-Lieu Program; and
- B. PAMC Section 16.57.010 (Applicability) in Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District) in Title 16 (Building Regulations) to be consistent with PAMC Section 18.52.070.

MOTION PASSED: 6-1, Tanaka no

- 11. PUBLIC HEARING: Adoption of a Resolution Providing that the City will Not Levy Assessments for the Downtown Business Improvement District for FY2023

MOTION: Council Member Filseth moved, seconded by Council Member DuBois to adopt **Resolution 10046** declining to levy assessments for Fiscal Year 2023 for the Downtown Business Improvement District (BID).

MOTION PASSED: 7-0

- 12. 1310 Bryant Street (Castilleja School Project) PUBLIC HEARING/QUASI JUDICIAL/LEGISLATIVE: Certification of an Environmental Impact Report (EIR) and Approval of Applications for (1) a Conditional Use Permit (CUP) Amendment to Increase Student Enrollment Initially to 450 Students Followed by Phased Conditional Increases to 540 Students; (2) a Parking Adjustment to Enable On-Site Parking Reduction; (3) a Variance to Replace Campus Gross Floor Area; (4) Architectural Review of Campus Redevelopment. Additionally, (5) Adoption of a Zoning Text Amendment Exempting Some Below-Grade Parking Facilities from Gross Floor Area. Zone District: R-1(10,000). Environmental Review: Final Environmental Impact Report (EIR) Published July 30, 2020; Draft EIR Published July 15, 2019 (Item Continued from May 23, 2022 Meeting)

DRAFT ACTION MINUTES

MOTION: Council Member Tanaka moved, seconded by Council Member Cormack to adopt **Resolution 10047** certifying the subject project's environmental impact report (Attachment B).

MOTION PASSED: 6-1, Kou no

FINAL ADOPTED MOTION: Council Member DuBois moved, seconded by Council Member Filseth to incorporate the staff motion to approve the project, approve the CUP, approve the variance, approve the parking adjustment and approve the ARB findings and adopt a record of land use action subject to the following conditions/modifications:

1. Adopt zoning text amendment - C1 for parcels six acres or greater
2. Direct staff to amend the ordinance to state the square footage of below grade parking structures is excluded from gross floor area for purposes of development standards under Title 18 but included for purposes of calculating development impact fees under Title 16.
3. Construction - If students are on the Castilleja campus during construction, maintain enrollment at 416 until construction is completed, then go to 450. If students are moved off site during construction, then can go to 450 immediately.
4. Establish a 3-person Neighborhood Committee (in place of the TDM committee), appointed by council. Committee's role will be to:
 - a. Review TDM reports, events, noise complaints, and organize twice annual community meetings with the school.
 - b. Make recommendations to the Planning Director regarding the school's compliance with community conditions of approval.
 - c. Recommend to the Planning Director whether Castilleja has met the conditions that will trigger increases or decreases in enrollment.
 - d. The Planning Director will approve changes in events, enrollment, and TDM changes.
5. Authorize 50 events (50+ attendees) and 5 major events (500+ attendees), the school can request additional events and the Neighborhood Committee can review and make recommendations adjusting if the school demonstrates ability to manage these events well.
6. Approve Alternative E for the garage.

DRAFT ACTION MINUTES

7. Staff to draft detailed TDM and return for a public session with Council, ideally within 6 months. This item can be placed on consent. TDM to be approved before issuing occupancy permit. TDM should include details on measurement and enforcement including but not limited to:
 - a. Applicant agrees to only use onsite and street parking along the perimeter of school building for all parking.
 - b. Requirements for satellite parking.
 - c. Impose conditions that generally no juniors drive to school, school has ability to make up to 5 exceptions for individual cases.
 - d. The school shall be responsible for traffic control, enforcing no parking/drop-offs in unauthorized streets / areas and monitoring of streets around school for student parking or drop-offs. The TDM Firm will provide information on student parking and drop off compliance as part of their reports 3 times per year.
 - e. Impose condition that applicant agrees they will be excluded from any possible future RPP.
 - f. Increase the percentage of students within 5-mile radius to 40%, +/- 2%, prior to exceeding 450 students.
8. Clarify conditions of approval to include:
 - a. No use of pile drivers or exceptionally loud equipment during construction -
 - b. Use of secant walls if hit groundwater - Conditional of approval.
 - c. Avoid buzzer/ noise when cars exit the garage and use non audio safety measures
9. Record land use action that 540 is the max number of students permitted, and no further increase in enrollment shall occur at this property. Staff will work with school leadership to draft a joint statement of intention around a maximum enrollment of students.

MOTION PASSED: 6-1, Kou no

13. Adoption of an Ordinance Amending Title 8 of the PAMC to Expand Tree Protection to Include Additional Protected Tree Species, Revise Grounds for Tree Removal, and Make Clarifying Changes and Amending Titles 2, 9, and 18 to make Clerical Updates

DRAFT ACTION MINUTES

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

- A. Adopt the proposed changes to Palo Alto Municipal Code amending Chapter 8.04 (Street Trees, Shrubs, and Plants); Chapter 8.08 (Weed Abatement); Chapter 8.10 (Tree Preservation and Management Regulations); and Chapter 2.25 (Parks and Recreation Commission); and Making Clerical Changes to Chapter 9.56 (Abatement of Nuisances) and Title 18 (Zoning) of the Palo Alto Municipal Code and
- B. Directs staff to evaluate prospective modifications to the ordinance that will come to light over the next year, as well as planning implications to be reviewed by the Planning and Transportation Commission and Parks and Recreation Commission in the following months.

MOTION PASSED: 5-2, Cormack, Tanaka no

Council Member Questions, Comments and Announcements

Adjournment: The meeting was adjourned at 11:17 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 of Palo Alto

City Council Staff Report

(ID # 12088)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Contract Number C23181853A With Accurate Structural Incorporated for a Total Not-to-Exceed Amount of \$2,405,369 for the Installation of 9 Electric Station Perimeter Security Lighting/Camera Additions

From: City Manager

Lead Department: Utilities

Recommendation

1. Approve and authorize the City Manager or their designee to execute contract C23181853A with Accurate Structural Incorporated ([Linked Document](#)) in an amount not-to-exceed \$1,924,295 over the two-year term of the Agreement for upgrades and new installation of perimeter lighting and cameras at all nine Electric Substations as part of the Substation Physical Security (WBS EL-16003) Capital Improvement Project.
2. Authorize the City Manager or designee to negotiate and execute one or more change orders to the contract with Accurate Structural Incorporated for related additional, but unforeseen work which may develop during the project; the total of which shall not exceed \$481,074 or 25% of the contract price; for a maximum total not-to-exceed amount of \$2,405,369.

Background

City of Palo Alto Utilities (CPAU) owns and operates the electric system serving approximately 30,000 customers. The city receives power over PG&E transmission lines at 115,000 volt (115 kV) and transforms this to 60,000 volt (60 kV) to feed the city's electric sub-transmission system linking nine distribution substations. Security threats to utility infrastructure has become an on-going security issue due to recent attacks on infrastructure across the United States and world-wide. These attacks have taken the form of cyber or physical attacks on the infrastructure. In response, the Federal Government and State regulatory entities have increased their recommendations for ensuring the safety of utility infrastructure. This project addresses recommendations that were the result of Security Risk Assessment performed by Burns and McDonnell on the City's electric substation infrastructure.

Discussion

The Utilities Department commissioned a Security Risk Assessment of all the City's electric substations by Burns and McDonnell, an engineering / construction company, to determine which measures could be taken to improve the security of the City's electric utility substation assets. Federal regulations and recommendations have significantly escalated in recent years after the ballistic attack on the PG&E Metcalf electric station in 2013, resulting in the federal North American Electric Reliability Corporation's (NERC) CIP-14, which the utility is abiding by. The Burns and McDonnell study found that the lighting and ability to conduct surveillance and deterrence was in overall poor condition at the Palo Alto stations, and as a result, suggested significant perimeter lighting and camera upgrades / new installations.

The completed system will consist of lighting poles installed at specific perimeter locations at the nine electric substations, with downward facing pendant light fixtures that have prismatic glass to reduce LED glare, intelligent foot-candle control for accurate lighting distribution where directed, dimming features to keep the foot candle level low unless a trespasser is sensed, and visors to limit light pollution. Video cameras will also be mounted on the poles, with present-day analytics added at the Utility Control Center that will allow for alarming, detection, and quick review of camera footage.

Lighting and camera equipment specifications, foot-candle distribution efficacies, and complete construction drawings were developed for the upgrades, and approved by the City of Palo Alto Planning Department's Architectural Review Board and also by the Stanford Real Estate Architectural Review Board (for Hanover, Hansen Way, and Quarry Road Electric Substations), as the land where these three electric substations are located is owned by Stanford.

These upgrades and new installations will improve the physical security of CPAU's critical infrastructure and are in line with federal and state recommended guidelines.

Solicitation Process

On March 10, 2022, a notice soliciting Invitation for Bids (IFB) for the Nine Electric Substation Security Upgrades was posted at City Hall and on the Planet Bids portal.

The solicitation was open for four weeks and bids were received from three qualified bidders on April 5, 2022.

Summary of Solicitation Process

<i>Proposal Title</i>	<i>Electric Substation Security Upgrades</i>	
<i>Proposal Number</i>	IFB181853A	
<i>Proposed Length of Project</i>	24 months	
<i>Number of Proposal packages downloaded</i>	21	
<i>Total Days to Respond to Proposal</i>	26 days	
<i>Number of Proposals Received</i>	3	
<i>Bid Range</i>	\$1,924,295 to \$2,444,900	
<i>Company Name</i>	<i>Location (City, State)</i>	<i>Amount</i>
<i>Accurate Structural Inc.</i>	Yucaipa, California	\$1,924,295

The following criteria was used during the evaluation process to identify the successful proposer: Lowest Responsible Bid.

The City has, furthermore, conducted business with Accurate Structural Inc. in the past with satisfaction for a high voltage project well done. Staff is advancing this recommendation as reflected in the City's adopted budget.

Resource Impact

Funding of \$1.1 million is available in the FY 2022 Adopted Capital Budget in the Electric Fund under project Substation Physical Security (EL-16003), which is recommended for reappropriation to FY 2023. The remaining funds are programmed in the FY 2023 Capital Budget in the Electric Fund under project EL-16003. Annual and reappropriated funding is subject to City Council's approval through the annual budget process. CPAU Engineering and Operations staff have sufficient capacity to support the installation of the new security equipment with inspections and safety observations.

The larger 25% contingency is due to the reason that the B-Base bid amount represents a potential 10 light poles that may have to be installed later, depending on the approvals, procurement, and construction sequences of the security wall projects at Park Boulevard and Colorado which need to occur first. We anticipated this in this IFB by using the B-Base bid format. The expected price per pole of \$32,218 for 10 poles is \$322,188. That \$322k, added to the standard 10% for unanticipated additional work would be a 27% contingency over the contract price. Utilities requests a 25% contingency to be conservative.

Policy Implications

This contract is on the City's construction contract template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include termination due to non-appropriation of funds or amending the contract to

reduce the cost, for example, by reducing the scope of work. The contract may also be temporarily suspended by written notice of the City Manager.

Environmental Review

Approval of the attached contract is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to section 15301 (Existing Facilities) of the CEQA Guidelines (14 CCR section 15301), since additional security features involve negligible or no expansion of existing or former use of the substations.



City of Palo Alto

City Council Staff Report

(ID # 13434)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of a Professional Services Agreement With Carollo Engineers, Inc. for Development of a One Water Plan for the City of Palo Alto Contract Number C23183089 in the Total Amount Not-to-Exceed \$559,000

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council approve and authorize the City Manager or their designee to execute the attached contract C23183089 ([Linked Document](#)) with Carollo Engineers, Inc. in an amount not-to-exceed \$559,000 for the development of a One Water Plan for the City of Palo Alto.

Executive Summary

The goal of the One Water Plan is Council adoption of a One Water supply plan that is a 20-year adaptable roadmap for implementation of prioritized water supply and conservation portfolio alternatives. Carollo Engineers, Inc., will conduct evaluations, develop criteria, assist with engaging stakeholders, develop, analyze and evaluate water supply and conservation portfolio alternatives. Carollo Engineers Inc., will then deliver a standalone electronic report that can be used as an adaptable water supply plan as well as an Excel-based tool for evaluating and prioritizing the water supply and conservation portfolio alternatives. At the end of the project, City staff will have ownership of the tool, so City staff may continue to make updates as conditions change and more detailed data emerges in order to provide adaptive recommendations to the City Council. Upon completion, staff will present the One Water Plan report to the City Council for consideration of adoption.

Background

Palo Alto's Water Supply and Conservation

The City of Palo Alto ("City" or "Palo Alto") receives 100% of its potable water from the San Francisco Public Utilities Commission (SFPUC) through the Regional Water System (RWS). The City also uses some recycled water produced at the Palo Alto-operated Regional Water Quality Control Plant (RWQCP) for irrigation of the municipal golf course, a park, and some other minor applications. A system of local groundwater wells and storage provide emergency water supply

service. The City partners with Valley Water to offer a wide-range of water conservation programs to residential and commercial customers.

A key action in the Sustainability and Climate Action Plan (S/CAP) Update is to develop a plan for implementing a One Water portfolio, a water supply plan that will analyze the City's potential water supply priorities and conservation opportunities. This action aligns with Council's commitment to developing alternative water supplies to preserve and protect the Tuolumne River.

Palo Alto Council Support of the Bay Delta Plan

In December 2018, the State Water Resources Control Board (SWRCB) adopted amendments to the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay Delta Plan Amendment) to establish water quality objectives to maintain the health of the Bay Delta ecosystem. Palo Alto Council expressed support for the Bay Delta Plan Amendment in its August 20, 2018 vote "to support the SWRCB Bay Delta Plan to have 30-50% of unimpaired flow in the San Joaquin Valley enter the Delta from February to June and associated Southern Delta salinity objectives; and send a letter expressing this policy position to Bay Area Water Supply and Conservation Agency (BAWSCA), California State Water Resources Control Board, San Francisco Public Utilities Commission (SFPUC), and other stakeholders Staff believes should receive the letter."¹ SFPUC projects that if the Bay Delta Plan Amendment is implemented, the SFPUC will be able to meet Palo Alto's projected water demands in normal years but will experience supply shortages in single and multiple dry years and will require rationing in all dry years.

Alternative water supplies including water reuse and water conservation are key components in Palo Alto's local water supply planning in order to prepare for increased frequency and intensity of droughts and water shortages. The One Water Plan will evaluate water supply alternatives and include the impact of long-term water supply shortage on the water supply.

One Water

A key action in the S/CAP is to develop a plan for implementing a One Water portfolio. A One Water approach takes a broad comprehensive look at water supply options. The US Water Alliance, a national nonprofit organization whose mission is to drive One Water breakthroughs that positively transform our environment, economy, and society, explains that a One Water approach can take many forms, but all share some unifying characteristics:

- The mindset that all water has value—from the water resources in our ecosystems to our drinking water, wastewater, and stormwater.
- A focus on achieving multiple benefits, meaning that our water-related investments should provide economic, environmental, and societal returns.

¹ August 20, 2018 City of Palo Alto City Council Minutes

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/00-archive/2018/08-20-2018-final-ccm-minutes.pdf>

- Approaching decisions with a systems mindset that encompasses the full water cycle and larger infrastructure systems.
- Utilizing watershed-scale thinking and action that respects and responds to the natural ecosystem, geology, and hydrology of an area.
- Relying heavily on partnerships and inclusion, recognizing that real progress will only be made when all stakeholders have a seat at the table.²

The One Water Plan will consider Green Stormwater Infrastructure (GSI), recycled water and other non-potable water sources, as well as groundwater to supplement and preserve the potable water supply. The One Water Plan will also utilize and build on other completed plans and plans in progress. Two of these important building blocks include the Northwest County Recycled Water Strategic Plan and Green Stormwater Infrastructure (GSI) Plan. Both are described in detail in Attachment B. The One Water Plan will also consider uncertainties and external factors that will impact existing and potential water supply options. Among these are regulatory changes, climate change and the Agreement Between and Among Palo Alto, Mountain View, and the Santa Clara Valley Water District to Advance Resilient Water Reuse Programs in Santa Clara County (Effluent Transfer Agreement), all described in Attachment B.

Discussion

Staff plans to use a One Water approach, which takes a broad, comprehensive look at water supply options over a 20-year planning horizon. The One Water Plan will be an adaptable roadmap for implementation of prioritized water supply and conservation portfolio alternatives. Staff requires a consultant to conduct evaluations, develop criteria, assist with engaging stakeholders, develop, analyze and evaluate water conservation and supply portfolio alternatives. The One Water Plan project has the following main components:

- Task 1.0 Project Coordination & Administration including Stakeholder Input;
- Task 2.0 Become Familiar with Existing Components of the One Water Plan and Identify Gaps
- Task 3.0 Complete Analysis and/or Gather Information on Missing Resources identified in Task 2.0
- Task 4.0 Develop Evaluation Criteria for Assessing Water Supply and Conservation Portfolio Alternatives;
- Task 5.0 Develop and Evaluate Future Water Supply and Conservation Portfolio Alternatives;
- Task 6.0 Final Deliverables to the City including a standalone report that can be used as an adaptable water supply plan for implementing a One Water portfolio for the planning horizon from calendar years 2023 through 2043; and an Excel-based tool for evaluating and prioritizing the Portfolio Alternatives using the criteria developed in Task 4.0.

² <http://uswateralliance.org/sites/uswateralliance.org/files/publications/Roadmap%20Executive%20Summary.pdf>

The City released the Request for Proposals (RFP) for the One Water Plan on November 17, 2021 and received 5 proposals.

Summary of Bid Process

Bid Name/Number	One Water Plan/RFP 183089
Proposed End Date of Project	June 30, 2023
Number of Prospective Bidders on PlanetBids	28
Total Days to Respond to Bid	63
Date of Pre-Bid Meeting	December 2, 2021
Number of Bids Received:	5
Bid Price Range	\$394,925 to \$630,540

An evaluation committee consisting of staff from Public Works and Utilities Departments reviewed the proposals. Three firms were invited to participate in oral interviews on February 16, 2022. The proposals were judged on the following criteria:

- Quality and completeness of the proposal;
- Quality, performance and effectiveness of the solution, goods and/or services to be provided by the Proposer;
- Proposer's experience, including the experience of staff to be assigned to the project, the engagements of similar scope and complexity;
- Cost to the City;
- Proposer's financial condition and stability;
- Proposer's ability to perform the work within the time specified;
- Proposer's prior record of performance with City or other local, county or state agency;
- Proposer's compliance with applicable laws, regulations, policies (including City Council policies), guidelines and orders governing prior or existing contracts performed by the contractor.

Carollo Engineers, Inc. was selected as the preferred consultant team due to their demonstrated strong technical knowledge and experience as a national One Water thought leader. Carollo Engineers, Inc. has unmatched national One Water planning experience, including the completion of One Water plans for a variety of cities such as the City of Aspen, City of Santa Barbara, City of South Pasadena, Denver, and Los Angeles. Additionally, the One Water project leadership team that Carollo Engineers, Inc. proposed for Palo Alto has experience collaborating and leading One Water plans of other cities to a successful outcome. The quality of Carollo Engineers, Inc. proposal was exceptional in its proposed innovations to encourage and facilitate stakeholder engagement. Carollo Engineers, Inc. will also use Criterium Decision Plus software to present quick sensitivity analysis and visualization of alternatives. The

consulting team will develop comprehensive supply and conservation option fact sheets, as well as collaboratively develop a stakeholder engagement roadmap to provide for proactive engagement planning. Carollo Engineers, Inc. will develop an Excel-based tool that will evaluate and prioritize portfolio alternatives, facilitate weighted criteria decision making, and display dashboard-style outputs. At the end of the project, City staff will have ownership of the tool, so City staff may continue to make updates as conditions change and more detailed data emerges in order to be able to provide adaptive recommendations to the City Council. Carollo Engineers, Inc. will also deliver a report with a trigger-based implementation roadmap that will help Palo Alto make important and cost-effective water supply decisions. Staff negotiated with Carollo Engineers, Inc. and mutually agreed upon a scope of services not to exceed \$559,000.

Timeline

Immediately upon execution of the contract, Carollo Engineers, Inc. will begin work on the project. The final deliverables described below will be completed within 12 months of the City's Notice to Proceed. Optional subtasks will be completed within 6 months of written authorization to proceed from the City or a mutually agreed-upon completion date. The final deliverables are as follows:

- 1) A standalone electronic report that can be used as an adaptable water supply plan for implementing a One Water portfolio for the planning horizon from calendar years 2023 through 2043. Each water supply and conservation portfolio alternative will contain planning level life-cycle cost estimates to guide City investments, and priorities into the future as changes occur.
- 2) Excel-based tool for evaluating and prioritizing the Portfolio Alternatives using the criteria developed as part of this contract.
- 3) Any and all other materials created such as workpapers, GIS layers, to produce the standalone electronic report and Excel based tool.

Resource Impact

Funding for year one is available in the FY 2022 operating budget from the following sources: Water Fund (\$459,000), Stormwater Management Fund (\$25,000), and Wastewater Treatment Fund (\$25,000). Funding for year two is programmed in the FY 2023 Proposed operating budget, subject to City Council approval, in the Stormwater Management Fund (\$25,000), and Wastewater Treatment Fund (\$25,000).

This contract is on the City's professional services template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include termination due to non-appropriation of funds or amending the contract to reduce the cost, for example, by reducing the scope of work. The contract may also be temporarily suspended by written notice of the City Manager.

Staff is advancing this recommendation as reflected in the City’s adopted budget. Should the City Council wish to defer this project in light of the current pandemic and other priorities related to community and economic recovery, this item may be removed from the Consent Calendar. Staff will then return to Council with this and other projects for reconsideration.

Policy Implications

The project is consistent with Council direction to reduce imported water supplies and limit or reduce diversions from the Tuolumne River. Additionally, the approval of this contract is consistent with existing City policies and is part of the implementation of a key action in the 2020 S/CAP Update to develop a plan for implementing a One Water portfolio. It is also consistent with the Council approved 2018 Utilities Strategic Plan, specifically Priority 4 “Financial Efficiency and Resource Optimization,” Strategy 4 “Achieve a sustainable and resilient energy and water supply to meet community needs,” and Action 3 “Evaluate recycled water, groundwater, and other non-potable water sources and integrate the results and outcomes with water supply plans.”

The project also aligns with the City’s Comprehensive Plan, which contains Natural Environment Goal N-4: Water resources and infrastructure that are managed to sustain plant and animal life, support urban activities and protect public health and safety. Policy N-4.1 addresses the long-term water supply: maintain a safe, clean and reliable long-term supply of water for Palo Alto and Policy N-4.5 supports the development of a multi-faceted approach to ensure resilient supply and management of water in Palo Alto during significant periods of drought. Additionally, Program N4.17.3 addresses water reuse: investigate ways to reuse non-traditional water sources including recycled, gray, black and stormwater.

Stakeholder Engagement

On July 7, 2021, the Utilities Advisory Commission reviewed a draft scope for the One Water Plan ([Staff Report #12332](#)). Task 1.2 in the scope for the One Water Plan is stakeholder engagement; Carollo Engineers, Inc. will assist and support City staff in consistent, robust and meaningful stakeholder engagement throughout the development of the One Water Plan.

Environmental Review

The development of the One Water Plan is not a project requiring California Environmental Quality Act review, because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment.

Next Steps

The goal of the One Water Plan is Council adoption of a One Water supply plan that is a 20-year adaptable roadmap for implementation of prioritized water supply and conservation portfolio alternatives. Upon completion of the One Water Plan report, staff will present it to the City Council for consideration of adoption.

Attachments:

- **Attachment4.a:** Attachment A: Carollo Engineers, Inc.; Contract C23183089

- Attachment4.b: Attachment B: One Water Plan Considerations

CITY OF PALO ALTO CONTRACT NO. C23183089**AGREEMENT FOR PROFESSIONAL SERVICES****BETWEEN THE CITY OF PALO ALTO AND****CAROLLO ENGINEERS, INC.**

This Agreement for Professional Services (this “Agreement”) is entered into as of the 20th day of June, 2022 (the “Effective Date”), by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and **CAROLLO ENGINEERS, INC.**, a Delaware corporation, located at 2795 Mitchell Drive, Walnut Creek, CA 94598 (“CONSULTANT”).

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

RECITALS

A. CITY intends to award a contract for the One Water Plan (the “Project”) and desires to engage a consultant to provide a water supply plan that is a 20-year adaptable roadmap for implementation of prioritized water supply and conservation portfolio alternatives 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 the date of its full execution through June 30, 2024 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. 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 **Five Hundred Fifty-Nine Thousand Dollars (\$559,000)**. 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. CONSULTANT agrees to complete all Services, including reimbursable expenses, listed in Exhibit A entitled “SCOPE OF SERVICES” within this amount including any additional services.

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. 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.

Option B: Subcontracts Authorized: Notwithstanding Section 11 (Assignment) above, CITY agrees that subcontractors may be used to complete the Services. The subcontractors authorized by CITY to perform work on this Project are:

CONSULTANT shall be responsible for directing the work of any subcontractors and for any

compensation due to subcontractors. CITY assumes no responsibility whatsoever concerning compensation of subcontractors. CONSULTANT shall be fully responsible to CITY for all acts and omissions of subcontractors. CONSULTANT shall change or add subcontractors only with the prior written approval of the City Manager or designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign Inge Wiersema as the CONSULTANT's Project Manager, email: iwiersema@carollo.com, Mobile Phone number (626)393-7424 and Office Phone (213)489-1587 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 Lisa Bilir, Utilities Department, Resource Management Division, 250 Hamilton Ave., Palo Alto, CA, 94301, Telephone: (650)329-2543. 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.

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 third party 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”) to the extent that such Claims arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party. CITY will reimburse CONSULTANT for the proportionate percentage of defense costs exceeding CONSULTANT’s proportionate percentage of fault as determined by the final judgment of a court of competent jurisdiction.

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 32.4 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 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, 32 and 33.

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.

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 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 33 (Exhibits), this Agreement is also subject to the terms and conditions of the Information Privacy Policy and Cybersecurity Terms and Conditions.

SECTION 29. CITY-PROVIDED INFORMATION. The CITY shall furnish the CONSULTANT available studies, reports and other data it deems necessary for CONSULTANT's performances of Services under this Agreement, which CONSULTANT may use and rely upon to perform those Services, so long as CONSULTANT's use of any Confidential Information complies with Section 28.

SECTION 30. ESTIMATES AND PROJECTIONS. Other than cost estimates addressed in Section 9, CONSULTANT has no control over the cost of labor, materials, equipment or services furnished by others, over the incoming water quality and/or quantity, or over the way the CITY's plant(s) and/or associated processes are operated and/or maintained. Data projections and estimates are based on CONSULTANT's opinion based on experience and judgment.

SECTION 31. THIRD PARTIES. The Services to be performed by CONSULTANT are intended solely for the benefit of the CITY.

SECTION 32. MISCELLANEOUS PROVISIONS.

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

32.2. In the event that an action is brought, the parties agree that trial of such action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

32.3. 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.

32.4. 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.

32.5. 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.

32.6. In the event of a conflict between the terms of this Agreement and the exhibits hereto (per Section 33) 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.

32.7. 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.

32.8. 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.

32.9. 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 33. 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 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.

**CONTRACT No. C23183089
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

CAROLLO ENGINEERS, INC.

City Manager

Officer 1

DocuSigned by:
By: Inge Wiersema
7EC4B68583DE4EE...

Name: Inge Wiersema

Title: Vice President

APPROVED AS TO FORM:

City Attorney or designee

Officer 2

DocuSigned by:
By: Anne E Prudhel
F7A59CC11E5E4E7...

Name: Anne E Prudhel

Title: Vice President

APPROVED:

Utilities Director

EXHIBIT A SCOPE OF SERVICES

Scope of Services

CONSULTANT will produce the One Water Plan, a water supply plan that is a 20-year adaptable roadmap for implementation of prioritized water supply and conservation portfolio alternatives, by providing the services outlined below.

Task 1.0 Project Coordination & Administration

- CONSULTANT will provide management of all task activities, including project team assignments; meeting preparation and attendance; maintenance and monitoring of the budget and schedule; quality assurance and quality control of all deliverables; and coordination of all sub-consultants.
- CONSULTANT will attend and coordinate routine update meetings with the City and other stakeholders to occur quarterly throughout the project and which will be supplemented with up to eight (8) additional project meetings and twelve (12) project manager meetings between City staff and CONSULTANT. All meetings mentioned in this scope will take place virtually or in a hybrid format at City discretion with MS Teams, Zoom, or a similar platform.
- CONSULTANT will develop and maintain a comprehensive overall project budget tracking system for the project and provide read-only access to the City.

Task 1.1 Project Coordination & Administration Deliverables

- CONSULTANT will produce a master schedule for the project including phasing of work, critical paths, and milestones.
- CONSULTANT will provide meeting attendees with meeting agendas, summary minutes and supplemental materials used during the update meetings no later than seven (7) working days after the update meeting.
- CONSULTANT will provide progress, schedule, and budget updates to City on a monthly basis and as requested by the City.
- CONSULTANT will support City staff to collaboratively develop the stakeholder engagement roadmap.

Task 1.2 Stakeholder Input

CONSULTANT will:

- Hold two (2) meetings for City staff from other Divisions and Departments at 50% and 75% project completion
 - CONSULTANT will present project progress results to stakeholders
 - CONSULTANT will incorporate feedback provided
 - Stakeholders include, but are not limited to, staff in Utilities, Public Works, Planning, Urban Forestry, Administrative Services, and Legal.
- Provide ongoing communication and coordination of key information with City staff with an effort to avoid duplication and be consistent with work efforts in other departments while identifying and focusing on gaps and opportunities that provide water supply benefits.
- Hold three (3) stakeholder meetings for general public, including active community-based organizations and community members at project outset, and approximately 80% and 95%

project completion.

- CONSULTANT will present project scope and approach at project outset and project progress results at approximately 80% and 95% project completion
- CONSULTANT will incorporate feedback provided
- Stakeholders include, but are not limited to, residents, nongovernmental organizations, the RWQCP partner agencies, Valley Water, and the SFPUC.
- CONSULTANT is not responsible for coordinating the arrangements for meeting venues for stakeholder meetings
- CONSULTANT is not responsible for Other Direct Charges related to stakeholder meetings such as venue rent, refreshments, equipment rental, etc.
- Provide periodic communication and coordination of key information with relevant staff from stakeholder agencies or individuals with an effort to avoid duplication and be consistent with work efforts in stakeholder organizations and regional planning efforts, while identifying and focusing on gaps and opportunities that provide water supply benefits, as appropriate for Palo Alto.

Task 1.3 Optional Task Upon Request by City, Stakeholder Input

- Upon request by City, CONSULTANT will:
 - Support City staff with the preparation of a survey for Palo Alto customers seeking feedback on the One Water Plan; gathering, analysis, and summarizing the result is not included in this task.
 - Hold one (1) additional stakeholder meeting with City staff and one (1) additional stakeholder meeting with the general public.

Task 1.4 Optional Task Upon Request by City, Palo Alto Process Support

- Upon request by City, CONSULTANT will support staff through City approval process of the One Water Plan including assistance with presentation preparation and attendance and responding to questions at
 - One (1) Utilities Advisory Commission (UAC) meeting or UAC subcommittee meetings, if applicable
 - One (1) Council meeting

Task 2.0 Become Familiar with Existing Components of One Water Plan and Identify Gaps

- CONSULTANT will:
 - Review the following documents
 - 2017 WIRP after resource costs are updated by City staff
 - 2019 Effluent transfer agreement with Valley Water and the City of Mountain View
 - Phase III Recycled Water Expansion project business case
 - Groundwater basin study
 - 2020 Northwest County Recycled Water Strategic Plan
 - Technical memos on basement dewatering, using emergency wells to irrigate parks, and increasing flow to RWQCP by diverting permanent dewatering water to plant
 - Draft 2020 S/CAP chapter on water
 - Palo Alto Sea Level Rise Policy and consultant scope of work
 - [Green Stormwater Infrastructure Plan](#) and Implementation

- SFPUC’s climate change impact study “Long Term Vulnerability and Adaptation Plan for the SFPUC Water Enterprise” (once it is released, expected in summer 2021)
 - Palo Alto [2020 Urban Water Management Plan](#)
 - Palo Alto Urban Forestry Master Plan
 - Palo Alto Tree Technical Manual
 - [Palo Alto Green Building Ordinance and any other relevant ordinances](#)
 - [Existing water conservation Programs and Rebates](#)
- Identify and review missing information for inclusion in One Water Plan.

Task 3.0 *Optional Task Upon Request by City, Complete Analysis and/or Gather Information on Missing Resources Identified in Task 2.0*

Upon request by City, CONSULTANT will gather information on missing resources and/or complete additional analysis identified in Task 2.0.

Task 4.0 *Develop Evaluation Criteria for Assessing Water Supply and Conservation Portfolio Alternatives*

CONSULTANT will develop evaluation criteria for assessing water supply and conservation portfolio alternatives that at a minimum consider the following:

- Planning level cost, capital, O&M and replacement of asset (life cycle costs), avoided costs and unit cost
- Possible sources and availability of funding
- Normal year reliability
- Drought resiliency
- Contribution to canopy health
- Water Quality
- Sustainability
- Equity
- Flexibility to adapt to changing conditions including SFPUC activities, state actions regarding environmental flows or water reuse regulations, Valley Water activities, and climate change
- Complexity
- Alignment with other City and regional initiatives including S/CAP, green stormwater program, sea level rise policy, and Comprehensive Plan
- Ease of implementation
- Speed of implementation
- Public acceptance
- Customer impact (e.g., bill impact and mandatory water restrictions)
- Other criteria, as directed by City

These evaluation criteria are assumed to be consolidated into up to 8 categories for the

evaluation. The supply options screening criteria used will consist of a subset of the portfolio evaluation criteria. The evaluation criteria metrics will be qualitative, with the exception of criteria such as cost. Project benefits will not be monetized but will be evaluated qualitatively or using other quantitative comparison methods.

Task 5.0 Develop and Evaluate Future Water Supply and Conservation Portfolio Alternatives

CONSULTANT will develop basic water supply and conservation descriptions for all supply options to inform the screening process, including planning level cost estimates. New planning level cost estimates will be prepared for up to seven (7) water supply and/or water conservation options. It is assumed that the remaining planning level cost estimates of the remaining options can be prepared using existing documents with Engineering News-Record (ENR) index adjustments.

CONSULTANT will develop up to seven (7) water supply/conservation option factsheets for up to seven (7) supply options that pass the screening process. These detailed factsheets will include location maps, flow schematics, detailed cost estimates, potential project partners, benefits, implementation challenges, timeline and other information required for the portfolio evaluation).

As the CONSULTANT develops and evaluates future water supply and conservation portfolio alternatives as described in the first two paragraphs of Task 5.0, CONSULTANT will consider the following:

- Additional demand-side management activities (up to two (2) types of additional demand-side management activities will be identified and described in the plan)
 - Including the impact of conservation on required drought cutbacks;
 - Examining Palo Alto's rules and regulations regarding the ease of customer implementation of gray water
- Up to 10 types of water supply options, including the new water supply enhancement options, but excluding the 2 water conservation options/Demand Management Measure activities listed above and CONSULTANT will consider, at a minimum, screening the following water supply resource options:
 - SFPUC water
 - Groundwater
 - Basement dewatering water
 - Valley Water treated water
 - Demand management programs (passive and active conservation) - baseline demand equal to most recent BAWSCA demand study projections based upon a Demand Side Management Least Cost Planning Decision Support System (DSS model) in combination with an Econometric Model.
 - Water reuse alternatives, potable and non-potable
 - Stormwater and rain capture and Green Stormwater Infrastructure
 - On site (customer) water capture and or reuse projects, gray and black
 - Storage (local or regional)
 - Transfers with other agencies
 - Desalination, distributed and centralized

- Atmospheric water generators
- Other options as may be identified by the Consultant or City,
- All possible options to enhance and preserve Palo Alto’s potable water supply, including but not limited to:
 - Examining alternatives for serving the needs of Foothills Nature Preserve, including irrigation and filling of Boronda Lake;
 - Examining alternatives for irrigating City parks and playing fields and other city facilities;
 - Evaluating locally-controlled water supply and demand management projects and identify potential collaboration and regional project opportunities with a particular focus on evaluating any relevant economies of scale from regional project opportunities, if appropriate;
 - Evaluating water supply portfolio options that go beyond SFPUC’s LOS of no more than 20% cutbacks during water supply shortage to provide a higher level of water service reliability, if possible.
- The following unknowns
 - Bay Delta Plan or Voluntary Settlement Agreements
 - SFPUC LOS goal achievement and cost
 - Valley Water effluent transfer option exercised
 - Climate change impacts
 - Demand growth - range of demand projections equal to most recent DSS model output
 - Senate Bill 606 (Hertzberg) and Assembly Bill 1668 (Friedman) known as “Making Conservation a California Way of Life” legislation requires implementation of water conservation and drought planning by Palo Alto through guidelines and regulations under development
 - Direct potable reuse regulation timing
 - Renegotiation outcome of revised method of calculating Tier 2 Allocations
- One Water is focused on long-term water supply reliability and not focused on short-term system resilience and emergencies.
- One Water may make recommendations that feed into the development/ refinement of green building policies, requirements or mandates. However, One Water is not focused on development of city policies regarding expanded green building requirements.

Task 5.1 Develop a Methodology and an Excel-Based Model for Evaluating and Prioritizing Portfolio Alternatives

- CONSULTANT will develop an Excel-based model for evaluating and prioritizing the Portfolio Alternatives developed in Task 5.0 using the criteria developed in Task 4. The model will allow portfolio analysis of various supply options for a specified planning year demand condition under

average and dry year conditions. CONSULTANT will produce a portfolio analysis that develops, evaluates and prioritizes up to four (4) portfolios, including a “Do Nothing” benchmark alternative. CONSULTANT will compare the portfolios based on the planning horizon only. However, CONSULTANT will also conduct interim planning year model runs to phase projects for the recommended portfolio. The model methodology may include decision analysis or some other means of identifying expected outcomes and funding likelihood for various scenarios. Specifically, CONSULTANT will prepare and utilize Criterion DecisionPlus to conduct a sensitivity analysis of the criteria used in the supply portfolio evaluation.

- CONSULTANT will adjust any numbers (especially costs) from documents in Task 2 or other sources as needed.

Task 5.2 Optional Task Upon Request by City, Funding Identification & Assistance

- Upon request by City, CONSULTANT will research and identify possible funding sources for the top priority projects identified under this scope of work.

Task 6.0 Final Deliverables to the City

- CONSULTANT will produce a standalone electronic report that can be used as an adaptable water supply plan for implementing a One Water portfolio for the planning horizon from calendar years 2023 through 2043. Each water supply and conservation portfolio alternative should contain planning level life-cycle cost estimates to guide City investments, and priorities into the future as changes occur.
- CONSULTANT will prepare a detailed outline of the One Water Plan.
- CONSULTANT will produce an Excel-based tool described in Task 5.1.
- CONSULTANT will produce any and all other materials created such as workpapers, GIS layers, to produce the standalone electronic report and Excel-based tool described in Task 5.1.

EXHIBIT B SCHEDULE OF PERFORMANCE

CONSULTANT shall perform the Services so as to complete each milestone within the number of months 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.

Milestones	Completion Number of Months from NTP or written authorization to proceed for optional tasks; approximate hours, if applicable
1. Task 1.0 (Project Coordination & Administration)	12 months
2. Task 1.2 (Stakeholder Input)	12 months
3. Optional Task 1.3 (Stakeholder Input)	6 months from written authorization to proceed from the City or a mutually agreed-upon completion date
4. Optional Task 1.4 (Palo Alto Process Support)	6 months from written authorization to proceed from the City or a mutually agreed-upon completion date
5. Task 2.0 (Familiarize with Existing Components & Identify Gaps)	12 months
6. Optional Task 3.0 (Analysis and Info. On Missing Resources)	6 months from written authorization to proceed from the City or a mutually agreed-upon completion date; up to approximately 140 hours.
7. Task 4.0 (Develop Evaluation Criteria)	12 months
8. Task 5.0 (Develop and Evaluate Portfolio Alternatives)	12 months
9. Task 5.1 (Develop Methodology and Excel-Based Model)	12 months; for budgeting purposes, the development of the Excel-based model is limited to approximately eighty (80) hours
10. Optional Task 5.2 (Funding Identification)	6 months from written authorization to proceed from the City or a mutually agreed-upon completion date; for budgeting purposes the funding identification work is limited to approximately sixteen (16) hours
11. Task 6.0 (Final Deliverables to the City, except Detailed Outline)	12 months
12. Task 6.0 (Detailed Outline of the One Water Plan)	Within 1 month after the project kickoff meeting

EXHIBIT C COMPENSATION

CITY agrees to compensate CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement based on the hourly rate schedule attached as Exhibit C-1.

The compensation to be paid to CONSULTANT under this Agreement for all services, additional services, and reimbursable expenses shall not exceed the amount(s) stated in Section 4 of this Agreement. CONSULTANT agrees to complete all Services and Additional Services, including reimbursable expenses, 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.

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.

CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are:

A. Travel outside the San Francisco Bay Area, including transportation and meals, will be reimbursed at actual cost subject to the City of Palo Alto's policy for reimbursement of travel and meal expenses for City of Palo Alto employees.

B. Long distance telephone service charges, cellular phone service charges, facsimile transmission and postage charges are reimbursable at actual cost.

All requests for payment of expenses shall be accompanied by appropriate backup documentation and information. Any expense anticipated to be more than \$100.00 shall be approved in advance by the CITY's project manager.

**EXHIBIT C-1
SCHEDULE OF RATES**

Hourly Rate Schedule

The hourly rates set forth below are applicable to calendar year 2022. In subsequent years, rates shall be adjusted by a percentage equal to the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers for the San Francisco-Oakland-Hayward area, published by the United States Department of Labor Statistics (CPI) which is published most immediately preceding the commencement of the applicable calendar year, which shall be compared with the CPI published most immediately preceding the commencement date of the then expiring term. Notwithstanding the foregoing, in no event shall CONSULTANT's compensation rates be increased by an amount exceeding five percent of the rates effective during the immediately preceding term, and in no event shall CPI rate adjustments cause the contract price to exceed the amount described in Section 4, "Not to Exceed Compensation".

**PALO ALTO ONE WATER PLAN
(2022 Rate Schedule)**

<u>Engineers/Scientists</u>	<u>Hourly Rate</u>
Assistant Professional	\$185.00
Professional	200.00
Project Professional	225.00
Lead Project Professional	275.00
Senior Professional	300.00
Technicians	
Technicians	150.00
Senior Technicians	225.00
Support Staff	
Document Processing / Clerical	135.00
Other Direct Expenses	
Subconsultant	cost + 10%
Expert Witness	Rate x 2.0

Other Direct Cost, Travel and Subsistence, and Mileage is included in the hourly rate schedule.

This fee schedule is subject to annual revisions due to labor adjustments as described above.

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	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		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>

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

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 INSUREDS.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

EVIDENCE OF INSURANCE AND OTHER RELATED NOTICES ARE REQUIRED TO BE FILED WITH THE CITY OF PALO ALTO AT THE FOLLOWING URL:

<HTTPS://WWW.PLANETBIDS.COM/PORTAL/PORTAL.CFM?COMPANYID=25569>

OR

HTTP://WWW.CITYOFPALOALTO.ORG/GOV/DEPTS/ASD/PLANET_BIDS_HOW_TO.ASP

Certificate Of Completion

Envelope Id: 9D1B4341C2DC4E669E49411F722C506B

Status: Completed

Subject: Please DocuSign: C23183089 Clean One Water contract final.pdf

Source Envelope:

Document Pages: 24

Signatures: 2

Envelope Originator:

Certificate Pages: 2

Initials: 0

Annamarie Romero

AutoNav: Enabled

250 Hamilton Ave

Enveloped Stamping: Enabled

Palo Alto , CA 94301

Time Zone: (UTC-08:00) Pacific Time (US & Canada)

annmarie.romero@cityofpaloalto.org

IP Address: 199.33.32.254

Record Tracking

Status: Original

Holder: Annmarie Romero

Location: DocuSign

6/1/2022 12:17:55 PM

annmarie.romero@cityofpaloalto.org

Security Appliance Status: Connected

Pool: StateLocal

Storage Appliance Status: Connected

Pool: City of Palo Alto

Location: DocuSign

Signer Events

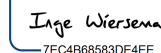
Inge Wiersema

iwiersema@carollo.com

Vice President

Security Level: Email, Account Authentication
(None)**Signature**

DocuSigned by:



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Timestamp

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Signed: 6/1/2022 12:33:57 PM

Signature Adoption: Pre-selected Style

Signed by link sent to iwiersema@carollo.com

Using IP Address: 66.214.47.98

Electronic Record and Signature Disclosure:

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Anne E Prudhel

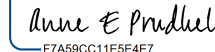
aprudhel@carollo.com

Vice President

Carollo Engineers, Inc.

Security Level: Email, Account Authentication
(None)

DocuSigned by:



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Signature Adoption: Pre-selected Style

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In Person Signer Events**Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp****Carbon Copy Events****Status****Timestamp**

Tabatha Boatwright

Tabatha.Boatwright@CityofPaloAlto.org

Utilities Administrative Assistant

City of Palo Alto

Security Level: Email, Account Authentication
(None)**COPIED**

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Viewed: 6/1/2022 3:02:10 PM

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Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Completed	Security Checked	6/1/2022 2:48:01 PM

Payment Events	Status	Timestamps
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One Water Plan Considerations: Existing Plans, External Factors, and the Effluent Transfer Agreement

This attachment provides additional background on completed plans and plans in progress that the One Water Plan will utilize and build on. Additionally, it provides additional information about uncertainties and external factors that will impact existing and potential water supply options including regulatory changes, climate change and the Agreement Between and Among Palo Alto, Mountain View, and the Santa Clara Valley Water District to Advance Resilient Water Reuse Programs in Santa Clara County (Effluent Transfer Agreement).

Northwest County Recycled Water Strategic Plan

The City Council accepted the Northwest County Recycled Water Strategic Plan in 2020 (Council Report #10913). The [Northwest County Recycled Water Strategic Plan](#) represents a collaboration between the City of Palo Alto and Valley Water that presents the feasibility of various potable and non-potable opportunities to reuse water from the RWQCP within the plant's service territory (Palo Alto, Mountain View, Los Altos, Los Altos Hills, Stanford University and East Palo Alto Sanitary District). The report summarizes and ranks water reuse alternatives based on cost and non-cost criteria; it does not recommend specific projects. The study also includes a robust evaluation of the groundwater aquifer in Northwest Santa Clara County.

The Northwest County Recycled Water Strategic Plan evaluated a potential expansion of the recycled water pipeline for non-potable reuse called "Phase 3 Pipeline." Phase 3 would expand the recycled water system to South Palo Alto to serve landscape irrigation demands and potential dual-plumbed systems mainly within the Stanford Research Park area. An EIR, business plan and preliminary design report for this pipeline are also complete for the Phase 3 Pipeline. For more information, see [the City's website](#) on Palo Alto's Recycled Water Pipeline & Strategic Plan.

The Northwest County Recycled Water Strategic Plan also examined a variety of indirect and direct potable reuse options, and the same work effort developed three technical memorandums examining other possible water sources including:

1. The possible use of groundwater from temporary dewatering systems for irrigation.
2. The possible use of groundwater to irrigate city parks.
3. Increasing flow to RWQCP by redirecting existing permanent dewatering systems at Oregon Expressway and City Hall to increase flows at the RWQCP for a future potable reuse project.

More information about these technical memorandums and findings are also available on the [City's website](#).

Green Stormwater Infrastructure Plan

In a natural environment, rain is absorbed and filtered by plants and soils. But in densely populated urban areas like Palo Alto, impervious surfaces (that make up our buildings, streets, and parking lots) disrupt this natural water cycle. Stormwater collects pollutants when it washes

over impervious surfaces, which then flows into our local creeks and the San Francisco Bay, causing negative impacts on water quality and wildlife. This stormwater may also cause flooding and erosion, harming properties and wildlife habitat.

By using vegetation, soils, and natural processes, GSI may be built into our urban environment to collect, slow, and clean stormwater runoff. The purpose of the GSI Plan is to describe how the City will gradually integrate GSI features into its urban landscape and stormwater conveyance systems over several decades. While the primary purpose for GSI is pollution control, GSI also represent a water supply option. The One Water Plan will consider this possibility.

Water Supply Reliability and Climate Change

Since the City relies on the SFPUC's RWS for its potable water supplies, the City's current water supply reliability mirrors that of the RWS. Palo Alto needs to carefully consider the vulnerabilities and resilience of the Regional Water System in its own water supply planning efforts. The One Water Plan will consider uncertainties, such as the outcome of the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay Delta Plan Amendment or Bay Delta Plan). SFPUC's 2020 UWMP projects that if the Bay Delta Plan is not implemented, SFPUC has sufficient supplies to meet projected demands. However, if the Bay Delta Plan is implemented, this would result in system-wide shortages of up to 54% for Wholesale Customers (the 26 agencies, including Palo Alto, that purchase water from the SFPUC) during multiple years of drought by 2045.

Alternative water supply projects undertaken by the SFPUC to close this gap may take many years to implement and may be costly. In 2020, the SFPUC began implementation of an Alternative Water Supply Planning Program to acquire additional water supplies and explore other projects that would increase overall water supply resilience. SFPUC has budgeted \$264 million over the next 10 years to fund water supply projects.

One Water Planning will also consider the effects of climate change. The SFPUC partnered with the Water Research Foundation to complete the "[Long Term Vulnerability Assessment and Adaptation Plan for the SFPUC Water Enterprise – Phase I](#)" in December 2021. The findings and tools developed as part of this assessment will be used by the SFPUC to inform water supply reliability projections over the 50-year time horizon. Palo Alto's One Water Plan will use the latest information from this assessment to help frame the issue of climate change impacts on the water supplies delivered via the RWS.

Effluent Transfer Agreement

In 2019, Council approved an Effluent Transfer Agreement with Valley Water and the City of Mountain View (Council Report [#10627](#)). The 76-year agreement enables an effluent transfer from the RWQCP to Valley Water to be reused in Santa Clara County, likely south of Mountain View. Under the agreement, Valley Water has approximately 20 years to start using the effluent. The agreement also provides funding from Valley Water for a salt removal facility in Palo Alto to

improve the quality of recycled water used in Palo Alto and the City of Mountain View and an at-cost water supply option for Palo Alto. Palo Alto hired Black & Veatch to design the local salt removal facility.¹ The cost estimate for the 30% design increased significantly compared with a 2017 cost estimate. Staff will return to Council to discuss next steps and potential options before proceeding.

¹ In March 2021, Council approved this project's design services contract with Black & Veatch (Council Report [#11782](#)).



City of Palo Alto

City Council Staff Report

(ID # 13625)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of the Fiscal Year 2023 Investment Policy

From: City Manager

Lead Department: Administrative Services

Recommendation

The Finance Committee and Staff recommend the City Council approve the Fiscal Year 2023 Investment Policy (Attachment A).

Discussion

The Investment Policy (Policy) requires that the Policy be reviewed and any changes proposed by Staff be approved by the City Council during the annual budget process. The Finance Committee discussed the Policy at its June 7, 2022 meeting ([CMR 14378](#)) and unanimously recommended Council approval. For Fiscal Year 2023, staff is proposing no changes to the Policy.

Resource Impact

There are no budget impacts associated with the approval of the Investment Policy and the City's investment portfolio continues to be managed in-house with existing staff resources.

Policy Implications

This recommendation does not represent any change to City policies.

Environmental Review

The actions requested in this report do not constitute a project for the purposes of the California Environmental Quality Act (CEQA).

Attachments:

- **Attachment5.a:** Attachment A: Proposed City of Palo Alto Investment Policy - Fiscal Year 2022-23

Attachment A

PROPOSED CITY OF PALO ALTO Investment Policy Fiscal Year 2022-23 With No Changes

INTRODUCTION

The City of Palo Alto invests its pooled idle cash according to State of California law and the charter of the City of Palo Alto. In particular, the City follows “The Prudent Investor Standard” cited in the State Government Code (Section 53600.3). Under this standard, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

INVESTMENT PHILOSOPHY

The basic principles underlying Palo Alto's investment philosophy is to ensure the safety of public funds, provide that sufficient money is always available to meet current expenditures, and achieve a reasonable rate of return on its investments.

The City's preferred and chief practice is to buy securities and to hold them to their date of maturity rather than to trade or sell securities prior to maturity. The City may, however, elect to sell a security prior to its maturity should there be a significant financial need. If securities are purchased and held to their maturity date, then any changes in the market value of those securities during their life will have no effect on their principal value. Under a buy and hold philosophy, the City is able to protect its invested principal. The economy, the money markets, and various financial institutions (such as the Federal Reserve System) are monitored carefully to make prudent investments and to assess the condition of the City's portfolio.

INVESTMENT OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a) Credit risk is the risk that an obligation will not be paid and a loss will result. The City will seek to minimize this risk by:
 - Limiting investment to the safest types of securities or minimum credit quality rating as listed in the “Authorized Investment” section
 - Diversifying its investments among the types of securities that are authorized under this investment policy
 - b) Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investor’s portfolio. For example, an investor with large holdings in long-term bonds has assumed significant interest rate risk because the value of the bonds will fall if interest rates rise. The City can minimize this risk by:
 - Buying and holding its securities until maturity
 - Structuring the investment portfolio so that securities mature to meet cash flow requirements

To further achieve the objective of safety, the amount that can be invested in all investment categories, excluding obligations of the U.S. Government and its agencies, is limited either as a percentage of the portfolio or by a specific dollar amount. These limits are defined under the “Authorized Investments” section.
2. **Liquidity:** Liquidity is the second most important objective of the investment program. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by maintaining a portion of the portfolio in liquid money market mutual funds or local government investment pools. In addition, the City will maintain one month’s net cash needs in short term and/or liquid investments and at least \$50 million shall be maintained in securities maturing in less than two years. Although the City’s practice is to buy and hold securities to maturity, since all possible cash demands cannot be anticipated, the portfolio will consist of securities with active secondary or resale markets should the need to sell a security prior to maturity arises.
3. **Yield:** Yield on the City’s portfolio is last in priority among investment objectives. The investment portfolio shall be designed to obtain a market rate of return that reflects the authorized investments, risk constraints, and liquidity needs outlined in the City’s investment policy. Compared to similar sized cities, the City of Palo Alto should be able to take advantage of its relatively large reserve balances to achieve higher yields through long-term investments. In addition, the City will strive to maintain the level of investment of idle funds as close to 100 percent as possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITIES

In addition to and subordinate to the Safety, Liquidity, and Yield investment objectives, investments that support sound environmental, social and governance (ESG) objectives are also considered. While the City's portfolio is not classified as an ESG portfolio, investments in entities that support community well-being through practices that emphasize safe and environmentally sound objectives; fair labor practices; and equality of rights regardless of sex, race, age, disability, or sexual orientation, is encouraged. Direct investments in entities that manufacture tobacco products, firearms, and engage in direct production or drilling of fossil fuels is discouraged.

This section applies to new investments (after November 5, 2018) only and does not require divestment of existing investments. Investments in Certificates of Deposit (CDs) and Negotiable Certificates of Deposit are exempt from the ESG investing objective.

SCOPE

- A. This investment policy shall apply to all financial assets of the City of Palo Alto as accounted for in the Annual Comprehensive Financial Report (ACFR), including but not limited to the following funds:
1. General Fund
 2. Special Revenue Funds
 3. Debt Service Funds
 4. Capital Project Fund
 5. Enterprise Funds
 6. Internal Service Funds
 7. Trust and Agency Funds
- B. The policy does not cover funds held by the California Public Employees Retirement System (CalPERS), the California Employers' Retiree Benefit Trust (CERBT), Deferred Compensation programs (e.g. ICMA, Hartford), the Authority for California Cities Excess Liability (ACCEL), and the Public Agency Retirement Services (PARS) Section 115 Irrevocable Trust.
- C. Investments of bond proceeds shall be governed by the provisions of the related bond indentures.

GENERAL INVESTMENT GUIDELINES

1. The maximum stated final maturity of individual securities in the portfolio should be ten years.
2. A maximum of 30 percent of the par value of the portfolio shall be invested in securities with maturities beyond five years.
3. The City shall maintain a minimum of one month's net cash needs in short term and/or

liquid investments.

4. At least \$50 million shall be maintained in securities maturing in less than two (2) years.
5. Should the ratio of the market value of the portfolio to the book value of the portfolio fall below 95 percent, the Administrative Services Department will report this fact to the City Council within a reasonable time frame and evaluate whether there is any risk of holding any of the securities to maturity.
6. Commitments to purchase securities newly introduced on the market shall be made no more than three (3) working days before pricing.
7. Whenever possible, the City will obtain three or more quotations on the purchase or sale of comparable securities and take the higher yield on purchase or higher price on sale. This rule will not apply to new issues, which are purchased at market no more than three (3) working days before pricing, as well as to LAIF, City of Palo Alto bonds, money market accounts and mutual funds, all of which shall be evaluated separately.
8. Where the Investment Policy specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. A later increase or decrease in a percentage resulting from a change in the portfolio's assets or values shall not constitute a violation of that restriction. As soon as possible, percentage limitations will be restored as investments mature in each category.

AUTHORIZED INVESTMENTS

The California Government Code (Sections 53600 et seq.) governs investment of City funds. The following investments are authorized:

1. **U.S. Government Securities** (e.g. Treasury notes, bonds and bills) Securities that are backed by the full faith and credit of the United States
 - a) There is no limit on purchase of these securities.
 - b) Securities will not exceed 10 years maturity.
 - c) All purchased securities must have an explicit or a de facto backing of the full faith and credit of the U.S. Government.
2. **U.S. Government Agency Securities** – Obligations issued by the Federal Government agencies (e.g. Federal National Mortgage Association, etc.).
 - a. There is no limit on purchase of these securities except for:

- Callable and Multi-step-up securities provided that:
 - The potential call dates are known at the time of purchase
 - The interest rates at which they “step-up” are known at the time of purchase
 - The entire face value of the security is redeemed at the call date
 - No more than 25 percent of the par value of the portfolio

b. Securities will not exceed 10 years maturity.

3. **California State, California Local Government Agencies, and other United States State Bonds**

- a) Having at time of investment a minimum Double A (AA/Aa2) rating as provided by a nationally recognized rating service (e.g. Moody’s, Fitch, and/or Standard and Poor’s).
- b) May not exceed 40 percent of the par value of the portfolio.
- c) Investments include:
 - i) Registered state warrants or treasury notes or bonds of the State of California and bonds, notes, warrants, or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency, or authority of the state or local agency.
 - ii) Registered treasury notes or bond of any of the 49 United States in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the other 49 United States, in addition to the State of California.

4. **Certificates of Deposit (CD)** - A debt instrument issued by a bank for a specified period of time at a specified rate of interest. Purchase of CD’s are limited to:

- a) May not exceed 20 percent of the par value of the portfolio.
- b) No more than 10 percent of the par value of the portfolio in collateralized CDs in any institution.
- c) Purchase collateralized deposits only from federally insured large banks that are rated by a nationally recognized rating service (e.g. Moody’s, Fitch, and/or Standard and Poor’s).

- d) For non-rated banks, deposit should be limited to amounts federally insured (FDIC). – See Appendix C
 - e) Rollovers are not permitted without specific instruction from authorized City staff.
5. **Banker's Acceptance Notes (BA)** – Bills of exchange or time drafts drawn on and accepted by commercial banks. Purchase of banker's acceptances are limited to:
- a) No more than 30 percent of the par value of the portfolio.
 - b) Not to exceed 180 days maturity.
 - c) No more than \$5 million with any one institution.
6. **Commercial Paper** - Short-term unsecured obligations issued by banks, corporations, and other borrowers. Purchases of commercial paper are limited to:
- a) Having highest letter or numerical rating as provided for by a nationally recognized rating service (e.g. Moody's, Fitch, and/or Standard and Poor's).
 - b) No more than 15 percent of the par value of the portfolio.
 - c) Not to exceed 270 days maturity.
 - d) No more than \$3 million or 10 percent of the outstanding commercial paper of any one institution, whichever is lesser.
7. **Local Agency Investment Fund (LAIF)** – A State of California managed investment pool may be used up to the maximum permitted by California State Law.
8. **Short-Term Repurchase Agreements (REPO)** – A contractual agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and, usually, at a stated time. Purchases of REPO's must:
- a) Not to exceed 1 year.
 - b) Market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities.
 - c) A Master Repurchase agreement must be signed with the bank or dealer.

9. **Money Market Deposit Accounts** – Liquid bank accounts which seek to maintain a net asset value of \$1.00.
10. **Mutual Funds** which seek to maintain a net asset value of \$1.00 and which are limited essentially to the above investments and further defined in note 9 of Appendix A
 - a) No more than 20 percent of the par value of the portfolio.
 - b) No more than 10 percent of the par value with any one institution.
11. **Negotiable Certificates of Deposit (NCD)** issued by nationally or state-chartered banks and state or federal savings institutions and further defined in note 11 of Appendix A. Purchases of negotiable certificates of deposit:
 - a) May not exceed 20 percent of the par value of the portfolio.
 - b) No more than \$5 million in any one institution.
12. **Medium-Term Corporate Notes** – Issued by corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating with the United States.
 - a) Not to exceed 5 years maturity.
 - b) Securities eligible for investment shall have a minimum rating of AA or Aa2 from a nationally recognized rating service (e.g. Moody's, Fitch, and/or Standard & Poor's).
 - c) No more than 10 percent of the par value of the portfolio.
 - d) No more than \$5 million of the par value may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentality.
 - e) If securities owned by the City are downgraded by Moody's, Fitch, or Standard & Poors to a level below AA or Aa2, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
13. **Supranational Organizations Securities** – Supranational organizations refer to International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB).
 - a. Securities will not exceed 5 years maturity.
 - b. No more than 20 percent of the par value of the portfolio.
 - c. No more than 10 percent of the par value with any one institution.

- d. Securities eligible for investment shall have a minimum rating of AA or Aa2 from a nationally recognized rating service (e.g. Moody's, Fitch, and/or Standard & Poor's).
- e. Limited to United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, and IADB.

Appendix A provides a more detailed description of each investment vehicle and its security and liquidity features. Most of the City's short-term investments will be in securities which pay principal upon maturity, while long-term investments may be in securities that periodically repay principal, as well as interest. Most of the City's investments will be at a fixed rate. However, some of the investments may be at a variable rate, so long as that rate changes on specified dates in pre-determined increments.

PROHIBITED INVESTMENTS:

Includes all investments not specified above, and in particular:

- 1. Reverse repurchase agreements
- 2. Derivatives, as defined in Appendix B

Appendix B provides a more detailed description of each investment, which is prohibited, for City investment.

AUTHORIZED INVESTMENT PERSONNEL

Idle cash management and investment transactions are the responsibility of the Administrative Services Department. The Administrative Services Department is under the control of the Director of Administrative Services (Director), as treasurer, who is subject to the direction and supervision of the City Manager.

The Assistant Directors of Administrative Services (Assistant Director), who reports to the Director, are authorized to make all investment transactions allowed by the Statement of Investment Policy. The Assistant Director may authorize the Manager of Treasury, Debt & Investments and/or Senior Management Analyst (Manager and/or Analyst) to enter into investments within clearly specified parameters.

The Investment function is under the supervision of the Assistant Director. The Assistant Director is charged with the responsibility to manage the investment program (portfolio), which includes developing and monitoring the City's cash flow model and developing long-term revenue and financing strategies and forecasts.

The Manager and/or Analyst are subject to the direction and supervision of the Assistant Director. The Manager and/or Analyst assist the Assistant Director, in the purchase and sale of securities. The Manager and/or Analyst also prepare the quarterly report, and record daily all investment transactions as to the type of investment, amount, yield, and maturity. Cash flow projections are

prepared as needed.

In all circumstances, approval from the Director of Administrative Services is required before selling securities from the City's portfolio. The Manager and/or Analyst may also transfer no more than a total of \$10 million a day from the City's general account to any one financial institution, without the prior approval of the Assistant Director.

No other person has authority to make investment transactions without the written authority of the Director or Assistant Director of Administrative Services.

USE OF BROKERS AND DEALERS

The Administrative Services Department maintains a list of acceptable dealers. A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position. A dealer must have:

- a) At least three years experience operating with California municipalities;
- b) Maintain an inventory of trading securities of at least \$10 million; and
- c) Be approved by the Assistant Director before being added to the City's list of approved dealers; including individual traders or agents representing a dealer:

A dealer will be removed from the list should there develop a history of problems to include: failure to deliver securities as promised, failure to honor transactions as quoted, or failure to provide accurate information.

SAFEKEEPING AND CUSTODY

All securities shall be delivered to the City's safekeeping custodian and held in the name of the City of Palo Alto, with the exception of the following investments:

- a) Certificates of deposit, which may be held by the City itself.
- b) City shares in pooled investment funds, under contract.
- c) Mutual funds
- d) Local Agency Investment Fund (LAIF)

POLICY REVIEW AND REPORTING ON INVESTMENTS

Monthly, the Administrative Services Department will review performance in relation to Council adopted Policy. Quarterly, the Department will report to Council investment activity, including: the portfolio’s performance in comparison to policy, explain any variances from policy, provide any recommendations for policy changes, and discuss overall compliance with the City’s Investment Policy. In addition, the Department will provide Council with:

- a) A detailed list of all securities, investments and monies held by the City, and
- b) Report on the City’s ability to meet expenditure requirements over the next six months.

Annually, the Administrative Services Department will present a Proposed Statement of Investment Policy, to include the delegation of investment authority, to the City Council for review during the annual budget process. All proposed changes in policy must be approved by the Council prior to implementation.

Adopted by City Council October 22, 1984	Amended by City Council June 11, 2001
Monthly reporting effective January 1985	Amended by City Council June 17, 2002
Amended and Adopted by City Council June 24, 1985	Amended by City Council June 17, 2003
Amended by City Council December 2, 1985	Amended by City Council June 28, 2004
Amended by City Council June 23, 1986	Amended by City Council June 20, 2005
Amended by City Council June 22, 1987	Amended by City Council June 12, 2006
Amended by City Council August 8, 1988	Amended by City Council June 11, 2007
Amended by City Council November 28, 1988	Amended by City Council June 09, 2008
Amended by City Council June 26, 1989	Amended by City Council June 15, 2009
Amended by City Council May 14, 1990	Amended by City Council June 28, 2010
Amended by City Council June 24, 1991	Amended by City Council June 20, 2011
Amended by City Council June 22, 1992	Amended by City Council June 18, 2012
Amended by City Council June 23, 1993	Amended by City Council June 03, 2013
Amended by City Council June 20, 1994	Amended by City Council June 16, 2014
Amended by City Council June 19, 1995	Amended by City Council June 15, 2015
Amended by City Council June 24, 1996	Amended by City Council June 13, 2016
Amended by City Council June 23, 1997	Amended by City Council June 27, 2017
Amended by City Council January 26, 1998	Amended by City Council November 5, 2018
Amended by City Council June 22, 1998	Amended by City Council June 24, 2019
Amended by City Council June 28, 1999	Adopted by City Council June 22, 2020
Amended by City Council June 19, 2000	Amended by City Council June 21, 2021

APPENDIX A

EXPLANATION OF PERMITTED INVESTMENTS

1. **U.S. Government Securities:** United States Treasury notes, bonds, bills, or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

2. **U.S. Government Agency Securities:** U.S. Government Agency Obligations include the securities of the Federal National Mortgage Association (FNMA), Federal Land Banks (FLB), Federal Intermediate Credit Banks (FICB), banks for cooperatives, Federal Home Loan Banks (FHLB), Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association (SLMA), Small Business Administration (SBA), Federal Farm Credit (FFC), and Federal Agricultural Mortgage Corporation (FAMC or FMAC). Federal Agency securities are debt obligations that essentially result from lending programs of the Government. Federal agency securities differ from other types of securities, as well as among themselves. Their characteristics depend on the issuing agency. It is possible to distinguish three types of issues: (A) participation certificates (pooled securities), (B) Certificates of interest (pooled loans), (C) notes, bonds, and debentures. The securities of a few agencies are explicitly backed by the full faith and credit of the U.S. Government. All other issues purchased by the City have the de facto backing from the federal government, and it is highly unlikely that the government would let any agency default on its obligations.

3. **Certificates of Deposit:** A certificate of deposit (CDs) is a receipt for funds deposited in a bank, savings bank, or savings and loan association for a specified period of time at a specified rate of interest. Denominations are \$250,000 and up. The first \$250,000 of a certificate of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC), if the deposit is with a bank or savings bank, or the Savings Association Insurance Fund (SAIF), if the deposit is with a savings and loan. CDs with a face value in excess of \$250,000 can be collateralized by U.S. Government Agency and Treasury Department securities or first mortgage loans. Government securities must be at least 110 percent of the face value of the CD collateralized in excess of the first \$250,000. The value of first mortgages must be at least 150 percent of the face value of the CD balance insured in excess of the first \$250,000. Generally, CDs are issued for more than 30 days and the maturity can be selected by the purchaser.

4. **Bankers' Acceptance:** A Banker's Acceptance (BA) is a negotiable time draft or bill of exchange drawn on and accepted by a commercial bank. Acceptance of the draft irrevocably obligates the bank to pay the bearer the face amount of the draft at maturity. BAs are usually created to finance the import and export of goods, the shipment of goods within the United States and storage of readily marketable staple commodities. In over 70 years of usage in the United States, there has been no known instance of principal loss to any investor in BAs. In addition to the guarantee by the accepting bank, the transaction is identified with a specific commodity. Warehouse receipts verify that the pledged commodities exist, and, by definition, these commodities are readily marketable. The sale of the underlying goods generates the

necessary funds to liquidate the indebtedness.

BAs enjoy marketability since the Federal Reserve Bank is authorized to buy and sell prime BAs with maturities of up to nine months. The Federal Reserve Bank enters into repurchase agreements in the normal course of open market operations with BA dealers.

As are sold at a discount from par. An acceptance is tied to a specific loan transaction; therefore, the amount and maturity of the acceptance is fixed.

5. **Commercial Paper:** Commercial paper notes are unsecured promissory notes of industrial corporations, utilities, and bank holding companies. Interest is discounted from par and calculated using actual number of days on a 360-day year. The notes are in bearer form, with maturities up to 270 days selected by the purchaser, and denominations generally start at \$100,000. There is a small secondary market for commercial paper notes and an investor may sell a note prior to maturity.

Commercial paper notes are backed by unused lines of credit from major banks. Some issuer's notes are insured, while some are backed by irrevocable letters of credit from major banks. State law limits a City to investments in United States corporations having assets in excess of five hundred million dollars with an "A" or higher rating by a nationally recognized rating service for the issuer's debentures. Cities may not invest more than 25 percent of idle cash in commercial paper.

6. **Local Agency Investment Fund Demand Deposit:** The Local Agency Investment Fund (LAIF) was established by the State to enable treasurers to place funds in a pool for investments. The City is limited to an investment of the amount allowed by LAIF (currently \$75 million). LAIF has been particularly beneficial to those jurisdictions with small portfolios. Palo Alto uses this fund for short-term investment, liquidity, and yield.
7. **Repurchase Agreements:** A Repurchase Agreement (REPOS) is not a security, but a contractual arrangement between a financial institution or dealer and an investor. The agreement normally can run for one or more days. The investor puts up funds for a certain number of days at a stated yield. In return, the investor takes title to a given block of securities as collateral. At maturity, the securities are repurchased and the funds repaid, plus interest. Usually, amounts are \$500,000 or more, but some REPOS can be smaller.
8. **Money Market Deposit Accounts:** Money Market Deposit Accounts are market-sensitive bank accounts, which are available to depositors at any time, without penalty. The interest rate is generally comparable to rates on money market mutual funds, though any individual bank's rate may be higher or lower. These accounts are insured by the Federal Deposit Insurance Corporation or the Savings Association Insurance Fund.

9. **Mutual Funds:** Mutual funds are shares of beneficial interest issued by diversified management companies, as defined by Section 23701 M of the Revenue and Taxation Code. To be eligible for investment, these funds must:
- a) Attain the highest ranking in the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services; or
 - b) Have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations, as authorized by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code, and with assets under management in excess of five hundred million dollars; and
 - c) Invest solely in those securities and obligations authorized by Sections 53601 and 53635 of the California Government Code. Where the Investment Policy of the City of Palo Alto may be more restrictive than the State Code, the Policy authorizes investments in mutual funds that shall have minimal investment in securities otherwise restricted by the City's Policy. Minimal investment is defined as less than 5 percent of the mutual fund portfolio; and
 - d) The purchase price of shares of beneficial interest purchased shall not include any commission that these companies may charge.
 - e) Have a net asset value of \$1.00.
10. **Callable Securities and Multi-Step-ups:** Callable securities are defined as fixed interest rate government agency securities that give the issuing agency the option of returning the invested funds at a specific point in time to the purchaser. Multi-step-ups are government agency securities in which the interest rate increases ("steps-up") at preset intervals, and which also have a callable option that allows the issuing agency to return the invested funds at a preset interval. Callable and multi-step-ups are permitted, provided that:
- the potential call dates are known at the time of purchase;
 - the interest rates at which they "step-up" are known at the time of purchase; and
 - the entire face value of the security is redeemed at the call date.

11. **Negotiable Certificates of Deposit (NCD):** NCDs are large-dollar-amount, short-term certificate of deposit. Such certificates are issued by large banks and bought mainly by corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and, being negotiable, they enjoy an active secondary market, where they trade in round lots of \$5 million. Although they can be issued in any denomination from \$100,000 up, the typical amount is \$1 million also called a Jumbo Certificate of Deposit.

State law prohibits the investment of local agency funds in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative, manager's, budget, auditor-controller's, or treasurer's offices of the local agency also serves on the board of directors, other credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificate of deposit.

12. **Medium-Term Corporate Notes:** All corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. According to California Government Code Section 53601, "Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchase of medium-term notes shall include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section."
13. **Supranational Securities:** California Government Code Section 53601 defines allowable supranational securities as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation, and Inter-American Development Bank. Supranationals are well capitalized and in most cases have strong credit support from contingent capital calls from their member countries. Section 53601 was amended effective January 1, 2015 to allow local agencies to invest in the senior debt obligations of these three supranational issuers which are eligible for purchase and resale within the United States. These entities were established with the purpose of ending poverty and raising the standard of living around the world through sustainable economic growth.

- a) The supranationals are international organization owned by member countries. These are:
- **International Bank for Reconstruction and Development (IBRD or World Bank)**, a member of the World Bank Group, provides direct loans and guarantees to sovereigns and government-backed projects
 - **International Finance Corporation (IFC)**, a member of the World Bank Group, supports the creation and growth of private companies through direct lending and equity investment, attracting third party capital, and providing advisory services
 - **Inter-American Development Bank (IADB)**, a member of the

Inter-American Development Bank Group, provides loans, grants, and guarantees to sovereigns in Latin America and the Caribbean

- b) Additional characteristics shared by the IBRD, IFC, and IADB include:
- Headquartered in Washington, D.C. with the United States as the largest shareholder of each organization
 - Rated AAA/Aaa by S&P and Moody's

APPENDIX B EXPLANATION OF PROHIBITED INVESTMENTS

1. **Reverse Repurchase Agreements:** A Reverse Repurchase Agreement (Reverse REPO) is a contractual agreement by the investor (e.g. local agency) to post a security it owns as collateral, and a bank or dealer temporarily exchanges cash for this collateral, for a specific period of time, at an agreed-upon interest rate. During the period of the agreement, the local agency may use this cash for any purpose. At maturity, the securities are repurchased from the bank or dealer, plus interest.

California law contains a number of restrictions on the use of Reverse REPOS by local agencies.

2. **Derivatives:** A derivative is a financial instrument created from, or whose value depends on (is derived from), the value of one or more underlying assets or indices. The term "derivative" refers to instruments or features, such as collateralized mortgage obligations, forwards, futures, currency and interest rate swaps, options, caps and floors. Except for those callable and multi-step-up securities as described under Permitted Investments, derivatives are prohibited.

Certain derivative products have characteristics which could include high price volatility, liquid markets, products that are not market-tested, products that are highly leveraged, products requiring a high degree of sophistication to manage, and products that are difficult to value.

According to California law, a local agency shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.

APPENDIX C GLOSSARY OF INVESTMENT TERMS

AGENCIES: Federal agency and instrumentality securities.

ASKED: The price at which securities are offered.

BID: The price offered by a buyer of securities (when one sells securities, one asks for a bid). See “*Offer*”.

BROKER: A person or institution that conducts investment transactions on behalf of the buyer and seller of the investment and earns a commission on the transaction.

COLLATERAL: Securities, evidence of deposit, or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report for the City of Palo Alto. It includes combined financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles and pronouncements set forth by the Governmental Accounting Standards Board (GASB). The ACFR also includes supporting schedules that are necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

COUPON: The annual rate of interest that a bond’s issuer promises to pay the bondholder on the bond’s face value or the certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: (1) delivery versus payment (DVP); and (2) delivery versus receipt (DVR). DVP is delivery of securities with an exchange of money for the securities. DVR is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the acquisition cost of a security and its value at maturity when quoted at lower than face value. A security that sells below original offering price shortly after sale, is also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued a discount and that are redeemed at maturity for full face value (e.g., U.S. Treasury Bills).

DIVERSIFICATION: Dividing investment funds among a variety of securities that offer independent returns.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (“FAMC” or “FMAC”): A federal agency established in 1988 to provide a secondary market for farm mortgage loans. Informally called *Farmer Mac*.

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government that were established to supply credit to various classes of institutions and individuals (e.g., S&Ls, small business firms, students, farmers, farm cooperatives, and exporters).

FEDERAL DEPOSIT INSURANCE CORPORATION (“FDIC”): A federal agency that insures all types of deposits received at an insured bank, including deposits in a checking account, negotiable order of withdrawal (NOW) account, savings account, money market deposit account (MMDA) or time deposit such as a certificate of deposit (CD). FDIC insurance covers depositors' accounts at each insured bank, dollar-for-dollar, including principal and any accrued interest through the date of the insured bank's closing, up to the insurance limit.

The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities, even if these investments are purchased at an insured bank. The FDIC does not insure U.S. Treasury bills, bonds or notes, but these investments are backed by the full faith and credit of the United States government.

The standard maximum deposit insurance amount is described as the “SMDIA” in FDIC regulations. The SMDIA is \$250,000 per depositor, per insured bank.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (“FHLB”): Government-sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing-related assets of its members, who must purchase stock in their District Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (“FNMA”): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (“FOMC”): The FOMC consists of seven

members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market, as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks, and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (“GNMA” or “Ginnie Mae”): Securities that influence the volume of bank credit that is guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. A security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow, and reasonable amount can be done at those quotes.

LOCAL GOVERNMENT AGENCY: A local government agency is any city, county, city and county, district, or other local governmental body or corporation, including the California State Universities (CSU) and University of California (UC) systems, K-12 schools and community colleges empowered to expend public funds.

LOCAL GOVERNMENT INVESTMENT FUND (“LAIF”): Monies from local governmental units may be remitted to the California State Treasurer for deposit in this special fund for the purpose of investment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer (lender) to liquidate the underlying securities in the event of default by the seller (borrower).

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (e.g., bills, commercial paper, and bankers’ acceptances) are issued and traded.

OFFER: The price asked by a seller of securities (when one buys securities, one asks for an offer). See “*Asked*” and “*Bid*”.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank, as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: A collection of securities that an investor holds.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions, and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) -- registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT INVESTOR RULE: An investment standard cited in the California Government Code Section 53600 et seq. Under this standard, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution that: (1) does not claim exemption from the payment of any sales, compensating use, or ad valorem taxes under the laws of this state; (2) has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability; and (3) has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION: An agency created by Congress to administer securities legislation for the purpose of protecting investors in securities transactions.

STRUCTURED NOTES: Notes issued by instrumentalities (e.g., FHLB, FNMA, SLMA) and by corporations, that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) in their debt structure. The market performance of structured notes is affected by fluctuating interest rates; the volatility of imbedded options; and shifts in the yield curve.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The California Government Code Section 53601 allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

TIME CERTIFICATE OF DEPOSIT: A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

TREASURY BILLS: A non-interest-bearing discount security that is issued by the U.S. Treasury to finance the national debt. Most T-bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of two to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

YIELD-TO-CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD-TO-MATURITY: The current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity.

ZERO-COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.



City of Palo Alto

City Council Staff Report

(ID # 13994)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of a Contract with EPI-USE Labs, LLC to Host Online the City's SAP ERP System and Provide Related Services in an Amount Not to Exceed \$2,214,140 (including of \$2,014,140 for Basic Services and a Contingency of \$200,000 for Additional Services Approved by City via Task Order) over a Three-and-a-Half-Year Term

From: City Manager

Lead Department: IT Department

Recommendation

Staff recommend that Council approve and authorize the City Manager or their designee to execute the attached professional services contract with EPI-USE Labs, LLC to provide: online hosting services for the City's SAP enterprise resource planning (ERP) system on the Amazon Web Services (AWS) cloud platform; related SAP Basis support services; and Additional Services (as needed, implemented via City-approved Task Order up to a contingency amount of \$200,000 as detailed in the contract), for a total contract not-to-exceed amount of \$2,214,140 over a three-and-a-half year term.

Background

The City's history with SAP began in 2002, when the City selected SAP as its preferred vendor for an enterprise resource planning (ERP) system. The purpose was to integrate various business processes within the City, which enabled staff to move in the direction of digital government. The SAP ERP system was implemented in 2003 and supports Accounting, Finance, Purchasing, Project Management, Plant Maintenance, Budgeting, Payroll, Human Resource Management, and Service Order Management.

In 2019, the City completed a major upgrade and migrated SAP Infrastructure to Cloud. The original contract for hosting and related services with Labyrinth Solutions, Inc., (LSI) was approved by Council and signed in 2019 ([CMR 10033](#)) for a three-year duration covering the upgrade, migration, and cloud hosting and support services. In 2021, a six-month term extension was executed by the City Manager (no change to the compensation), which expired on April 21, 2022. [Amendment two](#) to the LSI contract was approved by Council to further extend the term through October 21, 2022 (no change to the compensation) to ensure sufficient time for the transition to the new vendor.

Discussion

The SAP ERP system is a highly complex system with processes integrated between various modules and requires a high degree of specialized expertise to provide effective ongoing maintenance and support.

Staff published a request for proposals (RFP) to procure cloud hosting and support services in May of 2021 (RFP 182051).

Summary of Competitive Solicitation Process:

Table # 1: Summary of Request for Proposal	
Proposal Description	AWS Cloud and SAP Basis Support Service RFP182051
Proposed Length of Project	3 years term, 2 additional years by amendment
Number of Vendors Notified	476
Number of Proposal Packages Downloaded	45
Total Days to Respond to Proposal	44
Pre-Proposal Meeting	No
Pre-Proposal Meeting Date	None
Number of Proposals Received	16
Proposal Price Ranges:	
- Range of one-time Cloud account migration and stabilization costs	\$0 - \$200,000
- Annual Maintenance and Hosting range costs	\$200,000 - \$800,000
- Ad-hoc hourly rates range	\$75 - \$200 hourly
Public Link to Solicitation	https://pbsystem.planetbids.com/portal/25569/bo/bo-detail/82892

The multi-divisional evaluation team short-listed four vendors and requested that they provide demonstrations of their support offerings based on the following criteria:

- 1) Having ability to support SAP in AWS cloud and showcase expertise in each domain (Infrastructure, Network, Security, and Basis Administration).
- 2) Detailing their specific team and staff expertise in each area, including partnerships/consultants.
- 3) Providing best cost/pricing for support services and a detailed cost break down for the services, by task.
- 4) Detailing cost/pricing to include additional AWS discount(s), and for any subsequent years.

After the rigorous evaluation process and additional due diligence performed by Staff, EPI-USE Labs, LLC was identified for award of the contract, considering their domain knowledge, staff expertise, customer references, and pricing.

Transition

The City requested LSI be available for at least four weeks to transfer over the existing AWS account and knowledge to the new provider in order to have a successful transition. This was a key purpose of Amendment Two to the contract with LSI, which was for time only, at no additional compensation as the parties work through the transition after Council approval of the award of the contract to EPI-USE Labs, LLC as recommended in this staff report.

Resource Impact

Funding for this contract is budgeted in the Technology Fund as part of the Fiscal Year 2022 Adopted Operating Budget. Funding for this contract in Fiscal Years 2023 and 2024 is subject to annual appropriation of funds.

Budget Summary for Contract with EPI-USE Labs, LLC:

One-Time:	\$205,140
Year 1 Annual Cost:	\$603,000
Year 2 Annual Cost:	\$603,000
Year 3 Annual Cost:	\$603,000
Additional Services:	\$200,000
Subtotal:	\$2,014,140
Total Contract Not-To-Exceed:	\$2,214,140

Stakeholder Engagement

RFP 182051 was issued in May 2021 for AWS support and hosting services. Through this competitive solicitation and evaluation process, EPI-USE Labs, LLC was chosen.

Environmental Review

This is not a project under the California Environmental Quality Act (CEQA).



City of Palo Alto City Council Staff Report

(ID # 14030)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of contract number C231833249 with Digitech Computer LLC to provide Ambulance Billing Services in the amount of \$140,000 a year not to exceed \$700,000.

From: City Manager

Lead Department: Fire

Recommendation

Staff recommends that Council:

1. Authorize the City Manager, or designee, to execute Contract No. C23183249 with Digitech Computer LLC, DBA Digitech for ambulance service billing for a one-year period starting on September 30, 2022, for an amount not to exceed \$140,000 per year, with the option to renew four additional one-year periods, for a total amount not to exceed \$700,000 over a five-year period ending September 30, 2027.

Background

The City of Palo Alto Fire Department currently bills for ambulance service through a third-party service provider. Due to the complex and frequent regulatory changes in health care billing, it is necessary to rely on the expertise of a third-party billing service provider.

A process was put in place to have a continuous review of accounts through monthly meetings with the service provider as per recommendations from the City Auditor regarding oversight of patients' accounts. The service provider for this contract will be required to comply with that process.

Discussion

Staff completed a competitive bid with three service providers responding. Staff reviewed and compared all bids. Digitech is the Fire Department's current service provider and they submitted the bid that received the highest objective scores compared to other bids even though they were they also had the highest cost of service.

Summary of Solicitation Process:	
<i>Proposal Description/Number</i>	RFP 183249 Ambulance Billing
<i>Proposed Length of Project</i>	5 years
<i>Number of service providers notified through City's eProcurement system</i>	1,362
<i>Number of solicitation packages downloaded by service providers</i>	9
<i>Total Days to Respond to Proposal</i>	18
<i>Non-Mandatory or Mandatory Pre-Proposal Meeting Date:</i>	No pre-proposal meeting was held
<i>Number of Company Attendees at Pre-Proposal Meeting</i>	0
<i>Number of Proposals Received</i>	3
<i>Range of Proposal Amounts</i>	From 2.35%-3.4% of collected amounts

With the implementation of this Agreement, the City will coordinate with the service provider, Revenue Collections, and the Emergency Medical Services (EMS) Division of the Fire Department, to the extent the City is allowed to collect revenue through the ambulance program. The current collections are approximately \$2,800,000, and the cost of the current agreement is approximately \$81,000 annually. Digitech's proposal is 3.4% with the new agreement. The Fire Department has funding in the current budget to cover the expenses for this agreement.

This Agreement will allow the service provider to bill on behalf of the City for all EMS services. The service provider has the expertise and experience to work with, and bill for, medical services. The billing services include the following: the proposed ambulance subscription program, patient transports, and other potential fee programs.

The Affordable Healthcare Act (AHA) includes ambiguous language that creates uncertainty concerning allowable billing, required documentation, support documentation, new forms, electronic fund transfers, and other complexities. The Fire Department's emergency medical service model requires expertise in medical billing. A professional third-party service provider maintains vigilance and updated information to allow for maximum cost recovery and collections, while minimizing appeals from Medicare and other insurance companies.

Resource Impact

Staff impact is minimized to a monthly meeting to review outstanding EMS bills in consideration for collections, bad debt, write-off or follow up. ASD processes refunds

and balances monthly statements. Fire oversees frontline personnel to continue billing information, collection, and signature compliance.

Environmental Review

This activity is not a project 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:

- **Attachment7.a:** Attachment A: Digitech Computer LLC, DBA Digitech, medical billing; Contract C23183249

CITY OF PALO ALTO CONTRACT NO. C23183249**AGREEMENT FOR PROFESSIONAL SERVICES****BETWEEN THE CITY OF PALO ALTO AND DIGITECH COMPUTER LLC**

This Agreement for Professional Services (this “Agreement”) is entered into as of the 5th day of April, 2022 (the “Effective Date”), by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and DIGITECH COMPUTER LLC, a Limited Liability Corporation, located at 480 North Bedford Road, Building 600, 2nd Floor, Chappaqua, New York, 10514 (“CONSULTANT”).

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

RECITALS

A. CITY intends to offer Medical Billing and Accounts Receivable Management (the “Project”) and desires to engage a consultant to provide medical billing and accounts receivable management services 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 the date of its full execution through June 30, 2027 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. 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 **Eight Hundred Thousand Dollars (\$800,000.00)**. 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.

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. 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. 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.

CONSULTANT shall be responsible for directing the work of any subcontractors and for any compensation due to subcontractors. CITY assumes no responsibility whatsoever concerning compensation of subcontractors. CONSULTANT shall be fully responsible to CITY for all acts and omissions of subcontractors. CONSULTANT shall change or add subcontractors only with the prior written approval of the City Manager or designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign Michael Brook, Senior Vice President, Client Relations, 5820 Stoneridge Mall Road, Suite 117, CA, 94588, (510)

904-5713, mbrook@digitechcomputer.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 Kim Roderick, Fire Department, Emergency Services Division, 250 Hamilton Ave., Civic Center Level 6, Palo Alto, CA, 94301, Telephone: (650)329-2220. 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.

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 three (3) 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 three (3) 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 CONSULTANT will provide the Purchasing Manager thirty (30) days' prior written notice of any cancellation or material reduction in coverage limits. 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. Either party may suspend the performance of the Services, in whole or part, or terminate this Agreement, without cause, by giving thirty (30) days prior written notice. The City Manager may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with 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 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 mutually agreed upon by CONSULTANT and 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 either via email, with confirmation of receipt, or 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: Digitech Computer LLC
480 Bedford Road, Building 600, 2nd Floor
Chappaqua, NY 10514
Attn: Michael Brook, Project Manager
Email: contracts@digitechcomputer.com

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.

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 unauthorized 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 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 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 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.

CONTRACT NO. C23183249 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

DIGITECH COMPUTER LLC

City Manager

Officer 1

DocuSigned by:
By: Mark Schiowitz
92D80FCCF691441...
Name: Mark Schiowitz

APPROVED AS TO FORM:

Title: President & CEO

City Attorney or designee

Officer 2

DocuSigned by:
By: Joyce Kerulo
62CFDD38F9874AF...
Name: Joyce Kerulo

Title: SVP

EXHIBIT A SCOPE OF SERVICES

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

1. CONSULTANT will provide complete medical billing and accounts receivable management services for CITY’s first responder, ALS paramedic transport, BLS transport, First Responder fees, and Membership Subscription program tracking and adjustment in accordance with the responsibilities outlined below, as required according to business needs.
2. CONSULTANT will have a comprehensive and successful Emergency Medical Services billing and customer service record with significant experience in Prehospital billing, account follow up, Quality Assurance Fee program (QAF), Government Emergency Medical Transport program (GEMT) and Inter-Governmental Transport program (IGT) reporting requirements, and support CITY with needed information for compliance. Prehospital billing experience shall include 911 system ambulance transports at the ALS / BLS level as well as experience in non-911 system interfacility transports. This level of experience would typically require 5 plus years of EMS / Ambulance billing business at a volume equal to or greater than the City of Palo Alto Fire Department. CONSULTANT must offer leading technology in electronic billing and insurance follow-up, compliance oversight, feedback and excellent customer service. CONSULTANT shall have highly qualified staff with a background in Prehospital billing. CONSULTANT shall provide data on company history of collections including payer mix with percentage of collections for each category. CONSULTANT shall provide the City with customer references.
3. CONSULTANT will provide local support to City and meet on a monthly basis.
4. CONSULTANT will provide general billing and accounts receivable management services to CITY for Emergency and Non-Emergency transport services consistent with the provisions in City’s Municipal Fee Schedule, ensuring that every billable claim is pursued to the following but not limited to:
 - a) Provide general billing for FRF and/or subscription fees as needed, and track accounts which these services apply to.
 - b) Maintain up-to-date knowledge of different industry insurance plans and providers, utilize most up-to-date knowledge and information with regard to coding requirements and standards, ensure compliance with applicable Federal, State and local regulations.
 - c) When a new account is received, assign billing account numbers that provide a cross-reference to the CITY’s assigned incident numbers.
 - d) On a monthly basis, reconcile the number of transports processed with those received.
 - e) Monthly, have CONSULTANT team meet with/at the City to review accounts, spot audit accounts, and update staff on status of outstanding or

- standing accounts. This includes but limited to: frozen accounts, accounts over 180 days, missing signatures, closed accounts, etc.
- f) Maintain responsibility for obtaining missing or incomplete insurance information and billing information.
 - g) Provide accurate coding of medical claims as set by State and Federal requirements and facilitate proper security of confidential information and proper shredding of all disposed material containing such information in accordance with HIPAA and Red Flag Rules and regulations.
 - h) Make recommendations as requested for fee schedule changes. Regularly advise CITY of changes in statues and industry regulations. Provide Bay Area average billing/fee schedules, as needed. Provide strategies to maximize programs, including company charts that estimate the impact of billing system changes.
 - i) For any accounts previously returned to the City for follow up or further action or which any payment is received by CONSULTANT, report such payment to ASD within 3 business days of receipt.
 - j) Pursue payment from international and local patients in the same manner with the same diligence.
 - k) When necessary, provide subject matter expert to assist with any application process as needed for City representative. (CMS, Worker's Comp, etc.)
5. CONSULTANT will abide by all local, state and federal laws applicable to medical billing and patient confidentiality.
6. CONSULTANT will maintain current Business Associate Agreement (BAA). Any breach of HIPAA information shall be reported and a plan for any breach of PHI at the expense of the CONSULTANT.
7. CONSULTANT will assist with GEMT, QAF, and IGT, or new State/Federal replacement program, submissions and reports.
8. CONSULTANT will provide report on subscription fee adjustments and report to agency as needed.
9. CONSULTANT will provide a monthly report of performance metrics based on:
- a) Collections Formula: (Send sample reports with proposal)
 - b) Collections Percent = collections/charges
 - c) Collections = Payments Less refunds (Exclude GEMT, IGT and Collections Agency Payments)
 - d) Charges for:
 - a. Medicare and Medicaid adjustments taken at time of billing or payment.
 - b. Include or Exclude?
 - c. Medicare not medically necessary
 - d. Medicare Claims with Missing Signatures
 - e. Self-Pay, Homeless, Transients
 - f. IMX Various Calculation
 - g. Gross Collection

- h. Net Collections-adjustment taken at time of payment
- i. Adjusted net collections – exclude NMN, missing signatures, etc.
- j. Account with payments
- k. Average Collections/Transport is the better collections performance metric

Patient Account Log

1. CONSULTANT will file and maintain a log (a “patient account log”) for each patient account documenting the complete history of all notices, phone calls, other correspondence, and actions taken to collect insurance payment, including but not limited to:
 - a) all invoice and billing records,
 - b) dates of all written and oral correspondence,
 - c) details of such correspondence,
 - d) notations of billing contacts and updates,
 - e) patient contacts,
 - f) returned mail, phone disconnects, etc.,
 - g) all records of re-submittals and corrections.
 - h) all information regarding the patient including CITY’s incident number, name, gender, date of birth, date of service, call type, address
 - i) ● in the case of account write-offs, the reason why the account is uncollectible.
 - j) ● all required documentation and agreements with payers (including Medicare, Medicaid, Champus, etc)
2. CONSULTANT will provide a copy of the Patient Account Log to City when referring the account back to the City.

Invoices and Billing.

1. Billing cycles will be reset upon billing a different payer and therefore may be extended beyond the 180 period for collections described in sections a through c below. CONSULTANT shall take all reasonable measures to ensure that patients are billed for services, including establishing contacts with local hospitals to obtain and/or verify patient insurance and demographic information, as necessary.
2. In general, if sufficient billing information is provided by the city, the account shall be invoiced within 3 business days. If insufficient billing information is provided by the city, the CONSULTANT shall pursue information within 10 business days. This includes; skip search, send patient a signature card, request a face sheet from the receiving facility, etc. Once sufficient information is obtained by the CONSULTANT the account shall be invoiced within 3 business days and follow the timelines as detailed below.
3. CONSULTANT will invoice patients according to the following billing cycle. Receipt of account shall be defined as the date the paper PCR or ePCRs received by the vendor.

a. Self-Pay Cycle – Completed PCR/ePCR:

<u>Correspondence:</u>	<u>Action Taken No Later Than:</u>
Coding account	within 5 business days of receipt
Initial Invoice no SSN	3 days for ePCR and 5 days for paper PCR from receipt of account
Initial Invoice with SSN	10 days for ePCR
First Letter Contact	15 days from receipt of account
Secondary Letter Contact	45 days from the previous invoice
Continued Follow Ups (Invoice or Letter)	80 days from receipt of account
Final Demand Notice	115 days from receipt of account
Refer to City for action or report status	145 days from receipt of account
	180 days from receipt of account

b. Insurance Accounts:

<u>Correspondence:</u>	<u>Action Taken No Later Than:</u>
Coding account	within 5 business days of receipt
Initial Invoice	3 days for ePCR and 5 days for paper PCR from receipt of account
First follow up	45 days after first submission to Insurance
Continued Follow Ups (Invoice or Letter)	80 days from receipt of account
	115 days from receipt of account
	145 days from receipt of account
Refer/report to City for action or report status	180 days from receipt of account

c. Incomplete PCR/ePCR

CONSULTANT shall pursue information within 10 business days. Once information is complete, the timelines shall be the same as in Section (a) above.

d. Special Accounts/Modified Payment:

CONSULTANT shall negotiate and arrange modified payment schedules for individuals unable to pay full amount when billed and shall work with customers to establish special payment cycles to accommodate these individual payment needs to accommodate installment payments, liens, bankruptcy, or other special payment arrangements.

Such payment plans shall be established in writing, with the record of the plan, installment invoices, and all payments retained in the Patient Account Log. Installments and other special accounts shall be mailed no later than every thirty (30) days until paid in full. If, after a modified payment plan is arranged and no payments are made for a continuous 60 day period, CONSULTANT shall refer the account to the City for action.

- e. Return Mail and Accounts Requiring Additional Information:
In addition to adhering to the billing cycle deadlines listed above, CONSULTANT shall conduct skip tracing search requests and/or review information acquired from hospitals no Later than 3 days from receipt of return mail/date
 - f. Communication with patients and customers: All correspondence or phone calls shall identify the CONSULTANT's name and clearly state they are working on behalf of the City of Palo Alto.
 - g. Delinquency Notice: All initial and subsequent invoices shall state the date on which the patient's account will become (or did become) delinquent,
 - h. Secondary insurance: Secondary insurance provider claims shall be submitted after the primary insurance provider has paid.
 - i. Return of delinquent and uncollectible accounts to City: Delinquent accounts shall be referred back to the CITY at the 180-day deadline as listed above in sections 13(a) – (c) with a copy of the Patient Account log or as directed by the City.
 - (1) Legally uncollectible amounts (such as Medicare and Medical approved payments lower than City rates) shall be reported separately and submitted monthly for City review.
 - (2) In returning delinquent accounts back to City, CONSULTANT shall provide, with the Patient Account Log, proof and dates of attempts to collect on the account.
 - (3) CONSULTANT shall hold all accounts transferred back to City in inactive status and shall perform no collection activity unless and until directed in writing by City.
 - j. Payment progress reports: For accounts in which insurance payment is pending or a modified schedule has been arranged, CONSULTANT shall provide a report to the City at 180 days from receipt of account and every thirty days thereafter that shows status and payment progress.
4. Reports: CONSULTANT will provide reports as requested by the City of Palo Alto. All reports submitted to the City shall be in numerical order of the City's incident numbers and shall be submitted no later than 10th day of the following month.

Required reports include:

- a. Monthly reports for the Month and Year-to-Date Activity, to City's Revenue Collections and Accounting:
 - Billing Report
 - Payment Report

- Detail Open Items Report including account status by date of service
 - Legally Uncollectible Report (Medicare and Medical)
 - Delinquent Accounts (referred to City)
 - Overpayment Report
 - Detailed Report of Collections for Each Service (IFT, Downgrades, ALS)
 - Comprehensive Fiscal Year End Report
 - Payer Mix Report
 - Exception Report on Unbilled Invoices
 - Report on payments received on items in collection status
- b. Monthly reports to Fire Department EMS Chief:
Itemized Patient Account Report Monthly (Listed: in order of City incident number) should include: date of service, dispatch time, unit number, patient name, age, DOB, status of account, i.e. invoiced or pending information

Incident #	date of service	dispatch time	unit number	Pt Name	Age	DOB	status
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- Detailed Summary Report of Collections for Each Service Monthly (IFT, Downgrades, ALS)
- c. Other reports to be provided as requested by City include :
- Comprehensive Fiscal Year End Report Annually (listing: sum of accounts, sum of charges, sum of adjustments, sum of Payments, sum of write-Offs, sum of reimbursement balances by month)
 - Payer Mix Report as requested
 - Miscellaneous Reports as requested
- d. Any additional reports requested by the CITY that are not listed in this Section 4 shall be subject to approval by CONSULTANT, which shall not be unreasonably withheld.

5. Electronic records: CONSULTANT shall be able to receive and send data compatible with the CITY’s field data system software (ePCR). CONSULTANT shall interface or have a link that is capable of downloading or uploading information from the CITY’s data collection system. (ESO Solutions is the current ePCR vendor)

CONSULTANT shall provide a billing interface with the CITY’s ePCR program and have it operational within 60 days of the award of the Contract and maintain an electronic interface throughout the Contract at no cost to the City.

CONSULTANT shall also maintain records in an electronic format that is accessible by designated CITY personnel, who will be given direct log on access to the vendor’s database and meets all Federal and State requirements for

maintaining patient medical records and privacy.

6. Customer inquiries: CONSULTANT shall provide a designated liaison to respond to patient/payer concerns, establish a toll-free telephone number for customers to call for inquiries, and respond to customer questions or concerns as soon as possible but no later than 24 hours of the initial inquiry (excluding holidays and weekends). CONSULTANT shall also provide assistance in responding to inquiries concerning third-party claims.
7. Training: CONSULTANT will keep City apprised of changes to industry regulations and periodically provides training as requested by CITY to CITY's EMS and/or CITY fire personnel regarding the gathering of the necessary information and proper completion of run tickets
8. Payments and accounting: CONSULTANT will maintain appropriate accounting procedures for reconciling all deposits, receivables, billings, patient accounts, adjustments and refunds. CONSULTANT shall maintain daily deposit control sheets and original documentation of payments. CONSULTANT shall accept cash, checks and credit card payments as acceptable forms of payment for invoiced services. All funds received by CONSULTANT shall be deposited directly into the City's designated bank account immediately upon receipt.
9. Audits: Cooperate with City as required to complete periodic audits.
10. CONSULTANT will transition to full implementation of services once according to the following schedule: *dates and deadlines TBD as provided by CONSULTANT and to be incorporated into this scope*
11. Monthly meetings: To ensure that CONSULTANT returns uncollected accounts in a timely manner and provide a check to ensure that CONSULTANT does not continue to bill accounts that have already been returned to City, CONSULTANT's Account Manager shall meet at least once per month with the City of Palo Alto Staff from the Fire Department and from the Administrative Services Department. To review open accounts, accounts referred back to City, problems and opportunities related to ambulance billing, and other related issues. At each meeting, CONSULTANT shall report on all accounts over 180 days and the status of accounts that have not been invoiced, as well as provide any other updates requested by City. The monthly meetings will be pre-scheduled, and the City of Palo Alto may request additional meetings if deemed necessary.
12. CONSULTANT will assist with completing any applications for EFT (Electronic Funds Transfer), CMS or other applications for the CITY.
13. In the event the City or CONSULTANT dissolves this agreement for any reason, all records will be returned or transferred in an agreed upon format and assist in a smooth transition of accounts to the City or designee.
14. Dissolution of agreement: If either party dissolves this agreement, all current accounts shall be handled as specified through 180 days at which time all accounts would be turned over to the CITY for processing.

II. Performance Requirements/Penalty for Non-Performance

Detailed below are the CONSEQUENCES for NON-PERFORMANCE for this Agreement.

1. Billing correspondence shall be submitted according to the timelines set forth in Attachment A, Sections 13(a), (b) and (c). Failure to meet the standard with a minimum 95% compliance in that month will result in a 2.5% reduction to the collection amount for the month in which the standard was not met. For example, if the CONSULTANT invoice amount for that month is \$15,000, the penalty for that month for noncompliance would be \$375.
2. CONSULTANT shall meet the 180-day referral back to the City for non-collection of billing. Failure to meet the standard with a minimum 95% compliance will result in a 2.5% reduction to that month's collection amount.
3. Submit all reports as required in Attachment B, Section 14 by the 10th of each month to verify satisfactory performance in monthly meetings with Fire and ASD Staff. Failure to meet this standard will result in a 2.5% reduction to that month's collection amount.
4. CONSULTANT shall initiate follow-up action within 10 days to gather all necessary data when insufficient information exists on initial submission to generate an invoice. Failure to meet this standard with a minimum 95% compliance will result in a 2.5% reduction to that month's collection amount.

III. City's Responsibilities:

1. CITY will provide CONSULTANT with patient information on a timely basis and in sufficient detail to support diagnosis and procedure coding. CITY will also provide patient demographic information necessary for accurate patient identification including name, address, social security number, date of birth, and telephone number, whenever possible.
2. CITY will obtain and provide CONSULTANT with patient health insurance, auto insurance or other insurance information.
3. CITY will provide CONSULTANT with necessary documents required by third parties to allow for the electronic filing of claims by CONSULTANT on City's behalf.
4. CITY will provide CONSULTANT with its approved billing policies and procedures including municipal fee schedules and collection protocols. CITY will be responsible for engaging any third-party collection service for uncollectible accounts after CONSULTANT has exhausted its collection efforts.
5. CITY will process refunds identified by CONSULTANT in a timely manner for account overpayments.

6. CITY will cooperate with CONSULTANT in all matters to ensure proper compliance with laws and regulations.

**EXHIBIT B
SCHEDULE OF PERFORMANCE**

(All work shall be performed as in accordance with EXHIBIT A - Scope of Services.)

EXHIBIT C **COMPENSATION**

CITY agrees to compensate CONSULTANT for the Services performed in accordance with the terms and conditions of this Agreement, including Services, any specified reimbursable expenses, and Additional Services (if any, per Section 4 of the Agreement), based on the hourly rate schedule attached as Exhibit C-1.

The compensation to be paid to CONSULTANT under this Agreement for all Services, any specified reimbursable expenses, and Additional Services (if any, per Section 4), shall not exceed the amount(s) stated 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.

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**.

A. Travel outside the San Francisco Bay Area, including transportation and meals, if specified as reimbursable, will be reimbursed at actual cost subject to the City of Palo Alto's policy for reimbursement of travel and meal expenses.

B. Long distance telephone service charges, cellular phone service charges, facsimile transmission and postage charges, if specified as reimbursable, will be reimbursed at actual cost.

All requests for reimbursement of expenses, if any are specified as reimbursable under this section, shall be accompanied by appropriate backup documentation and information.

**EXHIBIT C-1
SCHEDULE OF RATES**

All work related to complete delivery of the identified services as specified in EXHIBIT A – Scope of Services.

3.4% of Net Collections*

*Net collections is defined as total cash collections, less refunds. The price bid herein shall include all expenses of billing and collection including, but not limited to, stationery, forms, envelopes, postage, and phone facilities. Credit card fees are the responsibility of City of Palo Alto.

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	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		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>

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

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 INSUREDS.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

EVIDENCE OF INSURANCE AND OTHER RELATED NOTICES ARE REQUIRED TO BE FILED WITH THE CITY OF PALO ALTO AT THE FOLLOWING URL:

<HTTPS://WWW.PLANETBIDS.COM/PORTAL/PORTAL.CFM?COMPANYID=25569>

OR

HTTP://WWW.CITYOFPALOALTO.ORG/GOV/DEPTS/ASD/PLANET_BIDS_HOW_TO.ASP



City of Palo Alto

City Council Staff Report

(ID # 14161)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Amendment No. 2 to Contract No. C18168154 with SWA Services Group, Inc. for Janitorial Cleaning and Maintenance Services in Order to Extend the Term by Six Months through February 28, 2023 and Increase the Compensation by \$1,242,777 for a New Total Not-to-Exceed Amount of \$12,272,542.

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that the City Council approve and authorize the City Manager or their designee to execute [Amendment No. 2](#) to Contract No. C18168154 with SWA Services Group, Inc. (SWA), increasing the total compensation by \$1,242,777 for continued janitorial cleaning and maintenance services, and extending the term through February 28, 2023, for a new total not to exceed amount of \$12,272,542.

Background

On August 14, 2017, City Council approved a five-year contract in the amount of \$10,652,615 with SWA ([SR #8323](#)) for janitorial cleaning and maintenance services after a request for proposal process. On December 12, 2018, City Council approved Amendment No. 1 ([SR #9514](#)) to include the addition of services at the Police Department in a new total amount of \$11,029,765.

On March 21, 2022, speakers at a City Council meeting raised concerns about SWA's labor conditions and wages associated with the contract. Staff reviewed the issue and determined there was a discrepancy with the contract requirements pertaining to hourly wage rates. Following a discussion with SWA management, the issue was addressed.

Discussion

The current five-year contract term is scheduled to end on August 31, 2022. In the past, the timing of this contract expiration and the services procurement conflicted with the annual budget process in that new contract pricing was not finalized at the time of the budget hearings and approval, leading to the need for immediate budget amendments and contract approval following the Council break. Staff is recommending this six-month extension to the existing

contract to reset the contract expiration date for better alignment with the budget planning process.

SWA's original 5-year contract term ends on August 31, 2022. The new compensation and fee schedule for the six-month extension includes a 4% cost increase over year 5 pricing (total price increase over the six-month extension is \$45,395). The price increase includes the required 3% hourly wage increase for contract employees for Year 6 per contract terms.

The procurement process that resulted in the current contract with SWA included defined service levels and used selection criteria that prioritized fair wages for the contract employees over the lowest cost to the City. In preparation for the upcoming Request for Proposals (RFP), staff is actively evaluating options to structure employee wage requirements in the RFP. For example, the RFP could simply rely on Palo Alto's existing minimum wage ordinance requirements, or could use the California Public Utilities Code prevailing wage provisions for Santa Clara County, even though these provisions may not formally apply to the City. (Further research will be conducted to ascertain the applicability of such provisions.)

Staff is currently preparing the new RFP, and anticipates releasing it and bringing a new contract to Council for approval in late 2022 or early 2023.

Resource Impact

Funding for the six-month contract extension recommended in this report is included in the Fiscal Year 2023 Proposed Budget, pending Council approval, and will cover all but the \$45,395 cost increase for basic services and any additional services costs. The \$45,395 for basic services and any additional services costs will be absorbed by the Public Works, Public Services Custodial operating budget.

Policy Implications

Approval of this amendment is consistent with current City policies.

Stakeholder Engagement

Preparation for soliciting a new contract has already begun and scope of work change requests and related budget considerations from affected City Departments have been collected.

Environmental Review

This is not a project under the California Environmental Quality Act (CEQA).



City of Palo Alto

City Council Staff Report

(ID # 14165)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of a New Dark Optical Fiber License Agreement With the Palo Alto Unified School District as a Customer, From December 17, 2022 Through June 30, 2027

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council approve and authorize the City Manager or their designee to execute a new Dark Optical Fiber Backbone License Agreement ([Attachment A](#)) with the Palo Alto Unified School District as a customer, for a term beginning December 17, 2022 through June 30, 2027.

Background

The City of Palo Alto (City) and the Palo Alto Unified School District (PAUSD) previously executed a Dark Optical Fiber Backbone License Agreement (License Agreement) on December 16, 2010. Under this License Agreement the City provided dark fiber service to Terman Middle School (now Ellen Fletcher Middle School). In 2012, City of Palo Alto Utilities (CPAU) collaborated with the PAUSD to rebuild and optimize PAUSD's network by extending the dark optical fiber backbone network to all eighteen (18) PAUSD sites, in addition to supporting Internet connectivity with a link at the Palo Alto Data Center, Equinix SV8.

The availability of CPAU's communication conduit and dark fiber throughout Palo Alto, combined with the PAUSD's need to expand its network created an opportunity for both parties. The License Agreement was amended on December 17, 2012 for this network extension ([Amendment No. 1](#)), to memorialize the understanding that the City extended its dark fiber backbone to pass by all school premises and the PAUSD Office (18 sites), in consideration of the PAUSD's agreement to pay at least one-half of the interconnection fees (i.e., construction costs) attributable to the capital improvement benefits to the PAUSD. The total interconnection fee to be paid by the PAUSD was \$199,761, amortized over ten (10) years or 120 months at \$1,665/month. Effective March 2022, the remaining balance of the amortized interconnection fee is \$19,942. The amended License Agreement and plan to extend the fiber backbone to the PAUSD was presented to the Council in an Informational Staff Report ([CMR #3329](#)), dated December 3, 2012.

The License Agreement was amended again in 2017 (Amendment No. 2), to clarify that the term of the current agreement ends on December 16, 2022.

Discussion

The PAUSD participates in the Federal Communications Commission’s (FCC) E-Rate program, which makes telecommunications and information services more affordable for schools and libraries. With funding from the Universal Service Fund, the E-Rate program provides discounts for telecommunications, Internet access, and internal connections to eligible schools and libraries. The E-rate program is administered for the FCC by the Universal Services Administrative Company (USAC)¹. The dark fiber services provided by the City to the PAUSD are eligible for E-rate funding. It is expected that 40% of PAUSD’s dark fiber leasing cost will be reimbursed on an annual basis from the FCC E-rate program. Since the current License Agreement ended in December 2022, the PAUSD was required by the USAC to issue a Request for Proposals (RFP) for the upcoming E-rate funding year (July 1, 2022, to June 30, 2023).

On December 17, 2021, the PAUSD issued an RFP for “Leased Wide Area Network Services” (#21-IT-12-WAN). Proposals were due February 17, 2022. The RFP asked for either a “leased dark fiber” or “leased lit fiber” solution. Please note that the City uses the term “license” rather than “lease” for dark fiber services. On February 16, 2022, the City submitted a proposal for a dark fiber solution. The proposed agreement term is December 17, 2022, to June 30, 2027. The monthly recurring charge for the license fee in the proposal is \$11,202, which is based on the current Utility Rate Schedule EDF-3 (*Dark Fiber Licensing Services*). CPAU has not modified the EDF-3 rate schedule since September 18, 2006. Any future changes to the EDF-3 rate schedule will require a cost of service study and Council’s approval. There are no additional one-time charges in the proposal since the existing dark fiber services provided to the PAUSD are operational.

On March 8, 2022, the Palo Alto Unified School Board voted to award a contract in the amount of \$672,120 to City of Palo Alto Utilities for a term of 60 months beginning on December 17, 2022. However, PAUSD is requesting to reduce the term of the agreement from 60 to 54 months with a termination date of June 30, 2027 to align with the federal E-rate fiscal calendar. In the Letter of Agreement (Attachment B) submitted with the proposal, the City stated that if selected for the award of this RFP, CPAU would obtain approval by its City Council at a publicly noticed meeting before a binding contract can be entered, as required by the City’s Municipal Code. Council’s approval of this action will authorize the City to execute this agreement.

Resource Impact

The PAUSD has been a dark fiber optic customer since 2010. Since the PAUSD is not requesting any change in the number of dark fiber connections or configuration of the network, the recurring charge for the license fee remains \$11,202 monthly or \$134,424 annually. The recurring revenue will be included in the FY 2023 Fiber Optic Revenue budget.

¹ Universal Services Administrative Company website: <https://www.usac.org/>

Policy Implications

A new Dark Optical Fiber Backbone License Agreement does not represent a change to current City policies.

Environmental Review

The provision of dark fiber to PAUSD under a new Dark Optical Fiber Backbone License Agreement is not subject to the California Environmental Quality Act (CEQA) since existing fiber facilities are categorically exempt from review under Title 14 of the California Code of Regulations Section 15301.

Attachments:

- **Attachment9.a:** Attachment A: Dark Optical Fiber License Agreement
- **Attachment9.b:** Attachment B: PAUSD Letter of Agreement

DARK OPTICAL FIBER BACKBONE LICENSE AGREEMENT

THIS DARK OPTICAL FIBER BACKBONE LICENSE AGREEMENT (“Agreement”) is entered into on June 20, 2022, to be effective on December 17, 2022 (“Commencement Date”) by and between:

CITY OF PALO ALTO (“CITY”)

A California chartered city
250 Hamilton Avenue
Palo Alto, CA 94301

and (“CUSTOMER”)

PALO ALTO UNIFIED SCHOOL DISTRICT
25 Churchill Avenue
Palo Alto, CA 94306

(individually, “Party” and, collectively, “Parties”).

IN CONSIDERATION OF the mutual covenants, terms and conditions set forth in the Agreement, the Parties agree, as follows:

1. **DEFINITIONS.** The capitalized terms that are used in the Agreement and the Exhibits shall have the meanings set forth in the Palo Alto Municipal Code and/or the City of Palo Alto Utilities Rules and Regulations (“Rules and Regulations”), Rule and Regulation 26, and/or Utility Rate Schedules EDF-2 and EDF-3, which are incorporated herein by reference and made a part hereof, unless the context otherwise clearly indicates a different meaning.

2. **EXHIBITS TO AGREEMENT.** The following Exhibits are incorporated herein by reference and made a part hereof:

- A Special Terms
- B Proposal for Dark Fiber Services #21-IT-12-WAN
- C Fiber License Agreement Investigation Request Form - Sample
- D Insurance Requirements
- E Fiber License Agreement Information Request Form
- F Acknowledgement of Receipt of City of Palo Alto Utilities Rules and Regulations

3. **TERM AND TERMINATION.**

(a) **Commencement Date, Term, Extension, Renewal.** The Agreement shall commence on the Commencement Date and shall continue until the Agreement expires on June 30, 2027 (“initial term”) or is sooner terminated in accordance with the covenants, terms and conditions of the Agreement.

(b) **Termination.** A Party may terminate the Agreement without cause, provided that Party gives to the other Party ninety (90) days’ prior written notice of termination. A Party may terminate the Agreement for cause, provided that Party gives to the other Party the specified prior written notice, or if none is stated, thirty days’ prior written notice.

(c) **Early Termination Fee.** If the CUSTOMER chooses to terminate for convenience the Agreement or the term of any project covered by a Proposal under the Agreement, then the CUSTOMER shall pay the applicable termination payment, equal to the net present value of the remaining fees of the project term as indicated in each Proposal.

4. TELECOMMUNICATIONS INFRASTRUCTURE.

(a) **Warranties.** The CITY makes no representations, warranties, covenants or assurances: (1) with respect to the design, construction, durability or suitability of the telecommunications infrastructure, or any part thereof, whether express or implied, and the CITY specifically disclaims any implied warranty of merchantability and any implied warranty of fitness for a particular purpose; (2) with respect to the nature or accuracy of the description, location or measurement of the telecommunications infrastructure, the telecommunications pathway, or any part thereof; (3) that the CITY will increase or decrease the number of dark fibers constituting a part of the telecommunications infrastructure at any time during the term hereof; or (4) that the CITY will obtain the legal right to locate, maintain or use the telecommunications infrastructure, or any part thereof, in the Peninsula Corridor Joint Powers Board (“PCJPB”) right-of-way by means of a license agreement, an easement agreement or other written instrument.

(b) **Relocation, Repair or Removal of Telecommunications Infrastructure.** The CITY, at its sole cost and expense, may upon reasonable notice to the CUSTOMER, or, in the event of an emergency, upon 24 hours’ prior oral notice, relocate,

repair, replace or remove the telecommunications infrastructure.

(c) **Access.** The CUSTOMER is prohibited from accessing the telecommunications infrastructure (other than accessing that portion of the conduit, which the CUSTOMER is obligated to maintain), the transmission pathway, or any CITY electric or other utility facility. Only personnel authorized by the CITY will be allowed to connect the CUSTOMER's service to, or disconnect CUSTOMER's service from, the fiber optic system on the CITY side of the demarcation point.

5. **GRANT OF LICENSE.** The CITY grants the CUSTOMER a nonexclusive license to use the Licensed Fibers identified in each Proposal, on condition that the CUSTOMER shall timely pay all applicable fees, rates, charges and applicable taxes ("Fees"), and shall be in compliance with all other covenants, terms and conditions of the Agreement. All connections to CITY fiber shall be within the jurisdictional boundaries of the CITY. This grant is subject to the CITY'S right to occupy and use the public rights-of-way [including the PCJPB rights-of-way], public utility easements, private property and any other property in and on which the CITY's dark optical fiber backbone is located, which right may be delineated in any contract, dedication, deed, easement, license or other similar form of document. Nothing in the Agreement shall be deemed to grant, convey, create, or vest an interest or estate in land, including but not limited to any fee, leasehold, easement or franchise, in the CUSTOMER. The CITY shall not be liable to the CUSTOMER on account of the PCJPB's termination of the CITY's right to occupy the PCJPB's rights-of-way, except as provided herein.

6. **LIMITATIONS ON USE.** If the CUSTOMER uses the Licensed Fibers and/or any other portion of the Backbone to provide, in whole or in part, services subject to AB 2987 (Ch. 700, Stats. 2006) and/or Chapters of the Palo Alto Municipal Code relating to the provision of video services as defined in AB 2987, the CUSTOMER shall apply for a franchise and pay the franchise fee as required by applicable law.

7. FEES.

(a) **Types of Fees.** The CUSTOMER shall pay to the CITY the current fees that are identified in each Proposal and referred to in Utility Rate Schedules EDF-2 and EDF-3, including the Dark Fiber Backbone License Fees, Drop Cable Management Fees, Custom Cable Management Fees,

and any applicable administrative and miscellaneous charges. The CUSTOMER shall pay the fees identified in each Proposal without set-off or recoupment, in accordance with the covenants, terms and conditions of the Agreement. The CUSTOMER shall pay, upon the execution of the Proposal, the Interconnection Fee.

(b) **Method of Payment.** The CUSTOMER at its election shall pay the total Drop Cable Management Fees (excluding the Interconnection Fee) either in a lump sum at the commencement of the term of a Proposal or in equal monthly installments, as they shall become due and payable on the first day of the month. The CITY shall issue to the CUSTOMER, upon request, a monthly billing statement for the fees (excluding the Interconnection Fee). If the CUSTOMER elects the monthly installment payment option, then the CUSTOMER shall pay the first monthly installment on or before the execution date of the Agreement and Proposal #B-1.

(c) **Result of Untimely Payment.** The CITY reserves the right to charge the CUSTOMER interest on the lump sum or any monthly installment at a rate not to exceed the maximum rate allowable by law if the CUSTOMER fails to timely pay the lump sum or any monthly installment. The CUSTOMER shall timely pay any and all undisputed portions of the fees in the event the CUSTOMER disputes in good faith any other portion of the fees. The CITY, upon two (2) days' prior written notice, reserves the right to temporarily suspend or terminate services to the CUSTOMER until the CUSTOMER has paid any and all undisputed fees. An administrative charge of two hundred dollars (\$200) or such other charges as may be established by CITY by law shall be due and payable by the CUSTOMER for the cost of processing and handling the CUSTOMER's failure to pay any of the fees required by this Agreement and/or the Proposal. The CITY reserves the right to modify the administrative charge by law and charge the CUSTOMER interest on the administrative charge if payment is not made within thirty (30) days of its assessment.

8. **INSURANCE.** Within five (5) Days after the CUSTOMER executes the Agreement and initiates Service with its submission of Proposal B-1 and pays the fees, the CUSTOMER shall obtain and maintain the policies of insurance described in Exhibit D. The CUSTOMER shall maintain these policies of insurance during the term of the Agreement and any and all unexpired Proposals.

9. **INDEMNITY.** To the fullest extent permitted by law and without limitation by the provisions of

Section 8, relating to insurance, the CUSTOMER shall indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents from and against any and all demands, claims, injuries, losses, or liabilities of any nature, including death or injury to any person, property damage or any other loss and including without limitation all damages, penalties, fines and judgments, associated investigation and administrative expenses and defense costs, including, but not limited to reasonable attorney's fees, courts costs and costs of alternative dispute resolution, arising out of, or resulting in any way from or in connection with the performance of this Agreement. The CUSTOMER's obligations under this Section apply regardless of whether or not a liability is caused or contributed to by any negligent (passive or active) act or omission of CITY, except that the CUSTOMER shall not be obligated to indemnify for liability arising from the sole negligence or willful misconduct of the CITY. The provisions of this Section survive the expiration or termination of this Contract.

10. DESTRUCTION.

(a) **CUSTOMER's Property.** In the event of a total or partial destruction of substantially all of the CUSTOMER's Property, or any part thereof, where such casualty occurs as a result of an event of Force Majeure, whether or not such casualty is covered under a policy of insurance carried by the CUSTOMER, this Agreement may be terminated at the option of the CUSTOMER, or the LICENSEE, at its sole cost and expense, may commence and complete as soon as practicable the repair or restoration of the damaged CUSTOMER's Property, or any part thereof, to substantially the same condition immediately before the event of destruction.

(b) **Telecommunications Infrastructure.** In the event of a total or partial destruction of the Telecommunications Infrastructure, or any part thereof, including the Licensed Fibers, where such casualty occurs as a result of an event of Force Majeure, whether or not such casualty is self-insured or covered under a policy of insurance carried by the CITY, this Agreement may be terminated at the option of the CITY, or the CITY, at its sole cost and expense, may commence and complete as soon as practicable the repair or restoration of the damaged Telecommunications Infrastructure, or any part thereof, including the Licensed Fibers, to substantially their same condition immediately before the event of destruction. If the CITY elects to terminate this Agreement, the CITY shall be relieved of any obligation to the CUSTOMER, and the

CUSTOMER shall be released from its obligations under this Agreement.

11. **CONDEMNATION.** The Party receiving a notice of condemnation promptly shall give to the other Party a copy of the notice of condemnation.

(a) **Total Condemnation.** If the property or premises of a Party is totally taken by condemnation, this Agreement shall terminate as of the date title to that Party's property or premises is taken by the condemnor.

(b) **Partial Condemnation.** If the property or premises of a Party is partially taken by condemnation, this Agreement shall not terminate, provided, however, the Party whose property or premises is partially taken, at its option, may terminate this Agreement for cause if all or substantially all of the property or premises cannot be used for the purposes for which the Party entered into this Agreement.

(c) **Termination; Award and Payment.** If the Party whose property or premises is partially taken elects to terminate this Agreement, the notice of termination shall become effective within thirty (30) Days after the other Party has received notice of termination. An award and any other payment on account of a total or partial taking of the Telecommunications Infrastructure, or any part thereof, including the Licensed Fibers, shall be made and paid to the CITY.

12. **DEFAULT.** The non-defaulting Party may terminate the Agreement and any and all unexpired Proposals upon the occurrence of an event of default caused by the defaulting Party, if the defaulting Party fails to cure the event of default within the period of time specified below. In an event of default of a financial nature, the defaulting Party shall cure the default within two (2) days of receipt of the notice of default. In the event of default of a non-financial nature, the defaulting Party shall cure the default within ten (10) days of receipt of the notice of default. A failure to cure an event of default within the specified period of time shall constitute a material breach of the Agreement.

(a) **Events of Default.** The occurrence of any of the following shall constitute a material default by the CUSTOMER:

(i) Failure to pay any fee, when due, unless the CUSTOMER, in good faith, disputes all or any portion of the fee, in which event the CUSTOMER shall pay only that portion of the fee that it does not dispute.

(ii) Failure to perform, observe or comply with any other covenant, term or condition of the Agreement that the CUSTOMER is required to observe or perform.

(iii) Assignment or transfer of the CUSTOMER's interest in the Agreement, voluntarily or by operation of law.

(iv) Assignment or transfer of the CUSTOMER's assets for the benefit of the CUSTOMER's creditors.

(v) Filing of a petition in bankruptcy or a petition for reorganization or other arrangement relating to the bankruptcy, insolvency, or receivership of the CUSTOMER and/or its assets, unless the same is dismissed within 180 days of the filing thereof.

(vi) Any representation or warranty of the CUSTOMER that shall prove to have been incorrect, false, or misleading in any material respect when made.

(b) **Obligation to Perform; Payment.** The termination of the Agreement and any and all unexpired Proposals shall not relieve the defaulting Party of its obligation to perform its obligations, including the payment of the fees, prior to the effective date of termination.

(c) **Remedies for Default.** The CITY shall have the following rights and remedies, in addition to all other rights and remedies provided by applicable law, to which the CITY may resort cumulatively, or in the alternative, the CITY may:

(i) Keep the Agreement in effect and enforce all rights and remedies that it enjoys under the Agreement, including but not limited to the right to payment of all fees as they shall become due, by appropriate legal action.

(ii) Seek specific performance of the Agreement in addition to other rights and remedies that available at law or in equity.

(iii) Terminate the Agreement for cause.

(d) **DAMAGES.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, NEITHER THE CITY NOR THE CUSTOMER SHALL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, LIQUIDATED, OR SPECIAL DAMAGES, OR FOR LOST REVENUES OR LOST PROFITS TO ANY PERSON ARISING OUT OF THIS AGREEMENT OR THE PERFORMANCE OR NONPERFORMANCE OF ANY PROVISION OF THIS AGREEMENT, EVEN IF SUCH PARTY HAS BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES. THE CITY'S TOTAL LIABILITY FOR ANY CLAIM OR DEMAND OF THE CUSTOMER ARISING OUT OF THIS AGREEMENT SHALL NOT EXCEED THE AMOUNT OF THE FEES PAID BY THE CUSTOMER TO THE CITY PRIOR TO THE DATE OF CLAIM OR DEMAND.

13. **REPRESENTATIONS; WARRANTIES.** The CUSTOMER represents and warrants that (i) it is in compliance with all applicable laws, rules, regulations and tariffs relating to its activities covered by the Agreement, (ii) it is not in delinquency for payment of any CITY fees, taxes or charges for electricity and other utilities and services, (iii) it has the requisite power and authority to carry on the business it now conducts, (iv) it is a sole proprietorship or a corporation, partnership, or limited liability company, duly formed, validly existing and in good standing under the laws of the State of California (v) it has the power to enter into and perform its obligations under the Agreement, which constitutes a legal, valid and binding obligation of the CUSTOMER and enforceable against it in accordance with its covenants, terms and conditions, (vi) the execution, delivery and performance of its obligations under the Agreement have been duly authorized, and (vii) there is no pending or threatened action or proceeding before any court or agency affecting the financial condition or operation of the CUSTOMER or its ability to perform its obligations under the Agreement.

14. **WAIVER.** The consent of a Party to any act or omission of the other Party shall not be deemed to imply consent to or constitute a waiver of a default or breach of any term or condition of the Agreement or a continuing waiver of a subsequent default or breach of the same or different term or condition, nor shall any custom or practice which may arise between the Parties in the administration of the Agreement be construed to waive or lessen the right of a Party to insist upon full performance of the other Party in strict compliance with the covenants, terms and conditions of the Agreement.

15. **NOTICE.** All notices which shall or may be given pursuant to this Agreement shall be in writing and delivered by the United States Postal Service, or by registered mail or certified mail, postage prepaid, by commercial overnight delivery service, by facsimile transmission, or by electronic transmission, to the address of any Party set forth in the introductory paragraph of the Agreement and to the person(s) described below:

CITY: City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301
Attn: City Clerk
Telephone: 650-329-2571
Facsimile: 650-328-3631

CUSTOMER:
PALO ALTO UNIFIED SCHOOL DISTRICT
25 Churchill Avenue
Palo Alto, CA 94306
650-3293775

<https://www.cityofpaloalto.org/Departments/Utilities/Utilities-Services-Safety/Utility-Rules-and-Regulations>

16. MISCELLANEOUS.

A. The Agreement and all Exhibits contain the entire understanding between the Parties as to the subject matter herein. There are no representations or warranties, oral or in writing, between the Parties pertaining to the subject matter hereof that are not fully expressed in the Agreement.

B. The Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties.

C. The Agreement may not be amended, unless the Parties first sign a written instrument that amends the Agreement. No amendment of the Agreement will be deemed effective, unless and until the City Manager has first approved the amendment, in writing, and the City Attorney has approved as to form. A Proposal may be amended by any designated representative of either Party.

D. The Agreement is governed by and construed in accordance with the California law without regard to its conflicts of laws, rules or principles.

E. Trial of any action regarding any dispute concerning the Agreement and/or any Proposal will be vested in the state courts of California, County of Santa Clara, or in the United States District Court, Northern District of California, in the county of Santa Clara, as appropriate.

F. Each Party and its counsel have reviewed the Agreement. Accordingly, the normal rules of construction to the effect that any ambiguity will be resolved against the drafting party will not be employed in the construction and interpretation of the Agreement.

G. The CUSTOMER acknowledges that Fibers licensed pursuant to this Agreement are subject to the Rules and Regulations, and acknowledges receipt of a copy of the Rules and Regulations in electronic form, effective as of the Commencement Date. Copies of the Rules and Regulations are available to the public at the Utilities Customer Service Center, Second Floor, 250 Hamilton Avenue, Palo Alto, California 94301, or online at

H. Each Party will comply with all lawful federal, state and local laws, ordinances, resolutions, rate schedules, rules and regulations that may affect its rights and obligations under the Agreement.

I. The Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. The Agreement will terminate without any penalty (i) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (ii) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal years and funds for the CITY's obligations are no longer made available. This provision will take precedence in the event of a conflict with any other term or condition of the Agreement.

J. No payment, partial payment, acceptance or partial acceptance by the CITY will operate as a waiver on the part of the CITY of any of its rights under the Agreement.

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IN WITNESS WHEREOF, the Parties have executed the Agreement by their duly appointed representatives on the date first above stated at Palo Alto, Santa Clara County, California.

CITY OF PALTO ALTO

Director of Utilities

PALO ALTO UNIFIED SCHOOL DISTRICT

By: _____

Title: _____

EXHIBIT "A": SPECIAL TERMS

"Backbone" means the high-density portion of the Telecommunications Infrastructure consisting of the Dark Fibers, which is designed to serve as the telecommunications paths at different locations within the jurisdictional boundaries of Palo Alto.

"Commencement Date" means the day on which this Agreement is approved by the CITY.

"Condemnation" means the right of an Agency, including the CITY, to take property for public use, and it shall include a voluntary sale or transfer by the CITY to the condemnor Agency under a threat of a taking under the power of condemnation or during the pendency of formal condemnation proceedings.

"Drop Cable" means any CITY-owned and CITY-installed Fiber cable, one end of which is attached at a Junction Site by the CITY, and the other end of which is attached to the CUSTOMER's property by the CUSTOMER.

"Drop Cable Management Fee" means the annual fee paid in advance by the CUSTOMER to the CITY for each drop cable licensed by the CITY to the CUSTOMER. This fee may be waived, in writing, for any period of time by the Utilities Director, acting on behalf of the CITY, for any Drop Cable less than one hundred (100) feet in length.

"Fiber" means a solid core of optical transmission material.

"Fiber-Miles" means a unit of measurement of the product of the number of Licensed Fibers and the number of Route-Miles for any element.

"Force Majeure" means the occurrence of any event that has, had or may have an adverse effect on the design, construction, installation, management, operation, testing, use or enjoyment of the Telecommunications Infrastructure, the CUSTOMER's Property, or the Licensed Fibers, which is beyond the reasonable control of the parties and which event includes, but is not limited to, an Act of God, an irresistible superhuman cause, an act of a superior governmental authority, an act of a public enemy, a labor dispute or strike or a boycott which could not be reasonably contemplated by the Party affected thereby, a defect in manufactured equipment (including, but not limited to, the Dark Fibers), fire, floods, earthquakes, or any other similar cause.

"Telecommunications Infrastructure" means the Poles, boxes, handholes, manholes, vaults, conduits, innerducts, surface location markers, cables (including coaxial cables, Custom Cables, Drop Cables, Fiber cables and messenger cables), Fibers, wires (including copper wire), circuits, conductors, Splice enclosures, patch panels, cabinets, converters, generators, amplifiers, receivers, switches, wireless transmitters and receivers, and all other equipment or facilities containing the Dark Fibers or to which the Dark Fibers are attached, owned, controlled or used by the CITY, in existence either at the Commencement Date or during the Term hereof and located overhead or underground within the Public Right-of-Way, the Public Utility Easements and Licensed Service Properties.

"Term" means the term of this Agreement, as defined in Section 3(a).

"Transmission Pathway" means those areas of the Public Right-of-Way, the Public Utility Easements and the Licensed Service Properties in which the Telecommunications Infrastructure is located.

In addition to the foregoing, other terms are defined throughout this Agreement.

EXHIBIT "B": PROPOSAL FOR DARK FIBER SERVICES

CITY OF PALO ALTO UTILITIES
RESPONSE TO REQUEST FOR PROPOSALS – LEASED WAN FIBER
SERVICES
#21-IT-12-WAN

February 16, 2022



Mr. Derek Moore
Chief Technology Officer
Palo Alto Unified School District
25 Churchill Avenue
Palo Alto, CA 94306

Subject: Request for Proposals - Leased WAN Fiber Services # 21-IT-12-WAN

Dear Mr. Moore:

City of Palo Alto Utilities (CPAU) is honored to submit a letter of interest and proposal to the Palo Alto Unified School District (District) in response to Request for Proposals #21-IT-12-WAN (Leased Wan Fiber Services).

CPAU has a long-term cooperative relationship with the District in many areas, including the licensing of City-owned dark fiber to support the District's WAN links. In 2012, CPAU collaborated with the District to rebuild and optimize the District's network by extending CPAU's dark optical fiber backbone network to all eighteen (18) District sites, in addition to supporting Internet connectivity with a link at the Equinix SV8 Palo Alto Data Center. The availability of CPAU's communication conduit and dark fiber throughout Palo Alto, combined with the District's need to expand its network to serve seventeen (17) schools and the District Office, created an opportunity for both parties that has advanced this cooperative relationship.

This network expansion served the needs of both the City and the District. The District acquired a high speed, reliable network that offers all the advantages of state-of-the-art communications. The expansion of the dark fiber backbone to previously unserved areas of the community allowed the City to provide dark fiber service to the District, as well as additional diverse routes, creating new value for the dark fiber backbone. In the spirit of cooperation, it should be noted that the City and the District agreed to share the construction costs (i.e., interconnection fees) to support the communication needs of eighteen (18) District sites with dark fiber. The City agreed to bear one-half of the one-time interconnection fee and the District reimburses the City for the other one-half in 120 monthly payments over ten years.

CPAU looks forward to providing dark fiber services and continuing the cooperative relationship that serves the District's educational goals, which are highly dependent on state-of-the-art communications infrastructure. Both the City of Palo Alto and the Palo Alto Unified School District have served the community for generations and our hope is to use a local asset to further this relationship.

Respectfully,

Dean Batchelor
Director of Utilities Department
City of Palo Alto Utilities
250 Hamilton Avenue
Palo Alto, CA 94301
650-496-6981
dean.batchelor@Cityofpaloalto.org

www.CityofPaloAlto.org



Proposer: City of Palo Alto Utilities
Response to Palo Alto Unified School District
RFP # 21-IT-12-WAN

The responses in this document correlate to the items required in the above-noted Request for Proposals issued on December 17, 2021.

Per the RFP:

REQUIREMENTS (responses are in blue type)

1. Project must be completed by December 17, 2022; vendor cannot begin billing for a circuit until the circuit has been completed to the District's satisfaction.
 - City of Palo Alto Utilities (CPAU) acknowledges and agrees.
 - Beginning in 2012, CPAU collaborated with the District to rebuild and optimize the District's network by extending CPAU's dark optical fiber backbone network to all eighteen (18) District sites. CPAU is currently providing dark fiber service to all 18 sites, in addition to supporting Internet connectivity with a link at the Equinix SV8 Palo Alto Data Center.
2. Ongoing Monthly Recurring Costs for Maintenance and Operations for Leased Dark fiber circuits must be specified.
 - CPAU can specify existing circuits by Location Z (school site) as all circuits originate at location A, the District's Hub and Minimum Point Of Entry. This is known as a "spoke and hub network." Please reference the attached PAUSD Network Diagram of the existing dark fiber WAN links licensed to the District by CPAU. (Addendum #1)
3. For both leased dark fiber and leased lit fiber solutions, the handoff must be compatible with an Aruba 8325 switch with either an Aruba 25G SFP28 LC LR 10km SMF Transceiver or an Aruba 10G SFP+ LC LR 10km SMF Transceiver.
 - The hand off is compatible with the switch specified by the District: Aruba 25G SFP28 LC LR 10km SMF Transceiver or an Aruba 10G SFP+ LC LR 10km SMF.
4. For dark fiber proposals, vendor must provide only 2 strands of fiber for each spoke site. If possible, provide a cost allocation showing that only 2 strands will be charged to the District for each fiber run.

- CPAU proposes that only two (2) dark fiber strands will be used and active for each District site. The fiber conduit may contain more than two (2) dark fiber strands should the District require more fiber in the future or replacement fibers are required. The industry standard fiber counts are typically 6, 12, and 24 fibers per tube. CPAU proposes to utilize the existing two active strands between each site and the MDF. Please reference the attached PAUSD Network Diagram of the existing dark fiber WAN links licensed to the District by CPAU. (Addendum #1)
5. All proposed plans should include detailed billing.
- During the 60-month (5 year) term of the proposed contract, CPAU will bill the District monthly for the Monthly Recurring Charge (MRC), in addition to the remaining monthly balance due for the amortized interconnection fee (i.e., construction costs) itemized in the Dark Optical Fiber Backbone License Agreement (DOFBLA) Amendment No. 2 (which includes the original License Agreement and Amendment No. 1) . (Addendum #2) The following is a summary of the current agreement and billing:
- Please refer to Amendment No. 2 to the Dark Optical Fiber Backbone License Agreement (License Agreement) between the City of Palo Alto and the Palo Alto Unified School District, including exhibits F1 and F2
 - Amendment No. 2 includes the Proposals for the *Dark Fiber Backbone License Fees* (Exhibit F-1 - MRC \$10,117) and the *Drop and Custom Cable Management Fees* (Exhibit F-2 -MRC \$1,085).
 - MRC is $\$10,117 + \$1,085 = \$11,202/\text{month}$
 - Per License Agreement Amendment No. 2, the total interconnection fee (i.e., construction cost) to be paid by the District is \$199,761, amortized over ten (10) years or 120 months at \$1,664.68/month. Effective February 14, 2022, the remaining balance of the amortized amount is \$21,606.95.
 - CPAU note: If a contract is awarded to CPAU under this RFP, a new Dark Optical Fiber Backbone License Agreement (License Agreement) will be required, since the current agreement dated December 16, 2010, ends December 16, 2022. The License Agreement was originally entered into by and between the City of Palo Alto and the Palo Alto Unified School District on December 16, 2010, to extend the fiber backbone to Terman Middle School (now Ellen Fletcher Middle School). The agreement was amended in 2012 (Amendment No. 1), to memorialize the understanding that the City extended its dark fiber backbone to pass by all school premises (18 sites), in consideration of the District's agreement to pay at least one-half of the interconnection fees (i.e., construction costs) attributable to the capital improvement benefits to the District. The agreement was amended again (Amendment No. 2) in 2017, to clarify that the term of the current License Agreement ends on December 16, 2022.
6. Cost Proposal will include costs for services by site, as outlined in Exhibit B.
- Please reference Cost Proposal Exhibit B.
7. All Leased Lit Fiber proposals must have the option to upgrade bandwidth incrementally as needed during the term of the contract if Leased Lit Fiber option is chosen. Bandwidth options must include 10Gbps, 25Gbps, and 40Gbps connectivity rates.
- CPAU is not proposing a Leased Lit Fiber option.

8. All sites listed must have the option to downgrade bandwidth as needed during the term of the contract if Leased Lit Fiber option is chosen.

- CPAU is not proposing a Leased Lit Fiber option.
- CPAU's dark fiber option provides flexibility to the District to increase or decrease the speed of the connection as needed for each site

9. Pricing for 60 Month (Five Year) contract terms for Leased Dark Fiber and Leased Lit Fiber. Unless otherwise agreed upon, the contract start date will be December 17, 2022, contingent upon E-Rate funding.

The current License Agreement between the City and the District ends on December 16, 2022. Contingent on E-Rate funding, CPAU proposes a 60-month (5 year) term for dark fiber. The proposed start date is December 17, 2022. If a contract is awarded to CPAU under this RFP process, a new License Agreement with a 60-month (5 year) term will need to be executed between CPAU and the District.

10. Prices to remain firm through SLD approval, execution, and duration of the proposed contract. In the event of a price decrease for service or from the manufacturer, said decrease shall be passed on to the District and documented with new price sheet sent to the District Office.

- During the 60-month (5 year) term of the proposed contract, CPAU does not anticipate an increase in Utility Rate Schedule EDF-3 (*Dark Fiber Licensing Services*). All fees in EDF-3 are subject to change by the City Council. CPAU has not modified the EDF-3 rate schedule since September 18, 2006. This rate schedule applies to all customer accounts created after September 18, 2006. This rate schedule applies to Fiber Optic services pertaining to the City's network (backbone and associated connections). The rate schedule is available at:

<https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilities/commercial-utility-rates/edf-3-effective-9-18-2006.pdf>

11. All equipment/services costs must be new and included and identified separately.

- CPAU is not proposing any new equipment or services.

12. Manufacturer must warrant all parts and equipment.

- CPAU will provide all necessary parts and maintenance in service of its dark fiber service infrastructure.

13. Vendor must be a certified reseller of parts and equipment.

- CPAU does not resell equipment. All equipment required for dark fiber service will be provided by CPAU to support its dark fiber infrastructure.

14. Vendor can provide alternative financing options compatible with the E-Rate program, if available.

- CPAU is a registered service provider with the Universal Service Administrative Company (USAC). CPAU's service provider identification number (SPIN) is 143035172. CPAU proposes to follow the requirements of the E-Rate program for provisioning dark fiber services to the District and is current with its Form 473 (*Annual Service Provider Certification*) filings with the USAC. (Addendum #3)

Leased Dark Fiber Maintenance

Overview: CPAU proposes to operate and maintain the District's dark fiber network to an industry standard that provides optimal network uptime, in addition to timely and best practices maintenance. CPAU looks forward to providing exceptional services in these specific areas and operations:

- **Call before you dig locate services:**
 - CPAU adheres to all rules and regulations regarding *call before you dig* requirements. CPAU uses in-house fiber locators for accurate fault detection services for its fiber plant and uses “*Call 811 Before You Dig*” Underground Service Alerts (USA) to ensure other utilities are not impacted if fiber repairs require any type of excavation.
- **Routine maintenance and inspection:**
 - CPAU fiber crews inspect and maintain the physical dark fiber network fiber on an as-needed basis.
- **Scheduled maintenance windows and scheduling practices for planned outages:**
 - Planned outage notices are sent to customers as soon as a maintenance project is approved, typically a month or more in advance. Alternate dates for the outage may be considered by CPAU. Often, fiber path rerouting can be performed to maintain a customer connection during a planned outage.
- **Handling of unscheduled outages and customer problem reports, description of what service level agreement is included, and what alternative service levels may be available at additional cost:**
 - Unscheduled outages are handled by CPAU’s Fiber Operations Crew. The solutions for unscheduled outages include but are not limited to the following: telephone diagnosis with the customer’s IT group to determine whether the outage is due to damaged dark fiber or some other cause. Outage escalation procedures include a visit to the customer site by the Fiber Operations Crew and use of an Optical Time Domain Reflectometer (OTDR) to locate fiber breaks. CPAU does not offer alternative service level agreements.
 - CPAU’s fully equipped mobile splicing truck will resplice and repair the fiber as needed.
 - All emergency services are provided by CPAU crews.
- **What agreements are in place with applicable utilities and utility contractors for emergency restoration:**
 - The City of Palo Alto owns and operates all utility services in the city. CPAU provisions Electric, Gas, Water, Wastewater and Fiber Optic services. Operating all utility services enables CPAU to quickly coordinate emergency responses since it does not have to rely on other utilities to resolve outages and perform emergency restoration work.
 - All utility emergency restorations are performed by CPAU Operations crews.
 - All replacement and repair of damaged fiber is performed by CPAU Fiber Operations Crews.

Leased Dark Fiber Maintenance Service Level Agreement

CPAU Fiber does not offer Service Level Agreements (SLAs). CPAU Fiber is provisioned with the understanding that it provides a “Best Effort Service.” To that point, please see CPAU’s descriptions of SLA related services below:

- **Commitment to proactively monitor fiber 24/7/365:**

- CPAU Fiber does not offer 24/7/365 monitoring; however, CPAU does have “99.999 percent” fiber uptime and exceeds industry standards for reliability.
- **In case of outage or service impacting incident, commitment to inform fiber lessee of any fiber outage or cut within 30 minutes of occurrence:**
 - Fiber customers will be notified as soon as possible after fiber service is impacted.
- **In case of outage or service impacting incident, commitment to present lessee with a plan for service restoration or improvement within one hour of occurrence.**
 - Fiber customers will be notified as soon as CPAU Fiber Operations Crews are able to do so. A service action plan will be communicated to the customer as soon as the best restoration plan is determined.
- **In case of outage or service impacting incident a mean time to repair of 4 hours:**
 - CPAU does not provide a time-based commitment for repairs. CPAU’s response time is within 4 hours during CPAU Operations business hours (Monday to Friday, 7:00 am - 4:00 pm).
- **Provide an escalation list with qualifications summary of each person on the escalation list:**
 - Customer should contact CPAU’s SCADA service as the first point of contact to resolve a fiber outage. SCADA response phone is 650-496-6914 (24/7/365).
 - CPAU Operations Dispatch will communicate the outage incident to the Fiber Operations Crew for the purpose of resolving the fiber service issue.
 - Fiber Operations Crew members are certified by Light Brigade, which provides fiber-optic training courses and certifications.
 - Light Brigade website: <https://lightbrigade.com/>
 - Palo Alto Fiber Operations crew:
 - Ryan Johnson, Supervisor, Streetlight, Traffic Signal and Fiber Optics
 - Richard Anderson, Lead Technician, Fiber Optics
 - Edward Weston, Fiber Technician
- **Provision of a 24/7/365 phone number in case lessee is first to discover outage or service impacting incident:**
 - Contact SCADA 24/7/365 Operations response phone: 650-496-6914.
 - All additional CPAU escalations will be performed by the CPAU fiber project managers to ensure the most efficient service, accuracy, and reliability.
- **Provision of financial or service credit penalty if this service level agreement is violated:**

Even though CPAU does not offer a service level agreement, a credit will be issued to the customer for the hours of service interrupted. CPAU will not be liable for customer claims for peripheral damages, such as claimed revenue lost due to an outage or other damage.

1. Cover Letter
A signed letter of interest (no more than one page) stating the Responder's interest and qualifications in providing the services as outlined in the RFP. Cover letter should include contact name, address, telephone number, and email address.
2. Exhibit B - Cost Proposal
3. Exhibit C – RFP Form
4. Exhibit D – Letter of Agreement
5. Exhibit E – Fingerprint Certification **CPAU will coordinate certifications if additional installations are necessary.**
6. Exhibit F – Statement of Non-Conflict of Interest
7. Exhibit G – Insurance Acknowledgement **CPAU will provide proof of insurance if additional installations are necessary.**
8. Exhibit H – Designated Subcontractors List
9. Exhibit I – Non-collusion Declaration
10. Exhibit J – 2022 E-Rate Supplemental Terms and Conditions
11. Addendums

Exhibits:

Exhibit B - Cost Proposal – RFP # 21-IT-12-WAN

Responder Company Name: City of Palo Alto Utilities

Responder Name: Josh Wallace

Responder Title: CPAU Key Account Manager

Responder SPIN: 143035172

Responder Phone: 650-329-2275

Responder Email: josh.wallace@cityofpaloalto.org

Please provide pricing for 60-month contract terms below. Responders may alternatively include pricing options based on a 36-month contract with 2 one year voluntary extensions using a second copy of this form.

Please include all estimated taxes, fees, and surcharges in all proposals. The District reserves the right to select the most favorable and appropriate solution for each site situation. Include any one-time installation costs, if any. Include costs to extend service from MPOE to the MDF/IDF at each site.

The District is requesting pricing options for Leased Dark Fiber and Leased Lit Fiber as follows:

- 1) Leased Dark Fiber pricing should be provided as a Non-Recurring Cost (NRC) that includes all installation costs, taxes and fees in the NRC with an ongoing Monthly Recurring Cost (MRC) for Maintenance and Operations
- 2) Leased Lit Fiber pricing should be provided as a Monthly Recurring Cost (MRC) and should include all installation costs, taxes and fees in the MRC
- 3) Vendors have the option to provide a Monthly Recurring Cost (MRC) option for Leased Dark Fiber if available. After term pricing must also be provided.

Under a 60-month contract term beginning December 17, 2022, CPAU proposes the following MRC pricing for all District sites currently served by CPAU dark fiber. There are no additional installation costs, taxes, and fees proposed as an NRC for the proposed sites.

After term pricing will be subject to Utility Rate Schedule EDF-3 (*Dark Fiber Licensing Services*).

Location Name	Address	Termination Point	MRC	60 Months
Addison Elementary	650 ADDISON AVE. PALO ALTO, CA 94301	MDF	\$ 357.10	\$ 21,426.00
Barron Park Elementary	800 BARRON AVE. PALO ALTO, CA 94306	MDF	\$ 307.90	\$ 18,474.00
Juana Briones Elementary	4100 ORME ST. PALO ALTO, CA 94306	MDF	\$ 307.90	\$ 18,474.00
Duveneck Elementary	705 ALESTER AVE. PALO ALTO, CA 94303	MDF	\$ 263.71	\$ 15,822.60
El Carmelo Elementary	3024 BRYANT ST. PALO ALTO, CA 94306	MDF	\$ 748.24	\$ 44,894.40
Escondido Elementary	890 ESCONDIDO RD. STANFORD, CA 94305	MDF	\$ 521.27	\$ 31,276.20
Fairmeadow Elementary	500 E MEADOW DR. PALO ALTO, CA 94306	MDF	\$ 194.89	\$ 11,693.40
Walter Hays Elementary	1525 MIDDLEFIELD RD. PALO ALTO, CA 94301	MDF	\$ 189.28	\$ 11,356.80
Herbert Hoover Elementary	445 EAST CHARLESTON ROAD PALO ALTO, CA 94306	MDF	\$ 194.89	\$ 11,693.40
Lucille M. Nixon Elementary	1711 STANFORD AVE. STANFORD, CA 94305	MDF	\$ 377.81	\$ 22,668.60
Ohlone Elementary	950 AMARILLO AVE PALO ALTO, CA 94303	MDF	\$ 568.23	\$ 34,093.80
Palo Verde Elementary	3450 LOUIS RD. PALO ALTO, CA 94303	MDF	\$ 901.58	\$ 54,094.80
Frank S. Greene Jr. Middle	750 N CALIFORNIA AVE. PALO ALTO, CA 94303	MDF	\$ 577.03	\$ 34,621.80
Jane Lathrop Stanford Middle	480 E MEADOW DR. PALO ALTO, CA 94306	MDF	\$ 877.69	\$ 52,661.40
Ellen Fletcher Middle	655 ARASTRADERO ROAD PALO ALTO, CA 94306	MDF	\$ 564.38	\$ 33,862.80
Henry M. Gunn High	780 ARASTRADERO ROAD PALO ALTO, CA 94306	MDF	\$ 780.04	\$ 46,802.40
Palo Alto High	50 EMBARCADERO RD. PALO ALTO, CA 94301	MDF	\$ 1,704.02	\$ 102,241.20
Greendell	4120 MIDDLEFIELD ROAD PALO ALTO, CA 94303	MDF	\$ 513.62	\$ 30,817.20
Equinix SV8	529 Bryant St, Palo Alto, CA	FI-B/Rm-8B055	\$ 1,252.42	\$ 75,145.20
		Total	\$ 11,202.00	\$ 672,120.00

Note: Effective February 14, 2022, the remaining balance of the amortized amount for the interconnection fee (i.e., construction cost) is \$21,606.95. There are no additional one-time fees (Non-Recurring Charges) in this Cost Proposal.

Exhibit C – RFP Form
 RFP # 21-IT-12-WAN
 Palo Alto Unified School District
 25 Churchill Ave
 Palo Alto, California 94306

To: Superintendent and Members of the Board of Education

The undersigned, doing business under the full and complete legal Responder name as set forth below, having examined the Notice to Responders, RFP Instructions, Scope of Work & Requirements, General Conditions, Agreement and all other documents forming a part of the RFP package for the above-referenced RFP, hereby proposes to perform the Agreement, including all of its component parts, and to furnish all materials called by them for the entire order for the prices set forth in the documents contained in said RFP package. The entire RFP Package is submitted, together with this RFP Form.

Dated this 16th day of February, 2022

Name of Bidder: City of Palo Alto Utilities

Type of Organization: City of Palo Alto, a California Chartered Municipal Corporation

Signed by:  _____

Title of Signer: Utilities Strategic Business Manager

Address of Bidder: 250 Hamilton Avenue, Palo Alto CA 94301

Taxpayer's Identification No. of Bidder: 946000389

Telephone Number: 650-329-2522

Fax Number: _____

E-mail: dave.yuan@cityofpaloalto.org

Exhibit D – Letter of Agreement

Letter of Agreement
Palo Alto Unified School District
25 Churchill Ave
Palo Alto, California 94306

Pursuant to the terms of Palo Alto Unified School District's RFP # 21-IT-12-WAN for Leased Fiber Service, City of Palo Alto Utilities' response to RFP #21-IT-12-WAN dated 02/16/2022. City of Palo Alto Utilities will provide the equipment and services per its response to RFP # 21-IT-12-WAN effective upon City Council approval of Palo Alto Unified School District Purchase Order(s). The City's RFP response reflects the approval of the Utilities Director to propose the services upon the terms as set forth in this response. If selected for award of this RFP, the City must obtain approval by its City Council at a publicly noticed meeting before a binding contract can be entered, as required by the City's Municipal Code. City Council approval will authorize the City Manager to sign all documents included in this RFP requiring an authorized signature to create the final contract.

City of Palo Alto Utilities and Palo Alto Unified School District acknowledge that this agreement is for E-Rate eligible products and services, which are contingent on funding by the School and Libraries Division of USAC/FCC and the Palo Alto Unified School District for E-Rate Year 22-23, and Palo Alto Unified School District Board of Education approval.

The Palo Alto Unified School District (District) reserves the right to terminate the referenced Request for Proposal (RFP) and all documents associated with the Request for Proposal, including but not limited to this Letter of Agreement, in its sole discretion at any time, with or without cause, upon written notice to the other party. In the event of termination, notice shall be deemed served on the date of mailing and shall be effective immediately. The Palo Alto Unified School District shall not be responsible for any costs to Bidder prior to termination.

Palo Alto Unified School District

(Authorized Representative Signature)

Date: _____

Name: _____

Title: _____

Email: _____

City of Palo Alto Utilities

(Name of Company)



(Authorized Representative Signature)

Date: 2/16/22

Name: Dean Batchelor

Title: Director of Utilities Department

Email: dean.batchelor@cityofpaloalto.org

Exhibit E – Fingerprint Certification

CPAU will coordinate certifications if additional installations are necessary.

Fingerprint Certification

RFP # 21-IT-12-WAN

Responder Certification

I, _____, am an authorized representative of/doing business as (Name of Responder/consultant) _____, and hereby certify that, pursuant to Education Code Section 45125.1, this business entity has conducted the required criminal background check(s) of all its employees who may have contact with District pupils or unsupervised access to any District campus of the Palo Alto Unified School District on behalf of this business entity, and that none of those persons have been reported by the Department of Justice as having been convicted of a serious or violent felony as specified in Penal Code Sections 667.5(c) and/or 1192.7(c).

Failure to comply with these terms or permitting unsupervised access by an employee whose name has not been cleared by DOJ as certified by the Contractor shall constitute grounds for termination of this Agreement.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this _____ day of _____, 20_____, in _____ County, California.

Name of Responder/Consultant (please print)

Name/Title of Authorized Representative (printed)

(Signature)

Exhibit F – Statement of Non-Conflict of Interest

Statement of Non-Conflict of Interest

RFP # 21-IT-12-WAN

The Responder hereby warrants that he or she has no business or financial interests that are in conflict with his or her obligations to the District and further agrees to disclose any such interest which may be acquired during the life of an agreement with the District. The Responder also certifies that it and its members are not, officers, agents, or employees of the District, nor have they been since January 1, 2001.

Dean Batchelor

Signature

Dean Batchelor

Printed Name

Director of Utilities Department

Title

City of Palo Alto Utilities

Responder

2/16/22

Date

Exhibit G – Insurance Acknowledgement

CPAU will provide proof of insurance if additional installations are necessary.

Insurance Acknowledgement

RFP # 21-IT-12-WAN

Notice to Bidders regarding Indemnity and Insurance Requirements Summary of Indemnification and Insurance Requirements:

1. These are the Indemnity and Insurance Requirements for Contractors providing services or supplies to Palo Alto Unified School District (Buyer). By agreeing to perform the work or submitting a proposal, you verify that you comply with and agree to be bound by these requirements. If any additional Contract documents are executed, the actual Indemnity language and Insurance Requirements may include additional provisions as deemed appropriate by Buyer.
2. You should check with your insurance advisors to verify compliance and determine if additional coverage or limits may be needed to adequately insure your obligations under this agreement. These are the minimum required and do not in any way represent or imply that such coverage is sufficient to adequately cover the Contractor's liability under this agreement. The full coverage and limits afforded under Contractor's policies of Insurance shall be available to Buyer and these Insurance Requirements shall not in any way act to reduce coverage that is broader or includes higher limits than those required. The Insurance obligations under this agreement shall be: 1— all the Insurance coverage and limits carried by or available to the Contractor; or 2—the minimum Insurance requirements shown in this agreement, whichever is greater. Any insurance proceeds in excess of the specified minimum limits and coverage required, which are applicable to a given loss, shall be available to Buyer.
3. Contractor shall provide Buyer with Certificates of Insurance including all required endorsements and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to Buyer before work begins. Buyer reserves the right to require full-certified copies of all Insurance coverage and endorsements.

Certificates and insurance policies shall include the following clause:

"This policy shall not be canceled or reduced in required limits of liability or amounts of insurance until notice have been mailed to PAUSD stating date of cancellation or reduction may not be less than ten (10) days after date of mailing notice."

Certificate of insurance shall state in particular those insured, extent of insurance, location and operation to which insurance applies, expiration date and cancellation and reduction notice.

4. Indemnification & Insurance:
Contractor shall be an independent contractor and not an agent or employee of District under this Agreement. Contractor shall be responsible for any damage, loss, or other claim arising out of the performance of its services under this Agreement.

Prior to commencement of services and during the life of this Agreement, Contractor shall

provide the District with a current certificate or policy evidencing its professional general liability insurance coverage in a sum not less than \$1,000,000 per occurrence, and such certificate or policy shall name the District as an additional insured.

To the fullest extent allowed by law, Contractor shall defend, indemnify, and hold harmless District, its directors, officers, agents, employees, and guests against any claim or demand arising from any actual or alleged act, error, or omission by Contractor or its directors, officers, agents, employees, volunteers, or guests arising from Contractor’s duties and obligations described in this Agreement or imposed by law.

To the fullest extent allowed by law, District shall defend, indemnify, and hold harmless Contractor, its directors, officers, agents, employees, and guests against any claim or demand arising from any actual or alleged act, error, or omission by District or its directors, officers, agents, employees, volunteers, or guests arising from District’s duties and obligations described in this Agreement or imposed by law. Contractor is not an employee of the District and District shall not indemnify Contractor in any such claim.

Contractor shall be responsible for carrying its own workers’ compensation insurance and health and welfare insurance. District shall not withhold or set aside income tax, Federal Insurance Contributions Act (FICA) tax, unemployment insurance, disability insurance, or any other federal or state funds whatsoever. It shall be the sole responsibility of the Contractor to account for all of the above and Contractor agrees to hold District harmless from all liability for these taxes.

I have read and understand the above requirements and agree to be bound by them for any work performed for the Buyer.

_____ Signature

_____ Printed Name

_____ Title

_____ Responder

_____ Date

Exhibit H – Designated Subcontractors List

Not Applicable: CPAU does not use or propose any subcontractors for this project.

Designated Subcontractors List

Subcontractor Name: _____

CA Contractors License #: _____

Portion of Work: _____

Subcontractor Name: _____

CA Contractors License #: _____

Portion of Work: _____

Subcontractor Name: _____

CA Contractors License #: _____

Portion of Work: _____

Subcontractor Name: _____

CA Contractors License #: _____

Portion of Work: _____

Subcontractor Name: _____

CA Contractors License #: _____

Portion of Work: _____

Exhibit I – Non-collusion Declaration

The undersigned declares:

I am the Director of City of Palo Alto Utilities of the City of Palo Alto, the party making the foregoing bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid. The bidder has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or to refrain from bidding. The bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of a bidder that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the bidder.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on

February 16, 2022, at Palo Alto, California.

 _____ Signature

Dean Batchelor _____

Printed Name

Exhibit J – 2022 E-Rate Supplemental Terms and Conditions

E-RATE SUPPLEMENTAL TERMS AND CONDITIONS

The Telecommunications Act of 1996 established a fund by which Schools and Libraries across the Country could access discounts on eligible telecommunications products and services. The program is commonly known as the E-rate Program. The eligibility for discounts on internet access, telecommunications products and services, internal connection products, services and maintenance is determined by the Federal Communications Commission (FCC). Funding is made available upon application approval by the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC), which was established by the Act. The amount of discount is based on the numbers of students receiving free and reduced price meals.

1) E-RATE CONTINGENCY

The project herein is contingent upon the approval of funding from the Universal Service Fund's Schools and Libraries Program, otherwise known as E-rate. Even after award of contract(s) and/or E-rate funding approval is obtained, the District may or may not proceed with the project, in whole or in part. Execution of the project, in whole or in part, is solely at the discretion of the District.

2) SERVICE PROVIDER REQUIREMENTS

The District expects Service Providers to make themselves thoroughly familiar with any rules or regulations regarding the E-rate program.

- a. Service Providers are required to be in full compliance with all current requirements and future requirements issued by the SLD throughout the contractual period of any contract entered into as a result of this RFP.
- b. Service Providers are responsible for providing a valid SPIN (Service Provider Identification Number). More information about obtaining a SPIN may be found at this website: <https://www.usac.org/e-rate/service-providers/step-1-obtain-a-spin/>
- c. Service Providers are responsible for providing a valid Federal Communications Commission (FCC) Registration Number (FRN) at the time the bid is submitted. More information about obtaining an FRN may be found at this website: <https://fjallfoss.fcc.gov/coresWeb/publicHome.do>
- d. Service Providers are responsible for providing evidence of FCC Green Light Status at the time the bid is submitted. Any potential bidder found to be in Red Light Status must provide an explanation of the steps it is undertaking to be removed to Red Light Status and the expected timeframe for resolution. A Service Provider's sustained Red Light Status may be grounds for contract termination as it could prohibit the Service Provider from providing E-rate discounts in a timely manner which would cause harm to the Applicant. More information about FCC Red and Green Light Status may be found at this website: http://www.fcc.gov/debt_collection/welcome.html
- e. Products and services must be delivered before billing can commence. At no time may the Service Provider invoice before July 1, 2022.

- f. Prices must be held firm for the duration of the associated E-rate Funding Year(s) or until all work associated with the project is complete (including any contract and USAC approved extensions).
- g. Goods and services provided shall be clearly designated as “E-rate Eligible”. Non-eligible goods and services shall be clearly called out as 100% non-eligible or shall be “cost allocated” to show the percentage of eligible costs per SLD guidelines.
- h. Within one (1) week of award, the awarded Service Provider must provide the District a bill of materials using a completed USAC “Item 21 Template”. Subsequent schedules of values and invoices for each site must match Item 21 Attachment or subsequent service substitutions. A summary sheet must also be provided to provide the cumulative amount for all sites.**
- i. In the event of questions during an E-rate pre-commitment review, post-commitment review and/or audit inquiry, the awarded Service Provider is expected to reply within 3 days to questions associated with its proposal.
- j. The awarded Service Provider is required to send copies of all forms and invoices to the District prior to invoicing USAC for pre-approval. Failure to comply with this requirement may result in the District placing the vendor on an “Invoice Check” with the USAC <https://www.usac.org/e-rate/applicant-process/invoicing/invoice-check/>
- k. Services providers must comply with the FCC rules for Lowest Corresponding Price (“LCP”). Further details on LCP may be obtained at USAC's website: <https://www.usac.org/e-rate/service-providers/step-2-responding-to-bids/lowest-corresponding-price/>

3) SERVICE PROVIDER ACKNOWLEDGEMENTS

- a. The Service Provider acknowledges that no change in the products and/or services specified in this document will be allowed without prior written approval from the district and a USAC service substitution approval with the exception of a Global Service Substitutions.
- b. The Service Provider acknowledges that all pricing and technology infrastructure information in its bid shall be considered as public and non-confidential pursuant to §54.504 (2)(i)(ii).
- c. The Service Provider acknowledges that its offer is considered to be the lowest corresponding price pursuant to § 54.511(b). Further details on LCP may be obtained at USAC's website: <https://www.usac.org/e-rate/service-providers/step-2-responding-to-bids/lowest-corresponding-price/>. Should it not be the lowest corresponding price, the service provider must disclose the conditions leading to the applicant being charged in excess of lowest corresponding price.
- d. BIDDERS are required to comply with the FCC’s Lowest Corresponding Price (“LCP”) Requirement for all equipment and Services. BIDDER acknowledges that BIDDER is solely responsible to comply with LCP requirements. To the extent that USAC finds an LCP violation and reduces the E-rate Funding, BIDDER agrees that it will not hold the

DISTRICT liable for any shortfall in E-rate funding and will be responsible for any ensuing appeals, COMADS and/or RIDFS.

- e. The Service Provider attests that its offer does not violate the FCC's Supply Chain certifications included in the FCC Form 473. Supply Chain requirements and certifications can be viewed at USAC's Website: <https://www.usac.org/about/reports-orders/supply-chain/>.
- f. This offer is in full compliance with USAC's Free Services Advisory <https://www.usac.org/e-rate/applicant-process/competitive-bidding/free-services-advisory/>. There are no free services offered that would predicate an artificial discount and preclude the applicant from paying its proportionate non-discounted share of costs. The service provider agrees to provide substantiating documentation to support this assertion should the applicant, USAC, or the FCC request it.

4) STARTING SERVICES/ADVANCE INSTALLATION – Category 1 Services


The annual E-rate Funding Year begins on July 1 and expires on June 30 of each calendar year. Regardless of the contract "effective date", E-rate eligible goods and/or services requested in this RFP shall be delivered no earlier than the start of the 2022 funding year (July 1, 2022). If Category 1 services (Telecommunication Services and Internet access) will begin on or shortly after July 1 of a funding year, the service provider, in some cases, may need to undertake some construction and installation work prior to the beginning of that funding year. Within the limitations indicated below, the infrastructure costs of a service provider can be deemed to be delivered at the same time that the associated Category 1 services begin. That is, if services begin on July 1, then the delivery of service provider infrastructure necessary for those services can be considered as also delivered on July 1. However, NO INVOICING can take place prior to July 1 of the associated Funding Year.

EARLY FUNDING CONDITIONS

Category 1

There are four conditions that must be met in order for USAC to provide support in a funding year for Category 1 infrastructure costs incurred prior to that funding year.

- *Initiation of installation cannot take place before selection of the service provider pursuant to a posted Form 470 and in any event no earlier than six months prior to July 1 of the funding year.*
- *The Category 1 service must depend on the installation of the infrastructure.*
- *The underlying Category 1 service cannot have a service start date prior to July 1 of the funding year.*
- *No invoices can be submitted to USAC for reimbursement prior to July 1 of the funding year.*

For more information, please refer to the FCC Order involving the Nassau County Board of Cooperative Educational Services ([DA 02-3365](#) , released December 6, 2002). This FCC decision only applies to Priority 1 services (telecommunications services and Internet access).


The complete text can be found at the following URL:

<https://www.usac.org/e-rate/applicant-process/starting-services/advance-installation/>

Category 2

There is one condition that allows USAC to provide support in a funding year for Category 2 installation costs incurred prior to that funding year.

- *We also amend our rules for category two non-recurring services to permit applicants to seek support for category two eligible services purchased on or after April 1, three months prior to the start of funding year on July 1. This will provide schools with the flexibility to purchase equipment in preparation for the summer recess and provide the maximum amount of time during the summer to install these critical networks.*

For more information, please refer to the FCC Report and Order and Further Notice of Proposed Rulemaking ([FCC 14-99](#) , released July 23, 2014). This FCC decision only applies to Category 2 services (Internal Connections).

However, NO INVOICING can take place prior to July 1 of the funding year.

5) INVOICING

- The Service Provider agrees to bill and receive a portion of the payment for the provisions of goods and services described herein directly from USAC via the Form 474 Service Provider Invoice (SPI). The District will only be responsible for paying its non-discounted share of costs and does not intend to use the BEAR process (Form 472). The maximum percentage the District will be liable for is the pre-discount amount minus the funded amount as shown on the FCC Form 471 Block 5 and any identified ineligible costs. Upon the successful receipt or posting of a Funding Commitment Decision Letter from the SLD and submission, certification and USAC approval of Form 486, the District shall pay only the discounted amount beginning with the billing cycle immediately following said approval. Alternatively, should the District decide that it is in the best interest of the District to file a Form 472, the District will inform the Service Provider of its intent.
- All Service Provider invoicing to USAC must be completed within 120 days from the last day of service. Should the Service Provider fail to invoice USAC in a timely manner, the District will only be responsible for paying its non-discounted share.

6) FCC/SLD AUDITABILITY

The E-rate program requires that all records be retained for at least ten (10) years from the last date of service provided on a particular funding request. Respondent hereby agrees to retain all books, records, and other documents relative to any Agreement resulting from this RFP for ten (10) years after final payment. The District, its authorized agents, and/or auditors reserves the right to perform or have performed an audit of the records of the Respondent and therefore shall have full access to and the right to examine any of said materials within a reasonable period of time during said period.

7) Procurement of additional goods and/or services/coterminous expiration

During the term of any Agreement resulting from this RFP, the District may elect to procure additional or like goods and/or services offered by the Respondent. Such services shall be negotiated and obtained via an official amendment to this Agreement and approval by the District's Governing Board. All terms, conditions, warranties, obligations, maintenance and support of said goods or services shall have a coterminous expiration date with the original date of this Agreement. The District shall not enter into a separate Agreement for said goods or services. Respondents must state in their proposal that they acknowledge, accept and are in agreement with coterminous expiration conditions.

I, the undersigned, as an authorized agent of City of Palo Alto Utilities (Service Provider Name), hereby certify that I have read the E-rate Supplemental Terms and Conditions, am fully compliant and intend to cooperate with the E-rate process as outlined above.

Signature:  2/16/22

Printed Name: Dave Yuan

Title: Utilities Strategic Business Manager

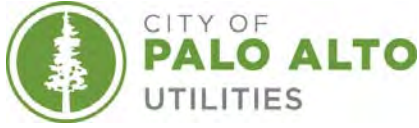
Phone Number: 650-329-2522

Email: dave.yuan@cityofpaloalto.org

Service Provider Name: City of Palo Alto Utilities (SPIN 143035172)

SAMPLE

EXHIBIT "C": FIBER LICENSE AGREEMENT INVESTIGATION REQUEST FORM



REQUEST SUBMITTED BY:	FIELD INVESTIGATION CONTACT:
Name:	Name:
Title:	Title:
Company:	Company:
Street Address:	Street Address:
City, State, Zip:	City, State, Zip:
Telephone Number:	Cell Phone:
Fax Number:	Fax Number:
Email Address:	Email Address:

Today's Date: ___/___/___

Project Description:

Example:

1. 4 fibers from 123 Alma to PAIX
2. Miscellaneous investigation (Attach drawing if applicable)

1.
2.

Desired completion date: ___/___/___

NOTE: Please budget 6-8 weeks from *installation* payment (not this investigation payment) to completion.

FIBER LICENSE AGREEMENT INVESTIGATION REQUEST CONDITIONS:

I am submitting this advance engineering request with the full understanding of the following conditions:

1. The advance engineering fee is a non-refundable fee required to cover the cost of preparing a detailed estimate.
2. The detailed proposal will establish an interconnection fee that must be paid in full prior to the start of construction.
3. The advance engineering fee will be credited against the interconnection fee.

Please Note: You will be invoiced for \$650 **or by estimate** for special conditions, per Utilities Rate Schedule EDF-2. **Please do not remit until you receive an invoice.**

Signature: _____ Date: ___ / ___ / ___

Please see following page for contact information.

SAMPLE

Please submit the completed form *with authorized signature* and direct questions to:

City of Palo Alto Utilities
250 Hamilton Avenue
Palo Alto, CA 94301
Phone: (650) 329-2494
Fax: (650) 326-4941
Email: Raveen.Maan@cityofpaloalto.org

Note that all inquiries of a legal nature must be directed to:

Office of the City Attorney
8th Floor City Hall
250 Hamilton Avenue
P.O. Box 10250
Palo Alto, CA 94303
Attention: Assistant City Attorney

EXHIBIT "D": INSURANCE REQUIREMENTS

1. During the Term hereof, the CUSTOMER, at its sole cost and expense, shall obtain and maintain or cause to be obtained and maintained the following policies of insurance in the amounts specified herein:
 - a. Business Interruption insurance policy in amounts deemed reasonable and acceptable to the CITY's Risk Manager; and
 - b. Commercial general liability insurance policy with a minimum limit of not less than one million dollars (\$1,000,000) per occurrence (combined single limit) for bodily injury and property damage, and not less than one million dollars (\$1,000,000) aggregate, for each personal injury liability, products-completed operations, premises operations, blanket contractual, and owners' and Contractors' protective, and each accident;
 - c. Workers' Compensation and Employers' Liability insurance policy providing statutory coverage (Coverage A and Coverage B) written in accordance with the Laws of the State of California, providing coverage for all employees of the CUSTOMER, and requiring an "ALL STATES" endorsement if the CUSTOMER is domiciled outside the State of California and the policy is written outside the State of California.
 - d. The CUSTOMER shall furnish the CITY with a certificate showing proof of such coverage, and naming the CITY as the certificate holder.
2. The CUSTOMER shall file the required original certificate(s) of insurance with the CITY's Manager of Credit and Collections and Meter Reading, subject to the CITY's prior approval, which shall clearly state:
 - a. Policy number; name of insurance company; name, address and telephone number of the agent or authorized representative; name, address and telephone number of insured; project name and address; policy expiration date; and specific coverage amounts;
 - b. If the policy is canceled before its expiration date for any reason other than the non-payment of premium, the CUSTOMER shall ensure that the insurance company provides CITY at least thirty (30) days written notice before the effective date of insurance cancellation; and
3. The certificate(s) of insurance and notices shall be mailed prior to the establishment of fiber optic service, to City of Palo Alto, Department of Utilities, Palo Alto, CA 94301, Attn: Manager of Credit and Collections and Meter Reading, Ground Floor.
4. These insurance requirements shall be subject to the review, annually performed, by the CITY's Risk Manager. If the CITY's Risk Manager requires any change in coverage, notice thereof shall be given to the CUSTOMER, in writing, and the CUSTOMER shall comply with such notice within thirty (30) Days of receipt thereof.
5. Prior to the execution hereof, any deductibles or self-insured retentions must be stated on the certificate(s) of insurance, which shall be sent to and approved by the CITY, acting by and through its Risk Manager.

EXHIBIT "E": FIBER LICENSE AGREEMENT INFORMATION REQUEST FORM



1. Official business name Palo Alto Unified School District

2. Is Company certified as a Competitive Local Exchange Carrier (CLEC)?

No

Yes

[If yes, does the Company intent to offer CLEC services over the Licensed Fiber optic lines of the CITY?] Yes No

3. Check this box if you intend to offer commercial video services.

Yes No

If commercial video services are to be offered, the applicant must consult with the Cable Franchise Manager, Administrative Services Department, (650) 329-2208 to discuss obtaining a franchise with the City of Palo Alto.

4. Attach copy of Articles of Incorporation or Fictitious Business Name Certificate, or Limited Liability Partnership Certificate of Registration, if applicable.

5. Attach Insurance certificate in the amounts specified in Exhibit D with the City of Palo Alto named as an additional insured.

6. Address(es) to which notices should be sent:

MAIN NOTICE:

COPY TO (optional):

Palo Alto Unified School District
 Company
25 Churchill Avenue
 Street Address
Palo Alto, CA 94306
 Street Address

Derek Moore, Chief Technology Officer
 Attention (Name and Title of CEO, CFO or COO)
650-329-3775
 Phone Number (with area code)

dmoore@pausd.org
 Mobile Number (with area code)
 Email address

 Company

 Street Address

 Street Address

 Attention (Name and Title)

 Phone Number (with area code)

 Mobile Number (with area code)

 Email address

**EXHIBIT "F": ACKNOWLEDGEMENT OF RECEIPT OF CITY OF PALO ALTO
UTILITIES RULES AND REGULATIONS**

The City of Palo Alto Utilities Rules and Regulations, and any amendments thereto, are approved and adopted by resolution of the Palo Alto City Council. Copies are available to the public at the Utilities Customer Service Center, Ground Floor, 250 Hamilton Avenue, Palo Alto, CA 94301. In addition, the Rules and Regulations are available online via the City of Palo Alto website at <https://www.cityofpaloalto.org/Departments/Utilities/Utilities-Services-Safety/Utility-Rules-and-Regulations>

By signing, I hereby acknowledge receipt of a copy of the City of Palo Alto Utilities Rules and Regulations, effective date _____.

Signature of CEO, CFO or COO

Palo Alto Unified School District

Company:

25 Churchill Avenue

Street Address:

Palo Alto, CA 94306

Derek Moore, CTO

Attention (Name and Title of CEO, CFO or COO)

650-329-3775

Phone Number (with area code):

Fax Number (with area code):

Letter of Agreement
Palo Alto Unified School District
25 Churchill Ave
Palo Alto, California 94306

Pursuant to the terms of Palo Alto Unified School District's RFP # 21-IT-12-WAN for Leased Fiber Service, City of Palo Alto Utilities' response to RFP #21-IT-12-WAN dated 02/16/2022. City of Palo Alto Utilities will provide the equipment and services per its response to RFP # 21-IT-12-WAN effective upon City Council approval of Palo Alto Unified School District Purchase Order(s). The City's RFP response reflects the approval of the Utilities Director to propose the services upon the terms as set forth in this response. If selected for award of this RFP, the City must obtain approval by its City Council at a publicly noticed meeting before a binding contract can be entered, as required by the City's Municipal Code. City Council approval will authorize the City Manager to sign all documents included in this RFP requiring an authorized signature to create the final contract.

City of Palo Alto Utilities and Palo Alto Unified School District acknowledge that this agreement is for E-Rate eligible products and services, which are contingent on funding by the School and Libraries Division of USAC/FCC and the Palo Alto Unified School District for E-Rate Year 22-23, and Palo Alto Unified School District Board of Education approval.

The Palo Alto Unified School District (District) reserves the right to terminate the referenced Request for Proposal (RFP) and all documents associated with the Request for Proposal, including but not limited to this Letter of Agreement, in its sole discretion at any time, with or without cause, upon written notice to the other party. In the event of termination, notice shall be deemed served on the date of mailing and shall be effective immediately. The Palo Alto Unified School District shall not be responsible for any costs to Bidder prior to termination.

Palo Alto Unified School District



(Authorized Representative Signature)

Date: 3-9-2022

Name: Donald Austin

Title: Superintendent

Email: dcaustin@pausd.org

City of Palo Alto Utilities

(Name of Company)



(Authorized Representative Signature)

Date: 2/16/22

Name: Dean Batchelor

Title: Director of Utilities Department

Email: dean.batchelor@cityofpaloalto.org



City of Palo Alto City Council Staff Report

(ID # 14166)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Early Renewal of Contract Number C20176092 With Equinix LLC for Addition of \$53,384 for New Service Connections and Maintenance, Approval of Past Charges of \$16,628 for Increased Services, and Approval of Addition of \$50,000 for City Manager Authority to Add Fiber Services, for a Total Not-to-Exceed Amount of \$745,476 from \$625,465

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council:

1. Approve supplementary costs incurred under Contract C20176092 with Equinix LLC ("Equinix"), to associated with additional service connections and maintenance fees already received for the period August 2019 – May 2022 in the amount of \$16,628,
2. Approve and authorize the City Manager or their designee to execute an amendment to contract C20176092 with Equinix to include additional service connections and maintenance fees in the amount of \$53,384 for the remaining 25 months of the contract, period June 1, 2022 – June 30, 2024, and
3. Authorize the City Manager or their designee to execute change orders approving up to five additional service connections, when the City Manager or their designee determines such connections are necessary for the City to provide effective fiber access, up to a maximum amount of compensation of \$50,000, to be added to the not-to-exceed amount for a total contract amount not to exceed \$745,476, inclusive of the \$16,628 and \$53,384 above.

Background

The City of Palo Alto (the City) established a Fiber Optic Utility in 1996 following the design and construction of a dark fiber optic backbone system throughout the city. Operated by the City of Palo Alto Utilities Department (CPAU), the Fiber Optic Utility licenses backbone connections to local businesses and telecommunications resellers requiring access to advanced broadband telecommunications services.

There is a highly competitive Palo Alto commercial fiber optic marketplace, in which Palo Alto residences are served by multiple telecommunication companies and Internet Service Providers (ISPs) reselling fiber connections. Many of these entities control independently owned overhead and/or underground fiber optic systems. These systems are also accessed by third-party ISP-service resellers using leased capacity on the fiber optic networks.

Whether a licensee receives fiber directly from CPAU or from a reseller, the licensee's, or their third-party provider's, fiber connection depends on privately-owned electronic equipment which "lights" their leased dark fiber optic cable for on-site data use, building-to-building (campus) communications, and access to internet service outside of Palo Alto.

CPAU fiber optic licensees wishing access to the internet outside of Palo Alto must have their CPAU fiber optic service connected to CPAU-owned lines which terminate at a data center. The only data center in Palo Alto is currently owned by Equinix LLC. This neutral data center, designated as Equinix SV8 and locally known as the "Palo Alto Internet eXchange" (PAIX), is independent of any one ISP or telecommunications carrier affiliation, and serves as an internet exchange point (IXP) providing the physical infrastructure through which over 70 ISPs and content delivery networks (CDNs) exchange internet traffic between their networks. The City has been leasing fiber optic access and termination services at PAIX since the inception of the fiber network in 1996.

CPAU's most recent contract with Equinix, the current owner of PAIX, began in 2019. These services were found exempt from competitive solicitation requirements in [CMR 10203](#). That is, the service was found to be a sole source under Palo Alto Municipal Code 2.30.360 (d) (Exemptions from competitive solicitation requirements). Because of its geographical location, PAIX is the only economically and physically viable co-location internet facility or data center available to CPAU and its fiber optic licensees. The nearest alternative IXP data center site is in the City of Santa Clara. Connection to the Santa Clara site from Palo Alto would require miles of multiple underground conduits through several municipal jurisdictions. Such construction would be prohibitively expensive, be significantly less secure than the current Palo Alto location (with greater risk due to construction and contractor dig-ins in other jurisdictions, requiring Palo Alto to contract with remotely-sited, third-party fiber repair companies), and limit fiber optic utility connectivity to customer sites back in Palo Alto.

Discussion

Supplemental Services Provided by Equinix August 2019 – May 2022

In June 2019, CPAU contracted with Equinix LLC for a term not-to-exceed five years, at a cost not-to-exceed \$625,465, to lease five "cabinets" (vertical racks sited next to each other, each capable of holding multiple termination/switching boxes in stacked configurations) located at PAIX (the Contract). All of CPAU's fiber optic cables terminate at PAIX, and there is no reasonable alternative supplier of services to the City.

Because there were no anticipated changes to the hardware requirements served under the Contract, the original contract did not budget for additional costs that could arise during its term. The City has required several changes to services that have impacted the cost of the original contract. Due to increased maintenance costs and additional interconnections, the City has spent \$16,628 in excess of the original contract’s projected spending. The staff responsible for the tracking retired, it was only when the contract was transferred was the situation brought to our attention. All excess is accounted for in the itemized invoices ([Linked Document](#)) and described below.

Normally, the City would require a Contract amendment to make such transactions. Because Equinix insists on using their form documents with little variance, the City’s typical amendment practice is not an option. No other vendor is available to provide the services Equinix provides. (See [CMR 10203](#)). As such, Staff recommends Council approve the existing payments for these supplemental parts and services by ratifying the invoices attached ([Linked Document](#)). These additional services are summarized in the Table below and described in this section.

Description of Supplemental Services	Date of Services	Total Cost
<i>First additional connection</i>	Monthly starting mid-December 2019	\$2,842.36
<i>Second additional connection</i>	Monthly starting mid-January 2020	4,721.27
<i>Custom parts</i>	February 2020	545.00
<i>Maintenance (“Smart Hands” Support Plan)</i>	August 2019, May 2021, June 2021, and May 2022 (total of approximately 13 hours)	2,537.50
<i>Third additional connection</i>	Monthly starting mid-April 2021	5,481.50
<i>Installation fee for third additional connection</i>	April 2021	500.00
Total		\$16,627.63

Additional Connections.

- In December 2019, the first interconnects for Information Technology Department (ITD) added services from Equinix utilizing the Utilities contract: one Fiber Connection for SAP System. When the City enterprise system SAP migrated to the cloud AWS (Amazon Web Services) infrastructure, the City needed this direct connection to allow City staff to access SAP in the cloud.
- In January 2020, ITD initiated a second interconnect to support the dark fiber connection from the City Hall data center to PAIX for connection to Cogent ISP to provide Internet services to City staff.
- In April 2021, CPAU staff initiated a third interconnect to meet customer demand.

Rates for connections have increased 5% annually

Maintenance. The original contract included certain items of technical and maintenance support which Equinix would provide to their customers at no additional cost. Equinix’s implemented a new business model, remote support has been changed to an “a la carte” service payment model called “Smart Hands” Support Plan. The “Smart Hands” Support

Plan has been in place since August 2019, at which point all maintenance began incurring additional charges. Smart Hands rates have increased annually, costing \$100 per hour of service in 2019, \$200 in 2021, and \$225 in 2022.

Miscellaneous costs. The commencement of the April 2021 connection incurred an installation fee of \$500. Custom parts necessary for upkeep of City facilities incurred a cost of \$545 in February of 2020.

Early Contract Renewal June 1, 2022 – June 30, 2024

In order to expediently incorporate the additional service connections and Smart Hands costs into the existing Contract, Equinix agreed to an early contract renewal, also called a replacement order, ([Attachment A](#)). This renewal does not extend the duration of the Contract. It incorporates the three additional connections described above into the Contract between the City and Equinix for the remainder of its term. The renewal also adds prepaid Smart Hands hours for use by CPAU staff. Due to changing fiber needs, staff anticipates maintenance needs in the next 25 months will far exceed those used in the past. Staff anticipates the City's Smart Hands maintenance needs will approximate 100 hours of service.

The costs associated with continuing service for the additional connections, plus the prepaid maintenance hours, results in a total increase in costs of \$53,384.

Additional Fiber Connections

Fiber needs have evolved over the years, especially as the Covid-19 pandemic has increased the importance of internet services for all aspects of life. The CPAU and the City's needs for additional fiber connections grew during the first years of this contract and will likely continue to grow before the term of this Contract completes.

In addition to the services described in the Contract and renewal ([Attachment A](#)), staff recommends that Council set aside the not-to-exceed compensation amount of \$50,000 for the installation and use of up to five additional service connections, as the City Manager or their designee may deem necessary for effective fiber services. Staff recommends that Council authorize, but not require, the City Manager or their designee to approve change orders for additional service connections, which may include installation fees and monthly recurring charges. Total compensation for the installation of or continuing connection services provided by these five additional connections shall not exceed \$50,000 during the term of this Contract.

Resource Impact

Funding for the 25-month early renewal term and the August 2019 to May 2022 supplemental services is available in the FY 2022 Adopted Utilities Department Fiber Optic Fund operating budget. The recommendations in this report would result in an increase to contract authority, utilizing existing budget appropriation. Funding for future years is subject to City Council approval through the annual budget process.

Policy Implications

This recommendation does not represent a change to current City policies.

Environmental Review

Approval of this agreement does not meet the definition of a project under the California Environmental Quality Act (CEQA), pursuant to the California Public Resources Code Section 21065, because it is not an activity that will cause a direct physical change in the environment.

Attachments:

- **Attachment10.a:** Attachment A: Draft Early Renewal
- **Attachment10.b:** Attachment B: Original Lease Agreement
- **Attachment10.c:** Attachment C: Smart Hands Support Plan

Attachment A

25 - Month Term for Cabinets, Equinix Fabric, Network Cable Connection and Innerduct at Equinix- SV8						
Account Name	City of Palo Alto	Initial Term	25 months			
Account Number	110002					
Agreement	1-217364579733					
Product Description	Serial # / Asset #	Quantity	MRC FY 22-23	MRC FY 23-24	MRC FY 24	Total Cost
Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack)	0404-21024209	1	1,241	1,303	1,368	3,911
Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack)	0704-1-73624839	1	1,303	1,369	1,437	4,109
Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack)	0707-1-73624877	1	1,303	1,368	1,437	4,109
Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack)	0705-1-73624858	1	1,303	1,368	1,437	4,109
Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack)	0708-10767970	1	1,337	1,404	1,474	4,214
Total (\$/month)			\$6,487	\$6,812	\$7,152	\$20,451
Equinix Fabric Metro Port	4-194785470989	1	116	122	128	365
Network Cable Connection - Single-Mode Fiber - Z-side IBXSV8	21753519	1	386	405	425	1,216
Equinix Fabric Virtual Connection	22252695	1	232	243	255	730
Innerduct	14689531	1	1,477	1,551	1,629	4,658
Innerduct	14689529	1	1,477	1,551	1,629	4,658
Innerduct	14689530	1	1,477	1,551	1,629	4,658
Total (\$/month)			\$5,166	\$5,424	\$5,695	\$16,284
Monthly cost			\$11,653	\$12,235	\$12,847	\$36,735
Annual cost			\$139,834	\$146,825	\$12,847	\$299,506

* 5% Annual Price Increase in cost

MRC = Monthly Recurring Cost



EQUINIX ORDER

Account Name	: CITY OF PALO ALTO	Currency	: USD	PREPARED BY:	PREPARED FOR:
Account Number	: 110002	Order Valid Until	: 25-Jun-2022	Joel Norgaard	Anthony Enerio
Order Number	: 1-217364579733			jnorgaard@equinix.com	anthony.enerio@cityofpaloalto.org
Version #	: 3				
Agreement #	: 00036759.0	Initial Term (Months)	: 25	16503156345	
		Renewal Period (Months)	: 12		
		Non-renewal notice (Days)	: 90		

IBX: SV8								
Address: 529 Bryant Street, CA, 94301, United States								
Section A: Product Additions				Unit Pricing		Total Charges		Effective Date
Product Code	Product Description	Qty	UoM	NRC	MRC	NRC	MRC	
PS00002	Smart Hands Support Plan	1	Each	-	-	22,500.00	0.00	01-Jun-2022
PS00021	Prepaid Smart Hands Hours	100	Hour	225.00	-	22,500.00	-	01-Jun-2022
Section Total						22,500.00	0.00	

IBX: SV8										
Address: 529 Bryant Street, CA, 94301, United States										
Section C: Product/Element Changes				Qty	UoM	Action	Total Charges NRC	Current Price MRC	Amended Price MRC	Effective Date
Product Code	Product Description									
SPC00005	Secure Cabinet With Circuit Based Power	1	Each	Update	0.00	6,178.31	6,487.23	01-Jun-2022		
CAB00001	Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack) S/N: 0404-21024209	1	Each	Update	-	1,181.44	1,240.51	01-Jun-2022		
CAB00001	Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack) S/N: 0704-1-73624839,0707-1-73624877,0705-1-73624858	3	Each	Update	-	3,723.78	3,909.97	01-Jun-2022		
CAB00001	Cabinet - 2.4 kVA - 2 Post Rack (Relay Rack) S/N: 0708-10767970	1	Each	Update	-	1,273.09	1,336.74	01-Jun-2022		
CAG00001	Cage - 5 Cabinets - Draw Cap 1 kVA - PEC Cap- 11.52 PEC	1	PEC	-	-	0.00	0.00	01-Jun-2022		
ECX00001	Equinix Fabric Metro Port	1	Each	Update	0.00	110.25	115.76	01-Jun-2022		
CC00001	Network Cable Connection - Z-side IBX- SV1 S/N: 21279457-B	1	Each	-	-	0.00	0.00	01-Jun-2022		
MC00001	Metro Connect Port - 1G	1	Each	-	-	0.00	0.00	01-Jun-2022		
ECX00001	Equinix Fabric Port - 1G	1	Each	-	-	0.00	0.00	01-Jun-2022		
CC00001	Network Cable Connection - Z-side IBX- SV8 S/N: 21279457-A	1	Each	-	-	0.00	0.00	01-Jun-2022		
CC00001	Network Cable Connection - Z-side IBX- SV5 S/N: 21279457-Z	1	Each	-	-	0.00	0.00	01-Jun-2022		
CC00001	Cross Connect	1	Each	Update	0.00	367.50	385.88	01-Jun-2022		
CC00001	Network Cable Connection - Single-Mode Fiber - Z-side IBX- SV8 S/N: 21753519	1	Each	Update	-	367.50	385.88	01-Jun-2022		
EXT00006	Innerduct	3	Each	Update	0.00	4,221.33	4,432.40	01-Jun-2022		
EXT00002	Innerduct Element S/N: 14689531,14689529,14689530	3	Each	-	-	0.00	0.00	01-Jun-2022		
ECX00015	Equinix Fabric Virtual Connection Product	1	Each	Update	0.00	220.50	231.53	01-Jun-2022		
ECX00015	Equinix Fabric Virtual Connection - SV - SV - 1 Gbps - AWS	1	Each	Update	-	220.50	231.53	01-Jun-2022		



EQUINIX ORDER

IBX: SV8								
Address: 529 Bryant Street, CA, 94301, United States								
Section C: Product/Element Changes								
Product Code	Product Description	Qty	UoM	Action	Total Charges NRC	Current Price MRC	Amended Price MRC	Effective Date
	Direct Connect - High Capacity							
Section Total					0.00	11,097.89	11,652.78	

IBX: SV8								
Address: 529 Bryant Street, CA, 94301, United States								
Section D: Continuing Services								
Product Code	Product Description	Qty	UoM	Unit Pricing		Total Charges		Effective Date
				NRC	MRC	NRC	MRC	
CC00001	Cross Connect	1	Each	-	-	0.00	0.00	01-Jun-2022
CC00001	Network Cable Connection - Single-Mode Fiber - Z-side IBX-SV8 S/N: M14057067	1	Each	-	-	0.00	0.00	01-Jun-2022
CC00001	Cross Connect	1	Each	-	-	0.00	0.00	01-Jun-2022
CC00001	Network Cable Connection - Single-Mode Fiber - Z-side IBX-SV8 S/N: M13324101	1	Each	-	-	0.00	0.00	01-Jun-2022
PS00004	Configurable Accessories	3	Each	-	-	0.00	0.00	01-Jun-2022
CC00001	Patch Panel S/N: VP:0708:191155,CP:0707:110503,CP:0705:112869,CP:0705:112870,CP:0705:122350,VP:0708:191979,CP:0707:112871,VP:0708:191978,CP:0707:122351	9	Each	-	-	0.00	0.00	01-Jun-2022
PS00004	Configurable Accessories	5	Each	-	-	0.00	0.00	01-Jun-2022
CC00001	Patch Panel S/N: CP:0708:1252596,CP:0708:1252595,CP:0708:1252597,CP:0708:1252594,CP:0708:1252593	5	Each	-	-	0.00	0.00	01-Jun-2022
PS00004	Configurable Accessories	1	Each	-	-	0.00	0.00	01-Jun-2022
CC00001	Patch Panel S/N: CP:0704:137356,CP:0704:122349	2	Each	-	-	0.00	0.00	01-Jun-2022
Section Total						-	0.00	

Section Total		NRC	MRC
Section A:	Product Additions	22,500.00	0.00
Section C:	Product/Element Changes	0.00	11,652.78
Section D:	Continuing Services	0.00	0.00

Grand Total	
Monthly recurring charge:	\$11,652.78
Non-recurring charge:	\$22,500.00

TERMS AND CONDITIONS



EQUINIX ORDER

1. INTRODUCTION

This Replacement Order is governed by and incorporated by reference into the applicable Master Country Agreement or other similar agreement between the Parties ("Agreement").

Capitalized terms used but not defined in this Replacement Order shall have the meaning ascribed to them in the Agreement or shall refer to the values listed at the top of this Order.

This Replacement Order replaces and supersedes the Order(s) referenced below (including any Online or Phone Orders related to or incorporated by reference into such Order(s)) and will, as applicable, add those new Products detailed in Section A, terminate the Products detailed in Section B and amend the Products detailed in Section C as further detailed above from the Effective Date stated in the relevant Section.

Unless otherwise stated by this Replacement Order, the Products in the Order(s) detailed in Section D remain(s) unchanged.

2. DEFINITIONS

'Effective Date' as used in this Order shall be:

- For Section A: Product Additions, the date stated above on which the addition to the Licensed Space and Services takes effect or, if no such date is stated above, then the date the Licensed Space is provided or the Services are delivered;

- For Section B: Product Deletions, the date stated above on which the termination of the Licensed Space and Services takes effect;

- For Section C: Product Changes, the date stated above on which the change to the Licensed Space and Services takes effect;



EQUINIX ORDER

or, if no such date is stated above, then the date the Licensed Space is provided or the Services are delivered of this Replacement Order.

'Products' as used in this Order may also be referred to as Licensed Space and Services.

PRODUCT TERMS

Additional terms and conditions applicable to the Products listed above can be found at the following URL: <http://www.equinix.com/resources/product-documents> and are incorporated by reference into this Order.

3. INITIAL TERM & RENEWAL PERIOD

The Initial Term will commence on the Effective Date and will remain in effect for the Initial Term.

After the Initial Term, the term will automatically renew for the Renewal Period unless either Party terminates the Order by providing written Non-renewal notice prior to the end of the then-current term to the other Party in which event this Order will terminate at the end of the then-current term.

4. POWER LIMITATIONS



EQUINIX ORDER

The maximum amount of electrical power that Customer may draw is stated above as Draw Cap or Qty/UoM in kVA or kW ("Draw Cap"). Customer may not draw more power than the Draw Cap. If Customer exceeds the Draw Cap, Equinix will notify Customer and Customer must reduce power draw to be equal to or less than the Draw Cap within 72 hours (or as otherwise agreed) or Equinix may, in its sole discretion, either charge Customer for the power overage at a maximum of twice the MRC/kVA rate for Licensed Space and power Services above, or suspend Customer's power Services to return to Draw Cap compliance.

5. PRICE AND PRICE INCREASE

Customer will pay the Fees for the Licensed Space and Services from the Effective Date.

Notwithstanding anything in this Order to the contrary, all Fees for those Products in the Price Increase Terms may be subject to the Price Increase with effect from the date stated in the Price Increase Terms and every twelve (12) months thereafter, except where a change in Equinix's direct electrical supply costs exceeds the Price Increase value listed below then Equinix may change the Fees for power Services by such increased cost.

Total spend in Attachment A is based on the current Order's (# 1-217364579733) spend subject to the Price Increase Terms. For the avoidance of doubt, projections do not reflect any future Monthly or Non-Recurring Recurring Charges (MRC or NRC) associated with changes made after this Order has been executed. In addition, the SmartHands plan isn't included therein as it is a pre-paid plan and only has Non-Recurring Charge and not Monthly Recurring Charge.

Price Increase Terms	
First Price Increase Applicable After	12 months
All Products Price Increase %	5%
Renewal Price Increase Terms	
All Products Price Increase %	5%

Equinix reserves its right to delay any Effective Date for the Licensed Space and Services under this Order unless Equinix receives a signed copy of this Order before the Effective Date stated above.




EQUINIX ORDER

Order Reference Updates			
IBX	Product Family	Order Reference #	New Order Reference #
SV8	Space & Power	1-186074182635	1-217364579733
SV8	Interconnection	1-194115490284,1-186074182635	1-217364579733
SV8	Services		1-217364579733



EQUINIX ORDER

CITY OF PALO ALTO		Equinix LLC, on behalf of itself and its U.S. Affiliates	
Signature:	Billing Contact Name: Accounts Payable	Equinix Local Entity Address:	Signature:
Name:	Billing Address: PO Box 10250	One Lagoon Drive, 4th Floor	
Title:	Palo Alto CA 94303-0862	Redwood City CA	
Date:	Palo Alto CA United States	United States	
	94303-0862	94065	
	Phone Number: 6503292494		Name: Alex Para
	Email Address: tom.auzenne@cityofpaloalto.org		Title: Commercial Finance Senior Director
			Date: 02-Jun-2022

Attachment A

5 - Yr Lease for Cabinets and Innerducts at Equinix- SV8								
Account Name	City of Palo Alto	Initial Term	60 months					
Account Number	110002							
Agreement	00036759.0							
Product Description	Serial #	Quantity	MRC FY 19-20	MRC FY 20-21	MRC FY 21-22	MRC FY 22-23	MRC FY 23-24	Total Cost
Cabinet - 2.4KVA - 2 post relay Rack	0705-1-73624858	1	1,126	1,182	1,241	1,303	1,368	6,221
Cabinet - 2.4KVA - 2 post relay Rack	0708-10767970	1	1,155	1,212	1,273	1,337	1,404	6,381
Cabinet - 2.4KVA - 2 post relay Rack	0704-1-73624839	1	1,126	1,182	1,241	1,303	1,368	6,221
Cabinet - 2.4KVA - 2 post relay Rack	0707-1-73624877	1	1,126	1,182	1,241	1,303	1,368	6,221
Cabinet - 2.4KVA - 2 post relay Rack	0404-21024209	1	1,072	1,125	1,181	1,241	1,303	5,921
Total (\$/month)			\$5,604	\$5,884	\$6,178	\$6,487	\$6,812	\$30,965
Innerduct	14689530	1	1,276	1,340	1,407	1,477	1,551	7,052
Innerduct	14689531	1	1,276	1,340	1,407	1,477	1,551	7,052
Innerduct	14689529	1	1,276	1,340	1,407	1,477	1,551	7,052
Total (\$/month)			\$3,829	\$4,020	\$4,221	\$4,432	\$4,654	\$21,157
Montly cost			\$9,433	\$9,904	\$10,400	\$10,920	\$11,466	\$52,122
Annual cost			\$113,193	\$118,853	\$124,796	\$131,035	\$137,587	\$625,465

* 5% Annual CPI included in cost

MCR = Monthly Recurring Cost

EQUINIX ORDER



Account Name : CITY OF PALO ALTO
 Account Number : 110002
 Order Number : 1-186074182635
 Version # : 2
 Agreement # : 00036759 0

Currency : USD
 Order Valid Until : 11-Jun-2019
 Initial Term (Months) : 60
 Renewal Period (Months) : 12
 Non-renewal notice (Days) : 90

PREPARED BY:
 David Amooi
 damooi@equinix.com
 14082091000

PREPARED FOR:
 Raveen Maan
 raveen.maani@cityofpaloalto.org
 6503292494

IBX: SV8
 Address: 529 Bryant Street, Palo Alto, United States, 94301

Section C: Product/Element Changes									
Product Code	Product Description	Qty	UoM	Action	Serial #	Total Charges NRC	Current Price MRC	Amended Price MRC	Effective Date
SPC00005	Secure Cabinet With Circuit Based Power	1	Each	Update	1_1514349	\$0.00	\$5,898.87	\$5,603.93	01-Jul-2019
CAB00001	Cabinet- 2.4 kVA - 2 Post Rack (Relay Rack)	1	Each	Update	0705-1-73624858	-	\$1,185.12	\$1,125.86	01-Jul-2019
CAB00001	Cabinet- 2.4 kVA - 2 Post Rack (Relay Rack)	1	Each	Update	0708-10767970	-	\$1,215.51	\$1,154.73	01-Jul-2019
CAG00001	Cage- 5 Cabinets - PEC Cap- 11.52 PEC	11.52	PEC	-	8B055-10678681	-	\$0.00	\$0.00	01-Jul-2019
CAB00001	Cabinet- 2.4 kVA - 2 Post Rack (Relay Rack)	1	Each	Update	0704-1-73624839	-	\$1,185.12	\$1,125.86	01-Jul-2019
CAB00001	Cabinet- 2.4 kVA - 2 Post Rack (Relay Rack)	1	Each	Update	0707-1-73624877	-	\$1,185.12	\$1,125.86	01-Jul-2019
CAB00001	Cabinet- 2.3 kVA - 2 Post Rack (Relay Rack)	1	Each	Update	0404-21024209	-	\$1,128.00	\$1,071.60	01-Jul-2019
Section Total						\$0.00	\$5,898.87	\$5,603.93	

IBX: SV8
 Address: 529 Bryant Street, Palo Alto, United States, 94301

Section D: Continuing Services									
Product Code	Product Description	Qty	UoM	Serial #	Unit Pricing		Total Charges		Effective Date
					NRC	MRC	NRC	MRC	
CC00001	Cross Connect	1	Each	1_1531345602	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Network Cable Connection- Single-Mode Fiber - Z-side IBX- SV8	1	Each	M14057067	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Cross Connect	1	Each	1_1531336843	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Network Cable Connection- Single-Mode Fiber - Z-side IBX- SV8	1	Each	M13324101	-	-	\$0.00	\$0.00	01-Jul-2019
EXT00006	Innerduct	1	Each	14689530.	-	-	\$0.00	\$1,276.29	01-Jul-2019
EXT00002	Innerduct Element	1	Each	14689530	-	-	\$0.00	\$0.00	01-Jul-2019
EXT00006	Innerduct	1	Each	14689531.	-	-	\$0.00	\$1,276.29	01-Jul-2019
EXT00002	Innerduct Element	1	Each	14689531	-	-	\$0.00	\$0.00	01-Jul-2019
EXT00006	Innerduct	1	Each	14689529.	-	-	\$0.00	\$1,276.29	01-Jul-2019
EXT00002	Innerduct Element	1	Each	14689529	-	-	\$0.00	\$0.00	01-Jul-2019

EQUINIX ORDER



IBX: SV8									
Address: 529 Bryant Street, Palo Alto, United States, 94301									
Section D: Continuing Services									
Product Code	Product Description	Qty	UoM	Serial #	Unit Pricing		Total Charges		Effective Date
					NRC	MRC	NRC	MRC	
PS00004	Configurable Accessories	1	Each	1_1511117304	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0705:122350	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0705:112869	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0705:112870	-	-	\$0.00	-	01-Jul-2019
PS00004	Configurable Accessories	1	Each	1_1511117303	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0704:137356	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0704:122349	-	-	\$0.00	-	01-Jul-2019
PS00004	Configurable Accessories	1	Each	1_1511117305	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0707:112871	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0707:122351	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0707:122350	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	CP:0707:110503	-	-	\$0.00	-	01-Jul-2019
PS00004	Configurable Accessories	1	Each	1_1511117306	-	-	\$0.00	\$0.00	01-Jul-2019
CC00001	Patch Panel	1	Each	VP:0708:191979	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	VP:0708:191155	-	-	\$0.00	-	01-Jul-2019
CC00001	Patch Panel	1	Each	VP:0708:191978	-	-	\$0.00	-	01-Jul-2019
Section Total							-	\$3,828.87	

Section Total		NRC	MRC
Section C:	Product/Element Changes	\$0.00	\$5,603.93
Section D:	Continuing Services	\$0.00	\$3,828.87

Grand Total	
Monthly recurring charge:	\$9,432.80
Non-recurring charge:	\$0.00

NOTES TO CUSTOMER

EQUINIX ORDER



TERMS AND CONDITIONS

1. INTRODUCTION

This Replacement Order is governed by and incorporated by reference into the applicable Master Country Agreement or other similar agreement between the Parties ("Agreement").

Capitalized terms used but not defined in this Replacement Order shall have the meaning ascribed to them in the Agreement or shall refer to the values listed at the top of this Order.

This Replacement Order replaces and supersedes the Order(s) referenced above (including any Online or Phone Orders related to or incorporated by reference into such Order(s)) and will, as applicable, add those new Products detailed in Section A, terminate the Products detailed in Section B and amend the Products detailed in Section C as further detailed above from the Effective Date stated in the relevant Section.

Unless otherwise stated by this Replacement Order, the Products in the Order(s) detailed in Section D remain(s) unchanged.

2. DEFINITIONS

'Effective Date' as used in this Order shall be:

- For Section A: Product Additions, the date stated above on which the addition to the Licensed Space and Services takes effect or, if no such date is stated above, then the date the Licensed Space is provided or the Services are delivered;
 - For Section B: Product Deletions, the date stated above on which the termination of the Licensed Space and Services takes effect;
 - For Section C: Product Changes, the date stated above on which the change to the Licensed Space and Services takes effect;
- or, if no such date is stated above, then the date the Licensed Space is provided or the Services are delivered of this Replacement Order.

'Products' as used in this Order may also be referred to as Licensed Space and Services.

PRODUCT TERMS

Additional terms and conditions applicable to the Products listed above can be found at the following URL: <http://www.equinix.com/resources/product-documents> and are incorporated by reference into this Order.

3. INITIAL TERM & RENEWAL PERIOD

The Initial Term will commence on the Effective Date and will remain in effect for the Initial Term.

After the initial Term, the term will automatically renew for the Renewal Period unless either Party terminates the Order by providing written Non-renewal notice prior to the end of the then-current term to the other Party in which event this Order will terminate at the end of the then-current term.

4. POWER LIMITATIONS

The maximum amount of electrical power that Customer may draw is stated above as Draw Cap or Qty/UoM in kVA or kW ("Draw Cap"). Customer may not draw more power than the Draw Cap. If Customer exceeds the Draw Cap, Equinix will notify Customer and Customer must reduce power draw to be equal to or less than the Draw Cap within 72 hours (or as otherwise agreed) or Equinix may, in its sole discretion, either charge Customer for the power overage at a maximum of twice the MRC/kVA rate for Licensed Space and power Services above, or suspend Customer's power Services to return to Draw Cap compliance.

5. PRICE AND PRICE INCREASE



EQUINIX ORDER

Customer will pay the Fees for the Licensed Space and Services from the Effective Date.

Notwithstanding anything in this Order to the contrary, all Fees for those Products in the Price Increase Terms may be subject to the Price Increase with effect from the date stated in the Price Increase Terms and every twelve (12) months thereafter, except where a change in Equinix's direct electrical supply costs exceeds the Price Increase value listed below then Equinix may change the Fees for power Services by such increased cost.

Price Increase Terms	
First Price Increase Applicable After	12 months
All Products Price Increase %	5%

Renewal Price Increase Terms	
All Products Price Increase %	5%

GLOSSARY

Order Reference Updates			
IBX	Product Family	Order Reference #	New Order Reference #
SV8	Space & Power	105706	1-186074182635
SV8	Interconnection	105706, 139567	1-186074182635

EQUINIX ORDER



CITY OF PALO ALTO		Equinix LLC, on behalf of itself and its U.S. Affiliates	
Signature:	Billing Contact Name: Raveen Maan	Equinix Local Entity Address	Signature:
Name:	Billing Address	One Lagoon Drive, 4th Floor	<i>Matthew M Monaco</i>
Title:	PO BOX 10250	Redwood City CA	Name: Matthew M Monaco
Date:	PALO ALTO CA United States 94303-0862	United States	Title: Senior Director, Asset Management
	Phone Number: 6503292494	94065	Date: 04-Apr-2019
	Email Address: raveen.maan@cityofpaloalto.org		

PRODUCTS & SERVICES

EQUINIX SMART HANDS™ SUPPORT PLAN

Make the smart choice with Smart Hands™—let Equinix manage your IBX data center infrastructure

Use Equinix as your eyes, ears and hands

Management of your business infrastructure can often be a time- and labor-intensive undertaking, placing strain on already limited IT resources. At Equinix, our Smart Hands services can alleviate this issue by providing experienced IBX technicians, freeing up your IT personnel to concentrate on more mission-critical tasks.

Now you can maximize your data center investment by letting our Smart Hands technical experts act as your on-site eyes, ears and hands¹ no matter where you are. Equinix will be there when you can't, offering assistance with a full scope of services including remote management, installation and troubleshooting².

EQUIPMENT INSTALLATION SERVICES

- PDUs
- Interface cards
- Ladder racking, pre-wiring of patch panels and equipment

RACK AND STACK SERVICES

- Full-service installations

TROUBLESHOOTING

- Provide on-site technical assistance
- Test carrier circuits

REMOTE MANAGEMENT

- Power cycling of equipment
- Provide visual inspection of equipment
- Replace or remove equipment
- Add, remove or verify a demarcation

CABLING SERVICES

- Assemble, install, and maintain cabling
- Structured cabling
- Verify cable integrity
- Extend patch cables from the patch panel to equipment

LOGISTICS SUPPORT

- Handle equipment receiving, storage and cage delivery
- Assist with uncrating equipment from boxes and ship replaced equipment
- Move equipment within your space and cabinets

ASSET MANAGEMENT

- Inventory equipment
- Record digital pictures
- Record serial numbers

Smart Hands Support Plan: save money (in addition to time and hassle)

As any IT team member knows, business infrastructure will always require constant maintenance and support 24x7x365. Plus, it's not always convenient to go through your company's purchase approval process when you have an emergency and need assistance.

That's why Equinix introduced a prepaid discount program known as the Smart Hands Support Plan. Available with two payment schedules³ (monthly, annual) depending on your needs, the Plan includes the following benefits which allow you to:

- Predictably budget funds for regular schedule maintenance
- Use plan hours in any IBX in the country for which the plan was purchased or choose to restrict the plan hours to a Single IBX
- Reduce red tape by eliminating the need for individual internal approvals
- Better reconcile budgets by separating a financial expense (plan purchase) from day-to-day operational expense (operations or support)
- Improve efficacy by only requiring a single order for support plan hours that can be debited throughout the month, then replenished with each new month
- Receive discounts up to 30%
- Rollover unused monthly plan hours for 1 month
- Create your own Plan by choosing the exact number of hours to include in your Support Plan

PRODUCTS & SERVICES

EQUINIX SMART HANDS™ SUPPORT PLAN



Service level objectives are as follows:

- For 24/7 IBX sites, the turnaround time is 24 clock hours
- For non-24/7 IBX sites, the turnaround time is 24 business hours (e.g., eight hours per work day)
- There are exceptions, such as when a physical or power audit is being performed, or large rack-and-stack installations

Isn't it time you let Equinix literally do the heavy lifting (and a lot more) for your IT teams? To sign up for Smart Hands service or get more information, contact your local Equinix representative at +1 650 598 6000 or info@equinix.com.

1 Smart Hands is designed to provide customers with on-site technical assistance and may include, for example, Equinix complying with customer's simple instructions relating to remote management, installation or troubleshooting of its equipment within an IBX data center or any other services Equinix deems to be Smart Hands. With respect to the Smart Hands service offered by Equinix, the only Equinix obligation is to carry out the express instructions of customer. Equinix reserves the right to reject a customer's request if such rejection is reasonable or if such service is not offered as part of Smart Hands. In addition, Equinix reserves the right to require that a customer's instructions be given in additional detail and in writing (which may be by electronic mail). Notwithstanding the foregoing, Equinix has the right to perform Smart Hands services where the customer fails to act in a timely manner, or Equinix has the right to act under the policies at customer's expense as part of the Smart Hands service (suite cleanliness, shipping, etc.).

2 The Smart Hands service is limited to visual and physical support of IBX hardware (e.g., no application support) unless otherwise instructed by customer's IT personnel. An authorized customer representative must always be available (via telephone) when services are performed during an agreed-upon window of time. Equinix Professional Services teams are available for management of data center components and issues not covered by the Smart Hands service.

3 Monthly or Annual pre-purchased hours do not roll over and are forfeited if not used. (Annual hours must be used within a 12-month period. Monthly hours on Rollover Plans will be able to be used for 60 days (1 month rollover) Note: Usage will first consume hours from the current month, then from the rolled over hours. Once purchased, hour upgrades are available but hour decreases are not permitted during contract term. Annual Plan usage beyond the pre-purchased allotted amount will be billed at regular Smart Hands service rates unless an upgrade is requested



EQUINIX ORDER

Account Name	: CITY OF PALO ALTO	Currency	: USD	PREPARED BY:	Joel Norgaard
Account Number	: 110002	Order Valid Until	: 09-Jun-2022	PREPARED FOR:	Anthony Enerio
Order Number	: 1-215937954827				anthony.enerio@cityofpaloalto.or
Version #	: 1				9
Agreement #	: 00036759.0				+1-650 329-2621

IBX: SV8
Address: 529 Bryant Street, Palo Alto, CA, 94301, United States

Section A: Product Additions		Unit Pricing		Total Charges	
Product Code	Product Description	Qty	UoM	NRC	MRC
PS00002	Smart Hands Support Plan	1	Each	-	14,962.50
PS00021	Prepaid Smart Hands Hours	70	Hour	213.75	14,962.50
Section Total				14,962.50	0.00

Section Total	NRC	MRC
Section A:	14,962.50	0.00

Grand Total	
Monthly recurring charge:	\$0.00
Non-recurring charge:	\$14,962.50

TERMS AND CONDITIONS

1. INTRODUCTION

This Amendment Order is governed by and incorporated by reference into the applicable Master Country Agreement or other similar agreement between the Parties ("Agreement").

Capitalized words used but not defined in this Amendment Order shall have the meaning ascribed to them in the Agreement or shall refer to the values listed at the top of this Order.

2. AMENDMENT

This Amendment Order will, as applicable, add those new Products detailed in Section A, terminate the Products in the Order(s) detailed in Section B and amend the Products in the Order(s) detailed in Section C as further detailed above from the Effective Date stated in the relevant Section..

Except as amended by this Amendment Order, the Products in the Order(s) detailed in Section D remain(s) unchanged in all other respects and, unless otherwise amended herein, all terms and conditions



EQUINIX ORDER

of these Orders and the Agreement shall continue to apply.

3. DEFINITIONS

'Effective Date' as used in this Amendment Order shall be:

- For Section A: Product Additions, the date stated above on which the addition to the Licensed Space and Services takes effect;
 - For Section B: Product Deletions, the date stated above on which the termination of the Licensed Space and Services takes effect;
 - For Section C: Product Changes, the date stated above on which the change to the Licensed Space and Services takes effect;
- or, if no such date is stated above, then the date the Licensed Space is provided or the Services are delivered of this Amendment Order.

'Products' as used in this Amendment Order may also be referred to as Licensed Space and/or Services.

PRODUCT TERMS


Additional terms and conditions applicable to the Products listed above can be found at the following URL: <http://www.equinix.com/resources/product-documents> and are incorporated by reference into this Amendment Order.

Equinix reserves its right to delay any Effective Date for the Licensed Space and Services under this Order unless Equinix receives a signed copy of this Order before the Effective Date stated above.

Order Reference Updates	
IBX	Order Reference #
SV8	1-186074182635
Product Family	
Services	



EQUINIX ORDER

CITY OF PALO ALTO		Equinix LLC, on behalf of itself and its U.S. Affiliates	
Signature:	Billing Contact Name:	Equinix Local Entity Address:	Signature:
	Accounts Payable	One Lagoon Drive, 4th Floor	
Name:	Billing Address:	Redwood City CA	Name: Alex Para
	PO Box 10250	United States	Title: Commercial Finance Senior Director
Title:	Palo Alto CA 94303-0862	94065	Date: 11-Mar-2022
	Palo Alto CA United States		
Date:	94303-0862		
	Phone Number: 6503292494		
	Email Address: tom.auzenne@cityofpaloalto.org		



City of Palo Alto City Council Staff Report

(ID # 14277)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Amendment Number 1 to Contract Number C21178372C with C&S Engineers, Inc. for the Airport Apron Reconstruction Project (AP-16000) in the Amount of \$215,023 for a New Total Not-to-Exceed Amount of \$1,715,023, and approval of a Budget Amendment in the Airport Fund in Fiscal Year 2022

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council:

1. Approve and authorize the City Manager or their designee to execute Amendment No. 1 to Contract No. C21178372C with C&S Engineers, Inc. (Attachment A), to increase compensation by \$215,023 to provide construction administration and management services related to Phase III of the Airport Apron Reconstruction project (AP-16000), for a new total not-to-exceed amount of \$1,715,023; and
2. Amend the Fiscal Year 2022 Budget Appropriation for the Airport Enterprise Fund, by a 2/3 vote, by:
 - a. Increasing the contract services expenditure appropriation for the Airport Apron Reconstruction project (AP-16000) by \$215,023; and
 - b. Decreasing the ending fund balance by \$215,023.

Background

On December 7, 2020 ([CMR 11654](#)), the City Council approved Contract Number C21178372C with C&S Engineers, Inc. (C&S) for planning and construction management services. Staff recommends amending this contract to add additional funds for C&S construction management services to complete the Apron Reconstruction Project (AP-16000).

Discussion

The construction management services provided by C&S have been vital to the success of all three phases of the Airport Apron Reconstruction Project. Phase III of the Airport Apron Reconstruction project was originally scheduled for completion in September 2021. However, during the project there has been extensive extra work and delays experienced due to the poor condition of existing subgrade underneath the Airport apron. The original plan for subgrade treatment was a cement treated process in which cement is mixed into the clay mud to build a

stable platform. This has succeeded on much of the apron project, but there have been areas where the original plan did not produce a stable platform to continue construction. C&S, as the engineer of record, developed additional plans to construct a stable subgrade; however, this has taken additional time as there is no single solution to solve all the subgrade issues.

The additional funds requested in this report will be required to continue through the expected completion of the project in August 2022. This amendment will allow sufficient funding for C&S to complete As-Builts and documents required for the close out of the Federal Aviation Administration (FAA) grant. Airport staff is working with the FAA on a change order to the grant that will include these additional contract expenses for reimbursement. Since these expenses are eligible for up to 100% reimbursement as part of the FAA Airport Improvement Program, staff expects the FAA change order to be approved shortly after Amendment No. 1 is executed.

Resource Impact

Pending the City Council's approval of the recommendations in this report, the contract services expenditure appropriation for the Airport Apron Reconstruction project (AP-16000) will increase by \$215,023 for FY 2022. This will bring the total cost of the project to approximately \$42.2 million. The additional expenses included in the recommended contract amendment are eligible to receive 100% funding from the FAA, and staff is working to complete the FAA change order to incorporate them into the existing FAA grant. This contract adjustment will initially be funded from Fund Balance in the Airport Fund, but Staff anticipates the FAA will approve an amendment to the grant and the revenue will be recognized later to reimburse the Fund Balance.

Stakeholder Engagement

Airport stakeholders have been involved in the Apron Reconstruction project since the beginning of design, and airport staff continues to engage with the Palo Alto Airport Association and Airport businesses to minimize construction impacts.

Policy Implications

The recommendation does not represent any changes to existing City policy.

Environmental Review

The Phase III Airport Apron Reconstruction Project has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. Specifically, the project is categorically exempt from the provisions of CEQA per Section 15301 (Existing Facilities).

Attachments:

- **Attachment11.a:** Attachment A: CS Engineers Inc.; Contract C21178372C Amendment No. 1

**AMENDMENT NO. 1 TO CONTRACT NO. C21178372C
BETWEEN THE CITY OF PALO ALTO AND C & S ENGINEERS, INC.**

This Amendment No. 1 to Contract No. C21178372C (“Contract”) is entered into June 20, 2022, by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and C & S ENGINEERS, INC., a New York corporation, located at 499 Col. Eileen Collins Boulevard, Syracuse, New York 13212 (“CONSULTANT”).

RECITALS

A. The Contract was entered into between the parties for the provision of On-call engineering services including planning, design engineering, environmental analyses, grant management and construction management.

B. The parties wish to amend the Contract to increase the compensation to cover additional anticipated task order for Phase III of the Airport Apron Reconstruction Capital Improvement Project; to increase the total not-to-exceed amount of the Contract by an amount not to exceed Two Hundred Fifteen Thousand Twenty Three Dollars (\$215,023.00) from One Million Five Hundred Thousand (\$1,500,000.00) to a new total not-to-exceed amount of One Million Seven Hundred Fifteen Thousand Twenty Three Dollars (\$1,715,023.00); 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. C21178372C between CONSULTANT and CITY, dated December 7, 2020 of original contract.
- 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 is hereby amended to read as follows:

“The compensation to be paid to CONSULTANT for performance of services described in Exhibit “A” (“Basic Services”), and reimbursable expenses, shall not exceed One Million Seven Hundred Fifteen Thousand Twenty-Three Dollars (\$1,715,023.00)”

SECTION 3. The following exhibit(s) to the Contract is/are hereby amended or added, as indicated below, to read as set forth in the attachment(s) to this Amendment, which is/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.
- b. EXHIBIT "C" entitled "COMPENSATION, AMENDMENT NO. 1" (AMENDED, REPLACES PREVIOUS).
- c. EXHIBIT "C-1" entitled "HOURLY RATE SCHEDULE" (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.

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

CITY OF PALO ALTO

City Manager

APPROVED AS TO FORM:

City Attorney or Designee

Director of Public Works

C & S ENGINEERS, INC.

DocuSigned by:
By: Teddy Ramil
001BA1730F944B5...
Name: Teddy Ramil

Title: Managing Engineer

DocuSigned by:
By: Lance McIntosh
0851D4E95D01423...
Name: Lance McIntosh

Title: Service Group Manager

Attachments:

- EXHIBIT "A" entitled "SCOPE OF SERVICES, AMENDMENT NO. 1 (AMENDED, REPLACES PREVIOUS)
- EXHIBIT "C" entitled "COMPENSATION, AMENDMENT NO. 1" (AMENDED, REPLACES PREVIOUS)
- EXHIBIT "C-1" entitled "HOURLY RATE SCHEDULE" (AMENDED, REPLACES PREVIOUS)

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

Consultant will provide on-call services at Palo Alto Airport in connection with categories associated with the airfield improvements identified on the ACIP: Planning and Construction Management.

Consultant will perform all professional services consistent with the industry-accepted roles of Construction Manager for the following projects:

- Reconstruction Access Road
- AWOS III
- Airfield Electrical Improvements
- Runway and Taxiway Reconstruction and Drainage Improvement
- Apron Reconstruction Project Phase III

Consultant may provide other Construction Management services as required.

Consultant will provide planning services to assist Airport and City staff with preparation of the necessary technical detail and analyses involved with airport planning. Specific projects include:

- ALP narrative with Aeronautical Survey
- Business Plan

Consultant may provide other planning services as required.

EXHIBIT "C"
COMPENSATION, AMENDMENT NO. 1

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement based on the hourly rate schedule attached as Exhibit C-1.

The compensation to be paid to CONSULTANT under this Agreement for all services, additional services, and reimbursable expenses shall not exceed the amount(s) stated in Section 4 of this Agreement. CONSULTANT agrees to complete all Services and Additional Services, including reimbursable expenses, 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.

REIMBURSABLE EXPENSES

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are:

A. Travel outside the San Francisco Bay area, including transportation and meals, will be reimbursed at actual cost subject to the City of Palo Alto's policy for reimbursement of travel and meal expenses for City of Palo Alto employees.

B. Long distance telephone service charges, cellular phone service charges, facsimile transmission and postage charges are reimbursable at actual cost.

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense anticipated to be more than \$250 shall be approved in advance by the CITY's project manager.

EXHIBIT "C-1"
HOURLY RATE SCHEDULE (AMENDED, REPLACES PREVIOUS)

C&S ENGINEERS, INC.
Apron Reconstruction, Phase III Project
Rate Schedule

ENGINEERING	Hourly Rate
Service Group Manager	\$301.38
Department Manager	\$252.00
Project Manager	\$220.00
Managing Engineer	\$248.00
Chief Engineer	\$199.00
Senior Project Engineer	\$181.00
Project Engineer	\$158.00
Engineer	\$129.00
Staff Engineer	\$123.00
Senior Designer	\$132.00
Designer	\$99.00
Resident Engineer	\$16.00
Grant Administrator	\$111.00
Administrative Assistant	\$76.00
PLANNING	
Director, Terminal	\$275.00
Director	\$220.00
Associate Director, Terminal	\$255.00
Associate Director	\$205.00
Principal Consultant	\$185.00
Senior Consultant	\$130.00
Consultant	\$110.00



City of Palo Alto City Council Staff Report

(ID # 14324)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Adoption of a Resolution Implementing the Water Use Restrictions in Stage II of Palo Alto's Amended 2020 Water Shortage Contingency Plan in Compliance With the State Water Resources Control Board's May 24, 2022 Emergency Water Conservation Regulations, and Restricting Potable Irrigation to No More Than Two Days a Week, with Exceptions for Tree Health, Health and Safety, and Certain Non-Residential Zone Irrigation

From: City Manager

Lead Department: Utilities

Recommended Motion

Staff recommends the Council adopt a Resolution ([Attachment A](#)):

- 1) Implementing the water use restrictions in Stage II of Palo Alto's Amended 2020 Water Shortage Contingency Plan in compliance with the State Water Resource Control Board's May 24, 2022 Emergency Water Conservation Regulations ([Attachment C](#));
- 2) For residential customers, restricting potable irrigation of ornamental landscapes and lawns to two days a week, specifically: Mondays and Thursdays for odd numbered and numberless addresses, and Tuesdays and Fridays for even numbered addresses, except to ensure the health of trees and other perennial non-turf plantings; and
- 3) For non-residential customers, restricting potable irrigation of ornamental landscapes to two days a week, specifically: Mondays and Thursdays for odd numbered and numberless addresses, and Tuesdays and Fridays for even numbered addresses, with the following exceptions:
 - a. Potable irrigation of ornamental landscapes is permitted as necessary to ensure the health of trees and other perennial non-turf plantings or to the extent necessary to address an immediate health and safety need, and
 - b. For non-residential customers who irrigate via zone, potable irrigation of ornamental landscapes is permitted on more than two days per week, so long as each irrigation zone within an individual property is irrigated no more than two days per week.

Executive Summary

The attached resolution implements the water use restrictions in Stage II of Palo Alto's Amended 2020 Water Shortage Contingency Plan (WSCP). These actions are in compliance with the State Board's May 24, 2022 Emergency Water Conservation Regulations.

The additional water use restrictions in Stage II of Palo Alto's Amended 2020 WSCP are:

- 1) Restaurants and other food service operations shall serve water to customers only upon request.
- 2) Operators of hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom using clear and easily understood language.

Additionally, in response to recent calls to action by the Valley Water District (Valley Water), the attached resolution restricts potable irrigation of ornamental landscapes and lawns to Mondays and Thursdays for odd numbered and numberless addresses, and to Tuesdays and Fridays for even numbered addresses, except as necessary to ensure the health of trees and other perennial non-turf plantings. In addition, in recognition of the fact that some non-residential properties may irrigate their ornamental landscapes via individual zones within the property, making two day-per-week irrigation infeasible within the City's existing time of day restrictions, potable irrigation of ornamental landscapes is permitted for non-residential properties on more than two days per week, so long as each irrigation zone within a particular property is irrigated no more than two days per week.

Notably, the State Board's May 24, 2022 Emergency Water Conservation Regulations prohibit the potable irrigation of non-functional turf at commercial, industrial, and institutional sites statewide, except as necessary to ensure the health of trees and other perennial non-turf plantings, or to the extent necessary to address an immediate health and safety need. Staff's recommended water use restrictions are intended to be compatible with the State regulations, rather than duplicate them. Therefore, no additional Council action is needed to implement the State's ban on potable irrigation of non-functional turf at commercial, industrial, and institutional sites¹. However, the State's emergency regulations neither address nor define non-residential "ornamental landscapes", unlike the City's municipal code and Valley Water's emergency declaration. Thus, the City's proposed restrictions permit potable irrigation of non-residential ornamental landscapes on two days per week, with certain exceptions. Table 2 summarizes the proposed potable irrigation restrictions for all three landscape types.

Background

The City is working to respond to and comply with a variety of new orders, regulations and calls to action from the Governor, the State Water Resources Control Board (SWRCB), Santa Clara Valley Water District, and San Francisco Public Utility Commission (SFPUC).

¹ Except to the extent necessary to ensure the health of trees and other perennial non-turf plantings or to the extent necessary to address an immediate health and safety need.

On April 21, May 10, July 8, and October 19, 2021, Governor Newsom issued proclamations declaring a drought emergency in all the state's 58 counties. On July 8, 2021, Governor Newsom issued Executive Order N-10-21 calling on all Californians to voluntarily reduce water use 15% from 2020 levels.

On November 23, 2021, the SFPUC declared a local water shortage emergency by Resolution No. 21-0177, per the California Water Code, and called for voluntary systemwide 10% water use reduction.

On January 4, 2022, the State Board found that an emergency exists due to severe drought conditions and adopted an [emergency regulation](#) prohibiting certain wasteful water uses in order to preserve urban water supplies.

On March 7, 2022, Council adopted [Resolution 10022](#) amending Palo Alto's 2020 WSCP in compliance with the State Board's January 4, 2022 emergency water conservation regulations and implementing the water use restrictions in Stage I of Palo Alto's Amended 2020 WSCP.

On March 28, 2022 Governor Newsom issued [Executive Order N-7-22](#) directing the Water Board, by May 25, 2022, to consider adopting emergency regulations requiring urban water suppliers who have submitted Water Shortage Contingency Plans (WSCP) to implement, at a minimum, the shortage response actions associated with water shortage level of up to 20%; and encouraging urban water suppliers to voluntarily activate more stringent local requirements based upon a shortage level of up to 30%. Additionally, Executive Order N-7-22 requires the Water Board to consider adopting emergency regulations that define "non-functional turf" as ornamental turf that is not otherwise used for human recreation purposes such as school fields, sports fields, and parks, and ban irrigation of non-functional turf in the commercial, industrial, and institutional sectors except as it may be required to ensure the health of trees and other perennial non-turf plantings.

On May 24, 2022, the State Board adopted emergency regulations (see [Regulation No. 2022-0018](#)) requiring urban water suppliers who have submitted WSCPs to implement, at a minimum, the demand reduction actions associated with water shortage level of 10% to 20% by June 10, 2022. The emergency regulations define "non-functional turf" as turf that is solely ornamental and not regularly used for human recreation purposes or for civic or community events, including sports fields.² The emergency regulations also prohibit irrigation of non-functional turf with potable water in the commercial, industrial, and institutional sectors except as necessary to ensure the health of trees and other perennial non-turf plantings, or to the extent necessary to address an immediate health and safety need.³ In addition, the City, as an urban water supplier, is permitted to approve a request for continued irrigation of non-functional turf where the user certifies that the turf is a low water use plant with a plant factor

² California Code of Regulations, Title 23, Section 996(a)(5).

³ California Code of Regulations, Title 23, Section 996(e).

of 0.3 or less, and demonstrates the actual use is less than 40% of reference evapotranspiration.

The Santa Clara Valley Water District (Valley Water) is the groundwater management agency in Santa Clara County. Although the City of Palo Alto obtains 100% of its potable water supply from the SFPUC and does not use groundwater, Palo Alto partners with Valley Water to offer a range of water conservation programs to the City's residential and commercial customers. On June 9, 2021, Valley Water's Board declared a water shortage emergency condition pursuant to California Water Code Section 350, called for countywide water use reduction of 15% compared to 2019, and urged Santa Clara County to proclaim a local emergency (Resolution No. 21-68). The County ratified its proclamation of a drought emergency on June 22, 2021. On April 12, 2022, Valley Water's Board amended Resolution No. 21-68 (Attachment D) with additional calls for water conservation, including calling for the County, water retailers and cities to restrict ornamental landscape and lawn irrigation with potable water within their service or jurisdictional areas to no more than two days per week.

Discussion

The various new water use prohibitions and calls to action from the State Water Resources Control Board (SWRCB or State Board) and Valley Water are summarized below in Table 1. The table also shows the relevant City of Palo Alto's existing water use restrictions (both permanent water use restrictions from Palo Alto Municipal Code ([PAMC Section 12.32.010](#), Stage I restrictions implemented by Council on March 7, 2022 and proposed water use restrictions in the attached draft resolution).

Table 1: Comparison of Water Waste Prohibitions in the State Water Board’s May 24, 2022 Emergency Regulation, and Valley Water’s April 2022 Amended Resolution No. 21-68, with the City of Palo Alto’s Existing and Proposed Water Use Restrictions

Prohibitions in May 2022 State Board Emergency Regulations and “Calls to Action” in April 2022 Valley Water Resolution No. 21-68	City of Palo Alto’s Existing and Proposed Water Use Restrictions
<p>Valley Water’s Amended Resolution No. 21-68, Section 6, Bullet 3 calls for the public to “restrict the application of potable water to outdoor landscapes in a manner that causes more than incidental runoff such that water does not flow onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures;”</p>	<p>Permanent water use restriction PAMC Section 12.32.010 (a): “Potable water shall not be allowed to flood or run off into gutters: driveways, sidewalks, streets or other unlandscaped areas.”</p>
<p>Valley Water’s Amended Resolution No. 21-68, Section 6, Bullet 4 calls for the public to “restrict the application of water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall.”</p>	<p>Water Use Restriction in Stage I of Palo Alto’s Amended Water Shortage Contingency Plan, effective March 7, 2022 via Resolution 10022 “Irrigation with potable water during and within 48 hours after a measurable rainfall of at least one fourth of one inch of rain, as determined by the Director of Utilities, or his or her designee, and posted on the Palo Alto website, is prohibited.”</p>
<p>Valley Water’s Amended Resolution No. 21-68, Section 9, Bullet 6 supports local adoption and enforcement of water waste restrictions that may include prohibitions against the “[u]se of potable water to irrigate turf, lawns, gardens, or ornamental landscaping by means other than drip irrigation, or hand watering without quick acting positive action shut-off nozzles, on a specific schedule, for example: 1) before 9:00 a.m. and after 5:00 p.m.; or 2) selected days of the week;” and</p> <p>Valley Water’s Amended Resolution No. 21-68, Section 11 Bullet 1 calls for the County, water retailers and cities to “prohibit irrigation of lawns and ornamental landscaping during midday hours”.</p>	<p>Permanent water use restriction PAMC Section 12.32.010 (e): “The irrigation of turf or ornamental landscapes, which serve purely decorative purposes, and are distinguished from trees, edible gardens or landscapes that provide more than a purely aesthetic function, with potable water shall not be allowed between 10:00 a.m. and 6:00 p.m., except via hand watering with a bucket or a hose with an operating shut-off valve.”</p>
<p>State Board Emergency Regulation Section 996(c): “Each urban water supplier that has submitted a water shortage contingency plan to the Department of Water Resources shall implement by June 10, 2022, at a minimum, all demand reduction actions identified in the supplier’s water shortage contingency plan adopted under Water Code 10632 for a shortage level of ten (10) to twenty (20) percent (Level 2).”</p>	<p>Staff recommends Council activate each of the Stage II water use restrictions included in Appendix H, “Water Use Restrictions” of the City’s amended 2020 Water Shortage Contingency Plan:</p> <ol style="list-style-type: none"> 1) Restaurants and other food service operations shall serve water to customers only upon request. 2) Operators of hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom using clear and easily understood language.

Prohibitions in May 2022 State Board Emergency Regulations and “Calls to Action” in April 2022 Valley Water Resolution No. 21-68	City of Palo Alto’s <i>Existing</i> and Proposed Water Use Restrictions
<p>Valley Water’s Amended Resolution No. 21-68, Section 6, Bullet 1 calls for the public to “restrict outdoor watering of ornamental landscapes and lawns with potable water to no more than two days a week;” and</p> <p>Valley Water’s Amended Resolution No. 21-68, Section 6, Bullet 2 calls for the public to “prioritize irrigation of established trees using low-flow irrigation over that of ornamental landscapes and lawns to reduce tree loss”; and</p> <p>Valley Water’s Amended Resolution No. 21-68, Section 11 Bullet 2 calls for the County, water retailers and cities to “restrict ornamental landscape and lawn irrigation within their service or jurisdictional areas to Mondays and Thursdays for odd numbered and numberless addresses and to Tuesdays and Fridays for even numbered addresses, for those that have not already adopted specific days when irrigation is permitted within their jurisdictional area.”</p>	<p>Staff proposes to add this restriction in the attached draft Resolution, Section 3 and Section 4.</p> <p>Specifically, for residential customers, potable irrigation of ornamental landscapes and lawns would be restricted to two days a week, specifically: Mondays and Thursdays for odd numbered and numberless addresses, and Tuesdays and Fridays for even numbered addresses, except to ensure the health of trees and other perennial non-turf plantings.</p> <p>For non-residential customers, potable irrigation of ornamental landscapes would be restricted to two days a week, specifically: Mondays and Thursdays for odd numbered and numberless addresses, and Tuesdays and Fridays for even numbered addresses, with the following exceptions</p> <ul style="list-style-type: none"> (i) potable irrigation of ornamental landscapes is permitted as necessary to ensure the health of trees and other perennial non-turf plantings; and (ii) for non-residential customers who irrigate via zone, potable irrigation of ornamental landscapes is permitted on more than two days per week, so long as each irrigation zone within an individual property is irrigated no more than two days per week.
<p>State Board Emergency Regulation Section 996(e):</p> <p>(1): “To prevent the unreasonable use of water and to promote water conservation, the use of potable water is prohibited for the irrigation of non-functional turf at commercial, industrial, and institutional sites.</p> <p>(2) Notwithstanding subdivision (e)(1), the use of water is not prohibited by this section to the extent necessary to ensure the health of trees and other perennial non-turf plantings or to the extent necessary to address an immediate health and safety need.”</p> <p>Section 996(a)(5) defines “non-functional turf” as “turf that is solely ornamental and not regularly used for human recreational purposes or for civic or community events. Non-functional turf does not include sports fields and turf that is regularly used for human recreational purposes or</p>	<p>These are State requirements and are therefore not included in Palo Alto’s PAMC or additional water use restrictions.</p>

Prohibitions in May 2022 State Board Emergency Regulations and “Calls to Action” in April 2022 Valley Water Resolution No. 21-68	City of Palo Alto’s <i>Existing</i> and Proposed Water Use Restrictions
for civic or community events.”	

SFPUC Supplier Water Use Reductions

SFPUC supplies 100% of Palo Alto’s potable water supply and on November 23, 2021, SFPUC declared a water shortage emergency calling for voluntary systemwide water use reductions of 10%. Palo Alto’s assigned voluntary water purchase cutback is 7.96% from FY 2019-2020 levels. For January – April 2022 cumulatively, Palo Alto’s water usage was 17% above the cumulative SFPUC voluntary water budgets.

In response to the SWRCB’s May 24th emergency regulations, SFPUC also acted on May 24, 2022 via adoption of Resolution No. 22-0098 to comply with the SWRCB’s requirements, including adopting a systemwide water use reduction of 11% compared to baseline water use during Fiscal Year 2019-2020, which is associated with Shortage Level 2 of the SFPUC Water Shortage Contingency Plan. Staff expects this to increase Palo Alto’s voluntary water purchase cutback level from 7.96% to approximately 10% for 12 months, beginning in July (SFPUC has indicated that it will provide the allocations by early June). Although staff expects the new target to be consistent with Stage I of the City’s WSCP, the State Water Resources Control Board (SWRCB) regulation requires the City to implement the Stage II restrictions. SFPUC’s cutbacks are currently voluntary, however they could become mandatory in the fall if insufficient water conservation is observed system-wide. Under mandatory cutbacks, Palo Alto would face financial penalties if water usage continues to exceed its assigned water budget.

City of Palo Alto’s Existing Water Use Restrictions

Regardless of which stage of the City’s WSCP is in effect, Palo Alto permanently maintains eight water use restrictions in [PAMC Section 12.32.010](#) that prohibit the following uses of water:

- (a) *Potable water shall not be allowed to flood or run off into gutters: driveways, sidewalks, streets or other unlandscaped areas.*
- (b) *By means of a hose to wash cars, boats, trailers, buses or other vehicles or to wash sidewalks, building structures, other hard-surfaced areas or parts thereof without an operating automatic shut-off valve. Use of a hose for such purposes should be avoided whenever possible.*
- (c) *Potable water for consolidation of backfill and other nondomestic uses in construction shall not be used if other water sources such as reclaimed water are available, as determined by the director of utilities or his or her designee. Applicants for hydrant permits from the city of Palo Alto shall be deemed to have consented to restrictions on water use which may be imposed by the director of utilities or his or her designee.*
- (d) *Any broken or defective plumbing, sprinklers, watering or irrigation systems which permit the escape or leakage of water shall be repaired or replaced as soon as possible, but no later than the date established by the*

director of utilities, or his or her designee, as reasonable after observation of the broken or defective system.

(e) The irrigation of turf or ornamental landscapes, which serve purely decorative purposes, and are distinguished from trees, edible gardens or landscapes that provide more than a purely aesthetic function, with potable water shall not be allowed between 10:00 a.m. and 6:00 p.m., except via hand watering with a bucket or a hose with an operating shut-off valve.

(f) The use of potable water in a fountain or other decorative water feature is prohibited, except where the water is part of a recirculating system.

(g) The use of potable water for street sweepers and washers is prohibited if non-potable water is available, as determined by the Director of Utilities, or his or her designee.

(h) Commercial car washes must use recycled water systems, if recycled water is available, as determined by the Director of Utilities, or his or her designee, and economically feasible.

Additionally, Palo Alto's WSCP is designed to achieve various levels of water use reduction. This 2020 WSCP was approved by Council on June 7, 2021 ([Resolution 9965](#)) and amended on March 7, 2022 ([Resolution 10022](#)). The Amended 2020 WSCP includes six stages of water shortage and includes a suite of water use restrictions available for Council's consideration in droughts.

On March 7, 2022, Council implemented the water use restrictions in Stage I – "Minimum Water Supply Shortage" of the Amended 2020 WSCP. Stage I applies when target water savings are in the range of up to 10%. This stage includes ongoing informational outreach and audit programs on water saving information. The Stage I water use restrictions currently in effect are:

1. Irrigation with potable water during and within 48 hours after a measurable rainfall of at least one fourth of one inch of rain, as determined by the Director of Utilities, or his or her designee, and posted on the Palo Alto website, is prohibited.
2. The application of potable water to driveways, sidewalks, buildings, structures, patios, parking lots, or other hard surfaced areas is prohibited, except where necessary to address an immediate health and safety need or to comply with a term or condition in a permit issued by a state or federal agency.
3. Irrigation of ornamental turf on public street medians with potable water is prohibited.

State Board's May 24, 2022 Emergency Regulation

The State Board's May 24, 2022 Emergency Regulation requires urban water suppliers, including Palo Alto, to implement Stage II – "Moderate Water Supply Shortage" for shortages of 10% to 20% by June 10, 2022. The additional water use restrictions in Stage II of Palo Alto's Amended 2020 WSCP are:

- 1) Restaurants and other food service operations shall serve water to customers only upon request.
- 2) Operators of hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom using clear and easily understood language.

The State Board's May 24, 2022 Emergency Regulation prohibits the use of potable water for the irrigation of "non-functional turf" at commercial, industrial, and institutional sites other than to the extent necessary to ensure the health of trees and other perennial non-turf plantings, or to the extent necessary to address an immediate health and safety need.⁴ The definition of non-functional turf provided by the State Board is "turf that is solely ornamental and not regularly used for human recreational purposes or for civic or community events. Non-functional turf does not include sports fields and turf that is regularly used for human recreational purposes or for civic or community events."⁵ Although the State Board's May 24, 2022 Emergency Regulation is silent on irrigation requirements for commercial, industrial and institutional sites with ornamental *landscapes*, Section 12.32.010(e) of the PAMC defines ornamental landscapes as those "which serve purely decorative purposes, and are distinguished from trees, edible gardens or landscapes that provide more than a purely aesthetic function⁶." Table 2 outlines the requirements for each landscape type.

Since the State Board's restrictions regarding non-functional turf are now State law, they are not contained in the City's municipal code or WSCP. Palo Alto staff will communicate this prohibition to commercial, industrial and institutional customers through website, newsletters, bill inserts, email, and social media updates. Additionally, Palo Alto staff will share this information with the business community through the Chamber of Commerce and Downtown Association. Palo Alto will also comply with this prohibition for irrigation of non-functional turf at City facilities.

Valley Water's County-Wide Call Restricting Outdoor Watering of Non-Tree Ornamental Landscapes and Lawns with Potable Water to Two Days a Week

Valley Water's April 12, 2022 amended Resolution No. 21-68 calls for actions as shown in Table 1. Palo Alto has already implemented several of the water use restrictions called for by Valley Water in its April 12, 2022 resolution, including: 1) a prohibition on flooding or runoff of potable water into gutters, driveways, sidewalks, streets or other unlandscaped areas⁷; 2) prohibition on irrigation of turf or ornamental landscapes, which serve purely decorative purposes, and are

⁴ California Code of Regulations, Title 23, Section 996(e).

⁵ California Code of Regulations, Title 23, Section 996(a)(5).

⁶ Green Stormwater Infrastructure, which is infrastructure built into the urban environment that utilizes plants and soil to slow, collect, clean, and infiltrate stormwater runoff through natural processes, is not ornamental landscape. See City of Palo Alto's [Green Stormwater Infrastructure Plan](#), accepted by Council on May 13, 2019 (Staff Report ID #9883).

⁷ See Valley Water Amended Resolution No. 21-68 Section 6, 3rd bulleted item, and Palo Alto Municipal Code Section 12.32.010(a).

distinguished from trees, edible gardens, or landscapes that provide more than a purely aesthetic function, with potable water between 10:00am and 6:00pm, except via hand watering with a bucket or hose with an operating shut-off valve⁸; and 3) a prohibition on irrigation with potable water during and within 48 hours after a measurable rainfall.⁹

Although Palo Alto does not utilize groundwater for its water supplies and instead relies on the SFPUC's Regional Water System for potable water supply, Palo Alto is located in Santa Clara County and supports consistent county-wide messaging regarding water conservation and drought. Palo Alto also encourages water conservation in line with SFPUC's request. So far in 2022 California experienced the driest conditions in recorded history and this likely contributed to increased water usage for some customers. Further restrictions on potable irrigation outlined above will allow Palo Alto to align with county-wide efforts and messaging as well as assist in meeting the voluntary water budgets of Palo Alto's water supplier.

Healthy Trees

It is important to maintain the health of the urban canopy in Palo Alto because trees have numerous social and environmental benefits. For this reason, potable irrigation of ornamental landscapes or lawns where irrigation benefits the health of trees and other perennial non-turf plantings is specifically excluded from the proposed two-day per week potable irrigation restriction in Palo Alto. Trees and other perennial non-turf plantings are also excluded from the State's ban on irrigation of non-functional turf at commercial, industrial and institutional sites. In addition, Valley Water's amended Resolution 21-68 calls for the public to prioritize irrigation of established trees using low-flow irrigation over that of ornamental landscapes and lawns to reduce tree loss. The restrictions included in the attached resolution and summarized below have sufficient protections for tree health as well as the health of perennial non-turf plantings sufficient to avoid detrimental impact on tree health in Palo Alto.

Staff plans to include information about trees and tree care, as well as encouraging responsible tree watering and maintenance in outreach materials and messages about the potable irrigation restriction to Palo Alto residents and businesses.

Summary of Proposed Potable Irrigation Restrictions

In summary, the proposed potable irrigation restrictions in Palo Alto are as follows: residential customers should restrict ornamental landscape and lawn irrigation to Mondays and Thursdays for odd numbered and numberless addresses, and to Tuesdays and Fridays for even numbered addresses, except as it may be required to ensure the health of trees and other perennial non-turf plantings. For non-residential customers, the Table 2 outlines the allowed irrigation schedules for each type of outdoor area:

⁸ See Valley Water Amended Resolution No. 21-68 Section 9, 6th bulleted item, and Palo Alto Municipal Code Section 12.32.010(e).

⁹ See Valley Water Amended Resolution No. 21-68 Section 6, 4th bulleted item, and Palo Alto's Amended WSCP Stage 1, 1st water use restriction, made effective on March 7, 2022 by [Resolution 10022](#).

Table 2: Proposed Potable Irrigation Schedules for Non-Residential Landscape Types

Non-Residential Landscape Type	Trees or Perennial Non-Turf Plants Included?	Irrigation Schedule
Functional turf (eg: playing fields and golf courses)	Trees/Perennial Non-Turf	Irrigate as necessary for health and safety ¹⁰
	No Trees/No Perennial Non-Turf	
Ornamental landscape¹¹	Trees/Perennial Non-Turf	2 days per week (Mo/Th for odd and numberless, Tu/F for even, 2 days per week by irrigation zone if applicable); additional irrigation allowed for tree/perennial non-turf health
	No Trees/No Perennial Non-Turf	2 days per week (Mo/Th for odd and numberless, Tu/F for even, 2 days per week by irrigation zone if applicable)
Non-functional Turf¹²	Trees/ Perennial Non-Turf	Irrigation allowed for tree/perennial non-turf health, or to address an immediate health and safety need
	No Trees/No Perennial Non-Turf	Irrigation prohibited, except to address immediate health and safety need

Enforcement

Palo Alto will continue to focus on education and outreach and providing resources to eliminate water waste and achieve efficient water use. Palo Alto's enforcement of the restrictions and requirements outlined in Stage II of the amended 2020 WSCP as well as the restriction on outdoor watering included in the attached resolution shall follow the education-based process outlined in Resolution 9460 ([Attachment B](#)). The State Board's emergency regulations provide that violations of the State's potable irrigation ban for non-functional turf at commercial, industrial and institutional sites are infractions, punishable by fines of up to \$500 per day¹³. However, the State Board has also directed its staff and other entities considering enforcement of the State's regulation to consider warnings and non-monetary penalties.¹⁴ Local agencies retain discretion on enforcement of the State's regulations and are encouraged to "develop their own progressive enforcement practices to encourage conservation".¹⁵

¹⁰ Palo Alto permanently restricts irrigation of turf or ornamental landscapes, which serve purely decorative purposes, and are distinguished from trees, edible gardens or landscapes that provide more than a purely aesthetic function, with potable water between 10:00 a.m. and 6:00 p.m., except via hand watering with a bucket or a hose with an operating shut-off valve.

¹¹ Ornamental landscapes serve purely decorative purposes, and are distinguished from trees, edible gardens or landscapes that provide more than a purely aesthetic function (PAMC 12.32.010(e)).

¹² The ban on potable irrigation of non-functional turf at commercial, industrial and institutional sites, except to protect trees and perennial non-turf plants, or to address an immediate health and safety need, is a State regulation, see California Code of Regulations, Title 23, Section 996(e).

¹⁴ State Water Resources Control Board [Regulation No. 2022-0018](#), recitals 16 and 17.

¹⁵ [Regulation No. 2022-0018](#), recital 17.

Although efforts are currently focused on educating customers, a variety of enforcement options remain available for violations of any of the City's water use restrictions in the City's Municipal Code and Utilities Rules and Regulations including the installation of flow restrictors and termination of service. The following process when addressing violations of the City's water use restrictions will continue prior to the more drastic options listed above:

- 1st Violation: Doorhanger/Email/Phone call to customer
- 2nd Violation: Doorhanger/Email/Phone call to customer
- 3rd Violation: Certified letter from the Utility Director notifying customer of violation and potential future fines
- 4th Violation: Fines

The steps outlined above recognize that most violations occur because customers are unaware of the prohibitions. The notification process accounts for normal occurrences (i.e., vacation) and provides reasonable notice and an opportunity for customers to mitigate the problem. The ultimate goal will remain reduced water waste.

Water waste is prohibited in Palo Alto and may be reported via email (drought@cityofpaloalto.org), by leaving a voicemail (650) 496-6968 or via [Palo Alto 311](#).

Timeline

The State Board's May 24, 2022 Emergency Regulations are expected to become effective on or about June 10, 2022 when filed with the Secretary of State by the Office of Administrative Law. The regulation will remain in effect for one year from the effective date, unless the State Board determines it is no longer necessary, modifies it, or renews the regulation.

Following Council approval, staff will coordinate to ensure that all involved staff (e.g., Utilities, Public Works, Development Services, Community Services, and Fire) are informed of the additional water use restrictions. The term of the City's Resolution will remain in effect while the State Board's Emergency Regulation is effective, which is expected to be for one year from the effective date, and/or while the SFPUC's declared water shortage emergency is in effect, or as directed by Council. When the SFPUC lifts the water shortage emergency or a higher stage of conservation is needed from the City's 2020 WSCP, or if the State Board determines that the May 24, 2022 Emergency Regulation is no longer necessary, modifies it, or renews the regulation, staff may return to the City Council to implement a higher stage of the City's Amended 2020 WSCP or make further modifications, as necessary.

Resource Impact

Staff is in the process of hiring an hourly Water Waste Coordinator. The Water Waste Coordinator will log incidents, coordinate field crews to respond to reports, track number of incidents per site and help with issuance of certified letters and enforcement. Funding for this position will be covered by the water fund at an estimated cost of \$35,000.

Environmental Review

Council's adoption of the proposed resolution implementing water use restrictions in Stage II of the Amended 2020 WSCP and restricting potable irrigation of ornamental landscapes and lawns to Mondays and Thursdays for odd numbered and numberless addresses, and to Tuesdays and Fridays for even numbered addresses, with the exceptions noted above does not constitute a project under the California Environmental Quality Act and California Water Code Section 10652, and no environmental assessment is required.

Attachments:

- **Attachment12.a:** Attachment A: Resolution of the Council of the City of Palo Alto Implementing Water Use Restrictions in Stage II of the City's 2020 Water Shortage Contingency Plan
- **Attachment12.b:** Attachment B: Resolution 9460
- **Attachment12.c:** Attachment C: State Board May 24 2022 Emergency Regulation
- **Attachment12.d:** Attachment D: Valley Water Amended Resolution 21-68

Not Yet Approved

Resolution No. _____

Resolution of the Council of the City of Palo Alto Implementing Water Use Restrictions in Stage II of the City's 2020 Water Shortage Contingency Plan in Compliance with the State Water Resources Control Board's May 24, 2022 Emergency Water Conservation Regulations, and Restricting Potable Irrigation to Two Days a Week, With Exceptions for Tree Health, Health and Safety and Certain Non-Residential Zone Irrigation

R E C I T A L S

- A. Governor Newsom has issued four proclamations dated April 21, May 10, July 8, and October 19, 2021 and Executive Order N-10-21 on July 8, 2021 declaring a drought emergency in all of the state's 58 counties and calling on all Californians to voluntarily reduce water use 15% from 2020 levels.
- B. On November 23, 2021, San Francisco Public Utilities Commission (SFPUC) declared a local water shortage emergency, called for voluntary systemwide 10% water use reduction, and authorized the General Manager to implement actions under the SFPUC's 2020 Water Shortage Contingency Plan.
- C. The City receives 100% of its potable supplies from the San Francisco Public Utilities Commission (SFPUC). Palo Alto's share of the amount of water allocated to the Wholesale Customers collectively is 7.89%, and Palo Alto's water purchase cutback from FY 2019-2020 levels is 7.96% for Calendar Year 2022.
- D. On June 9, 2021, the Santa Clara Valley Water District (Valley Water) Board declared a water shortage emergency, called for countywide water use reduction of 15% compared to 2019, and urged Santa Clara County to proclaim a local emergency (Resolution No. 21-68). The County ratified its proclamation of a drought emergency on June 22, 2021.
- E. On March 28, 2022 Governor Newsom issued Executive Order N-7-22 directing the State Water Resources Control Board (State Board) to consider adopting emergency regulations by May 25, 2022 that require each urban water supplier that has submitted a water shortage contingency plan to the Department of Water Resources to implement, at a minimum, the shortage response actions for a shortage level of up to 20%.
- F. On April 12, 2022, Valley Water's Board amended Resolution No. 21-68 with additional calls for water conservation, including calling for the County, water retailers and cities to: i) prohibit irrigation of lawns and ornamental landscaping during midday hours; and ii) restrict ornamental landscape and lawn irrigation within their service or jurisdictional areas to Mondays and Thursdays for odd numbered and numberless addresses and to Tuesdays and Fridays for even numbered addresses, for those that have not already adopted specific days when irrigation is permitted within their jurisdictional area.

Not Yet Approved

G. Additionally, Valley Water's amended Resolution No. 21-68 calls for the public to: i) restrict outdoor watering of ornamental landscapes and lawns with potable water to no more than two days a week; ii) prioritize irrigation of established trees using low-flow irrigation over that of ornamental landscapes and lawns to reduce tree loss; iii) restrict the application of potable water to outdoor landscapes in a manner that causes more than incidental runoff such that water does not flow onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures; and iv) restrict the application of water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall.

H. The City of Palo Alto has already taken actions, outlined below, that meet or exceed Valley Water's calls for water conservation except for Valley Water's call to restrict ornamental landscape and lawn irrigation to two days per week, which are included in Palo Alto's permanent water use regulations (see Municipal Code Section 12.32.010);

I. On March 7, 2022, the City Council implemented the following additional water use restrictions in Stage I of the Amended 2020 Water Shortage Contingency Plan (see [Staff Report 13843](#) and [Resolution 10022](#)):

- (a) Irrigation with potable water during and within 48 hours after a measurable rainfall of at least one fourth of one inch of rain, as determined by the Director of Utilities, or his or her designee, and posted on the Palo Alto website, is prohibited.
- (b) The application of potable water to driveways, sidewalks, buildings, structures, patios, parking lots, or other hard surfaced areas is prohibited, except where necessary to address an immediate health and safety need or to comply with a term or condition in a permit issued by a state or federal agency.
- (c) Irrigation of ornamental turf on public street medians with potable water is prohibited.

J. On May 24, 2022, the State Water Resources Control Board (State Board) adopted an Emergency Water Conservation Regulation that requires each urban water supplier that has submitted a water shortage contingency plan to the Department of Water Resources to implement, at a minimum, all demand reduction actions identified in the supplier's water shortage contingency plan adopted for a shortage level of 10 to 20%.

K. The State Board's May 24, 2022 Emergency Water Conservation Regulations also prohibit the potable irrigation of non-functional turf at commercial, industrial, and institutional sites statewide, except as necessary to ensure the health of trees and other perennial non-turf plantings, or to the extent necessary to address an immediate health and safety need.

L. In alignment with State requirements, on May 24, 2022 SFPUC adopted a systemwide voluntary water use reduction of 11% compared to baseline water use during Fiscal Year 2019-2020, effective July 1, 2022 (Resolution No. 22-0098). SFPUC will provide Palo Alto's revised water purchase cutback during June 2022.

Not Yet Approved

M. The City has responded to the Governor’s voluntary water consumption reduction request and achieved an approximate 2% reduction in water use from July 1, 2021 – April 30, 2022 relative to July 1, 2019 – April 30, 2020.

N. January - March 2022 were the driest ever recorded in California and for January through April 2022, Palo Alto’s water usage exceeded its monthly water budgets provided by SFPUC by 17% cumulatively.

O. While a variety of civil and criminal enforcement procedures are available to the City to prevent the waste and unreasonable use of water, the City wishes to continue the education-based enforcement procedure established by Resolution 9460 for violations of the water use restrictions referred to in Section 2 and Section 3 below, by directing staff to first attempt to achieve compliance via educational outreach, followed by the issuance of fines of \$100 per violation per day for willful or repeated violations.

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

SECTION 1. Findings:

A. Article 10, Section 2 of the California Constitution declares that waters of the State are to be put to beneficial use, that waste, unreasonable use, or unreasonable method of use of water be prevented, and that water be conserved for the public welfare.

B. Conservation of current water supplies and minimization of the effects of water supply shortages that are the result of drought are essential to the public health, safety and welfare.

C. Under Water Code section 10632(a)(10) the Council has the authority to evaluate the functionality of the WCSP in order to ensure appropriate water shortage mitigation strategies are implemented as needed.

D. The water use restrictions outlined in this resolution are intended to be compatible with, rather than duplicate, the State Water Resources Control Board’s May 24, 2022 ban on potable irrigation of non-functional turf at commercial, industrial, and institutional sites, and no additional Council action is needed to implement the State Board’s regulation.

SECTION 2. Council hereby adopts each of the Stage II water use restrictions included in Appendix H, “Water Use Restrictions” of the City’s amended 2020 Water Shortage Contingency Plan.

SECTION 3. For the City’s residential water customers, potable irrigation of ornamental landscapes and lawns is restricted to two days a week, specifically: Mondays and Thursdays for odd numbered and numberless addresses, and Tuesdays and Fridays for even numbered addresses, except to ensure the health of trees and other perennial non-turf plantings.

Not Yet Approved

SECTION 4. For the City’s non-residential water customers, potable irrigation of ornamental landscapes is restricted to two days a week, specifically: Mondays and Thursdays for odd numbered and numberless addresses, and Tuesdays and Fridays for even numbered addresses, with the following exceptions:

- (i) potable irrigation of ornamental landscapes is permitted as necessary to ensure the health of trees and other perennial non-turf plantings, or to the extent necessary to address an immediate health and safety need;
- (ii) for non-residential customers who irrigate via zone, potable irrigation of ornamental landscapes is permitted on more than two days per week, so long as each irrigation zone within an individual property is irrigated no more than two days per week.

SECTION 5. The water use restrictions in Stage II of the amended 2020 Water Shortage Contingency Plan and the two day per week potable irrigation restrictions and exceptions noted in Sections 3 and 4 will remain in effect while the State Board’s Emergency Regulation is effective, which is expected to be for one year, and while the SFPUC’s declared water shortage emergency is in effect, or as directed by Council.

SECTION 6. Enforcement of the restrictions and requirements outlined in Stage II of the amended 2020 Water Shortage Contingency Plan and the two day per week potable irrigation restrictions and exceptions noted in Sections 3 and 4 shall follow the education-based process outlined in Resolution 9460.

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Not Yet Approved

SECTION 7. Council’s adoption of this resolution implementing water use restrictions in Stage II of the 2020 Water Shortage Contingency Plan in compliance with the State Board’s May 24, 2022 emergency regulation and the two day per week potable irrigation restrictions and exceptions noted in Sections 3 and 4 does not constitute a project under the California Environmental Quality Act and California Water Code Section 10652, and no environmental assessment is required.

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

Resolution No. 9460

Resolution of the Council of the City of Palo Alto Establishing the Enforcement Process For Violations of the Three Outdoor Water Use Restrictions Adopted by Council on August 4, 2014 (Resolution 9449)

R E C I T A L S

A. On January 17, 2014, Governor Edmund G. Brown Jr. issued Proclamation No. 1-17-2014 declaring a State of Emergency to exist in California due to severe drought conditions and calling on Californians to reduce their water usage by 20 percent.

B. On April 25, 2014, the Governor issued an Executive Order to strengthen the state's ability to manage water and directed the State Water Resources Control Board (SWRCB) under its authority in California Water Code Section 1058.5 to adopt emergency regulations as it deems necessary to address water shortage conditions.

C. On July 15, 2014, the State Water Resources Control Board adopted California Code of Regulations, Title 23, Sections 863, 864, and 865, emergency regulations finding a drought emergency in California and imposing water conservation measures on individuals and water suppliers.

D. On August 4, the City Council adopted Resolution 9449, implementing outdoor water use restrictions in compliance with the SWRCB emergency directive.

E. The City has implemented an education-based compliance plan and is working with customers to fully comply with the SWRCB water use restrictions.

F. Chapter 12 of City's Municipal Code, City Utilities Rule and Regulation 21, and the Council-approved Urban Water Management Plan include a variety of tools to encourage responsible management of the City's water resources.

G. Violations of the City's water use restrictions codified in Chapter 12.32 of the Palo Alto Municipal Code, are enforceable as misdemeanors, infractions, administrative penalties, or via the written warning and flow restrictor process outlined in Municipal Code Section 12.32.020(a) through (f).

H. Violations of the City's Utilities Rules and Regulations prohibiting water waste, codified in Rule and Regulation 21, are also enforceable via administrative citations of \$500 per day.

I. Violations of the State's emergency water use regulations are enforceable by fines of up to \$500 per day, under California Code of Regulations, Title 23, Section 864(b).

J. The City wishes to establish an enforcement procedure for violations of the three water use restrictions adopted by Resolution 9449 (Exhibit A), by directing staff to first attempt to achieve compliance via educational outreach, followed by the issuance of fines of \$100 per violation per day for willful or repeated violations.

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

SECTION 1. Findings:

A. Article 10, Section 2 of the California Constitution declares that waters of the State are to be put to beneficial use, that waste, unreasonable use, or unreasonable method of use of water be prevented, and that water be conserved for the public welfare.

B. Governor Brown issued emergency water shortage declarations on January 17 and April 25, 2014, and conservation of current water supplies and minimization of the effects of water supply shortages that are the result of drought are essential to the public health, safety and welfare.

C. City regulation of the time and manner of certain water use, design of rates, method of application of water for certain uses, and establishment of enforcement procedures for violations of water use restrictions are an effective and immediately available means of conserving water, and is authorized by Palo Alto Municipal Code Section 12.20.010.

SECTION 2. Violations of the following Council-adopted outdoor water use restrictions (Resolution 9449) are punishable by fines of \$100 per violation:

- a. No outdoor irrigation of ornamental landscapes or turf with potable water is permitted between the hours of 10am and 6pm, except for drip irrigation, soaker hoses and hand watering;
- b. The application of potable water to driveways and sidewalks is prohibited, except where necessary to address an immediate health and safety need or to comply with a term and condition in a permit issued by a state or federal agency; and
- c. The use of potable water in a fountain or other decorative water feature is prohibited, except where the water is part of a recirculating system.

SECTION 3. Each day that a violation of the outdoor water use restrictions described in Section 2 occurs is a separate offense.

SECTION 4. Utilities Department staff shall take primary responsibility for enforcement of the outdoor water use restrictions adopted by Resolution 9449 and described in Section 2, above.

SECTION 5. While nothing in this resolution is intended to limit or otherwise restrict the potential application of all available civil and criminal penalties for violations of the state and local water use restrictions described herein, Council recognizes the value of an education-based approach in encouraging water conservation. Therefore, Council directs staff to first attempt to achieve compliance by providing customers reasonable notice of the alleged violation and an opportunity to correct the problem, before issuing fines for willful and repeated violations.

SECTION 6. If fines are ultimately imposed, the person or persons to whom notice was provided shall have five business days from the date of service of the notice to request a hearing before the city manager or his/her designee in order to present any facts or arguments they may have as to why fines should not be imposed. If a hearing is requested, the city manager or his/her designee shall schedule a date and time for said hearing as soon as possible after the request is filed, but not later than five business days after the filing of such request for hearing. At the hearing, the person who received notice of the water use restriction violation may offer evidence as

to why a fine should not be imposed. Utilities personnel shall be allowed to offer whatever evidence they may have as to why the fine should be imposed. The city manager or his/her designee shall make a final determination as to whether or not a fine shall be imposed.

SECTION 7. This resolution will go into effect immediately and will remain in effect for the 270 day term set by the State Water Resources Control Board for the SWRCB's July 15, 2014 emergency water regulations, as extended by the SWRCB, or as directed by Council.

SECTION 8. Council's adoption of the proposed Outdoor Water Use Restrictions is categorically exempt from CEQA under CEQA Guidelines 15307 (Actions by Regulatory Agencies for Protection of Natural Resources).

INTRODUCED AND PASSED: September 15, 2014

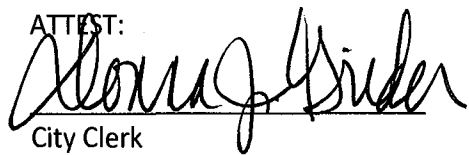
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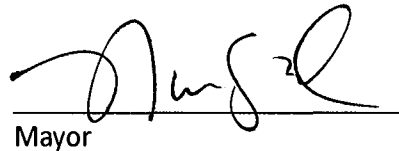
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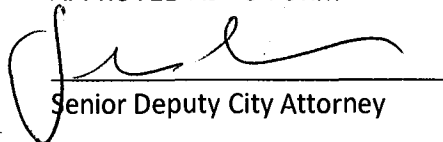
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ATTEST:

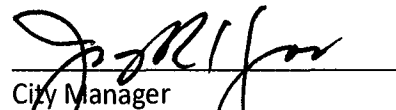

City Clerk


Mayor

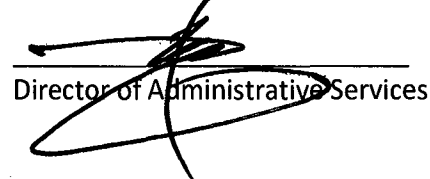
APPROVED AS TO FORM:


Senior Deputy City Attorney

APPROVED:


City Manager


Director of Utilities


Director of Administrative Services

Resolution No. 9449
Resolution of the Council of the City of Palo Alto Implementing Outdoor
Water Use Restrictions in Compliance with the State Water Resources
Control Board's July 15, 2014 Emergency Drought Regulations

RECITALS

A. On January 17, 2014, Governor Edmund G. Brown Jr. issued Proclamation No. 1-17-2014 declaring a State of Emergency to exist in California due to severe drought conditions and calling on Californians to reduce their water usage by 20 percent.

B. On April 25, 2014, the Governor issued an Executive Order to strengthen the state's ability to manage water and directed the State Water Resources Control Board (SWRCB) under its authority in California Water Code Section 1058.5 to adopt emergency regulations as it deems necessary to address water shortage conditions.

C. On July 15, 2014, the State Water Resources Control Board adopted California Code of Regulations, Title 23, Sections 863, 864, and 865, emergency regulations finding a drought emergency in California and imposing water conservation measures on individuals and water suppliers.

D. Section 864 applies to all Californians and prohibits certain activities in promotion of water conservation, many of which are already required by Palo Alto Municipal Code 12.32.010.

E. Section 865 requires mandatory outdoor irrigation restrictions and reporting by water suppliers, including urban water suppliers like the City of Palo Alto.

F. The City of Palo Alto receives 100% of its potable supplies from the San Francisco Public Utilities Commission (SFPUC).

G. The SFPUC has requested a 10% voluntary water consumption reduction in response to the drought and their determination of available supplies in the regional water system.

H. The SFPUC has not declared a water shortage emergency nor imposed mandatory cutbacks upon Palo Alto or any of SFPUC's wholesale customers.

I. The City of Palo Alto has responded to SFPUC's voluntary water consumption reduction request and has achieved an approximate 17% reduction in water use relative to 2013.

J. The City's Municipal Code and Urban Water Management Plan (approved by the City Council on June 13, 2011) include a Water Shortage Contingency Plan and other tools to encourage responsible management of the City's water resources.

K. The City supports the SWRCB's efforts to encourage conservation, with an emphasis on outdoor water use, to the extent it may do so within the context of its Council-approved Urban Water Management Plan and the Palo Alto Municipal Code.

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

SECTION 1. The following outdoor water use restrictions are hereby adopted, in compliance with the State Water Resources Control Board's July 15, 2014 emergency drought regulations (collectively, the "Outdoor Water Use Restrictions"):

- a. No outdoor irrigation of ornamental landscapes or turf with potable water is permitted between the hours of 10am and 6pm, except for drip irrigation, soaker hoses and hand watering;
- b. The application of potable water to driveways and sidewalks is prohibited, except where necessary to address an immediate health and safety need or to comply with a term or condition in a permit issued by a state or federal agency; and
- c. The use of potable water in a fountain or other decorative water feature is prohibited, except where the water is part of a recirculating system.

SECTION 2. The Council finds that the Outdoor Water Use Restrictions implemented as a result of this action were taken from Stage II of the City's Water Shortage Contingency Plan, which is itself a part of the City's Urban Water Management Plan, approved by the Department of Water Resources July 8th, 2014. The Outdoor Water Use Restrictions are intended to complement the City's existing and permanent water use restrictions, codified in Palo Alto Municipal Code Section 12.32.010.

SECTION 3. The Council finds that adoption of the Outdoor Water Use Restrictions meets the requirements of California Code of Regulations, Title 23, Section 865(b)(1).

SECTION 4. The Outdoor Water Use Restrictions will remain in effect for the 270 day period specified in SWRCB Resolution No. 2014-0038, or as extended by the SWRCB.

SECTION 5. Council directs staff to further promote water conservation by preparing and submitting to the SWRCB the monitoring reports described in California Code of Regulations, Title 23, Section 865(d). Council also directs staff to monitor compliance and to explore increased enforcement in the event the desired response is not being achieved.

SECTION 6. Council's adoption of the proposed Outdoor Water Use Restrictions is categorically exempt from CEQA under CEQA Guidelines 15307 (Actions by Regulatory Agencies for Protection of Natural Resources).

INTRODUCED AND PASSED: August 4, 2014

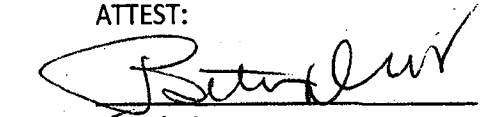
AYES: BERMAN, BURT, HOLMAN, KLEIN, KNISS, PRICE, SCHARFF, SCHMID, SHEPHERD

NOES:

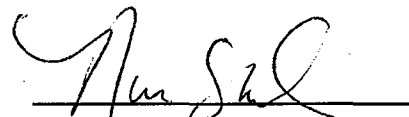
ABSENT:

ABSTENTIONS:

ATTEST:

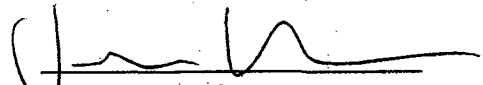


for City Clerk




Mayor

APPROVED AS TO FORM:




Senior Deputy City Attorney

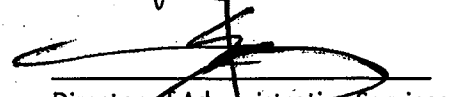
APPROVED:



City Manager



Director of Utilities



Director of Administrative Services

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2022-0018**

**TO ADOPT AN EMERGENCY REGULATION
TO REDUCE WATER DEMAND AND IMPROVE WATER CONSERVATION**

WHEREAS:

1. On April 21, May 10, July 8, and October 19, 2021, Governor Newsom issued proclamations that a state of emergency exists statewide due to severe drought conditions and directed state agencies to take immediate action to preserve critical water supplies and mitigate the effects of drought and ensure the protection of health, safety, and the environment.
2. These proclamations urge Californians to reduce their water use.
3. On March 28, 2022, Governor Newsom signed an Executive Order directing the State Water Resources Control Board (State Water Board or Board) to consider adopting emergency regulations to increase water conservation. The Executive Order includes a request that the Board require urban water suppliers to implement Level 2 of their water shortage contingency plans, establish water shortage response actions for urban water suppliers that have not submitted water shortage contingency plans, taking into consideration model actions that the Department of Water Resources, and establish a ban on the irrigation of non-functional turf by entities in the commercial, industrial, and institutional sectors.
4. Many Californians and urban water suppliers have taken bold steps over the years to reduce water use; nevertheless, the severity of the current drought requires additional conservation actions from urban water suppliers, residents, and the commercial, industrial, and institutional sectors.
5. Water conservation is the easiest, most efficient, and most cost-effective way to quickly reduce water demand and extend limited water supplies through this summer and into the next year, providing flexibility for all California communities. Water saved is water available next year, giving water suppliers added flexibility to manage their systems effectively over time. The more water that is conserved now, the less likely it is that a community will experience dire shortages that may require water rationing or other emergency actions.
6. Most Californians use more water outdoors than indoors. In many areas, 50 percent or more of daily water use is for irrigation of lawns and outdoor landscaping irrigation. Outdoor water use is generally discretionary, and many irrigated landscapes would not suffer greatly from receiving a decreased amount of water.

7. The use of potable water to irrigate turf on commercial, industrial, or institutional properties that is not regularly used for human recreational purposes or for civic or community events can be reduced in commercial, industrial, and institutional areas to protect local water resources and enhance water resiliency.
8. Public information and awareness are critical to achieving conservation goals, and the Save Our Water campaign (SaveOurWater.com), run jointly by the Department of Water Resources (DWR) and the Association of California Water Agencies, is an excellent resource for conservation information and messaging that is integral to effective drought response.
9. SaveWater.CA.Gov is an online tool designed to help save water in communities. This website lets anyone easily report water waste from their phone, tablet, or computer by simply selecting the type of water waste they see, typing in the address where the waste is occurring, and clicking send. These reports are filed directly with the State Water Board and relevant local water supplier.
10. Enforcement against water waste is a key tool in conservation programs. When conservation becomes a social norm in a community, the need for enforcement is reduced or eliminated.
11. On March 28, 2022, the Governor suspended the environmental review required by the California Environmental Quality Act to allow State Water Board-adopted drought conservation emergency regulations and other actions to take place quickly to respond to emergency conditions.
12. Water Code section 1058.5 grants the State Water Board the authority to adopt emergency regulations in certain drought years in order to: “prevent the waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion, of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter’s priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports.”
13. On May 13, 2022, the State Water Board issued public notice that it will consider the adoption of the regulation at the Board’s regularly scheduled May 24, 2022 public meeting, in accordance with applicable State laws and regulations. The State Water Board also distributed for public review and comment a Finding of Emergency that complies with State laws and regulations.
14. The emergency regulation exempts suppliers from enforcing connection moratoria, if their Level 2 demand management actions call for them, because new residential connections are critical to addressing the state’s housing supply shortage. However, the Board recognizes connections for other projects may not be appropriate given the shortage conditions and urges water suppliers to carefully evaluate new development projects for their water use impacts.

15. Disadvantaged communities may require assistance responding to Level 2 conservation requirements, including irrigation restrictions, temporary changes to rate structures, and prohibited water uses. State shortage contingency plans aimed at increasing water conservation, and state and local agencies should look for opportunities to provide assistance in promoting water conservation. This assistance should include but not be limited to translation of regulation text and dissemination of water conservation announcements into languages spoken by at least 10 percent of the people who reside in a water supplier's service area, such as in newspaper advertisements, bill inserts, website homepage, social media, and notices in public libraries.
16. The Board directs staff to consider the following in pursuing any enforcement of section 996, subdivision (e): before imposing monetary penalties, staff shall provide one or more warnings; monetary penalties must be based on an ability to pay determination, consider allowing a payment plan of at least 12 months, and shall not result in a tax lien; and Board enforcement shall not result in shutoff.
17. The Board encourages entities other than Board staff that consider any enforcement of this regulation to apply these same factors identified in resolved paragraph 16. Nothing in the regulation or in the enforcement provisions of the regulation precludes a local agency from exercising its authority to adopt more stringent conservation measures. Moreover, the Water Code does not impose a mandatory penalty for violations of the regulation adopted by this resolution, and local agencies retain their enforcement discretion in enforcing the regulation, to the extent authorized, and may develop their own progressive enforcement practices to encourage conservation.

THEREFORE BE IT RESOLVED THAT:

1. The State Water Board adopts California Code of Regulations, title 23, section 996, as appended to this resolution as an emergency regulation that applies to urban water suppliers, as defined by Water Code section 10617.
2. State Water Board staff shall submit the regulation to the Office of Administrative Law (OAL) for final approval.
3. If, during the approval process, State Water Board staff, the State Water Board, or OAL determines that minor corrections to the language of the regulation or supporting documentation are needed for clarity or consistency, the State Water Board Executive Director or designee may make such changes.

- 4. This regulation shall remain in effect for one year after filing with the Secretary of State unless the State Water Board determines that it is no longer necessary due to changed conditions or unless the State Water Board renews the regulation due to continued drought conditions, as described in Water Code section 1058.5.
- 5. The State Water Board directs State Water Board staff to work with the Department of Water Resources and the Save Our Water campaign to disseminate information regarding the emergency regulation.
- 6. The State Water Board directs staff to, by January 1, 2023, survey urban water suppliers on their experience protecting trees and tree cover during drought, with attention to disadvantaged communities. The survey shall inquire about challenges encountered, strategies used, costs, and successes in protecting trees.
- 7. Nothing in the regulation or in the enforcement provisions of the regulation precludes a local agency from exercising its authority to adopt more stringent conservation measures. Local agencies are encouraged to develop their own progressive enforcement practices to promote conservation.

CERTIFICATION

The undersigned Clerk to the Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on May 24, 2022.

- AYE: Chair E. Joaquin Esquivel
Vice Chair Dorene D'Adamo
Board Member Sean Maguire
Board Member Laurel Firestone
- NAY: None
- ABSENT: Board Member Nichole Morgan
- ABSTAIN: None

Jeanine Townsend

 Jeanine Townsend
 Clerk to the Board

ADOPTED EMERGENCY REGULATION TEXT

Version: May 24, 2022

Title 23. Waters

Division 3. State Water Resources Control Board and Regional Water Quality Control Boards

Chapter 3.5. Urban Water Use Efficiency and Conservation

Article 2. Prevention of Drought Wasteful Water Uses

§ 996. Urban Drought Response Actions

(a) As used in this section:

(1) “Commercial, industrial and institutional” refers to commercial water users, industrial water users, and institutional water users as respectively defined in Water Code, section 10608.12, subdivisions (e), (i), and (j), and includes homeowners’ associations, common interest developments, community service organizations, and other similar entities but does not include the residences of these entities’ members or separate interests.

(2) “Common interest development” has the same meaning as in section 4100 of the Civil Code.

(3) “Community service organization or similar entity” has the same meaning as in section 4110 of the Civil Code.

(4) “Homeowners’ association” means an “association” as defined in section 4080 of the Civil Code.

(5) “Non-functional turf” means turf that is solely ornamental and not regularly used for human recreational purposes or for civic or community events. Non-functional turf does not include sports fields and turf that is regularly used for human recreational purposes or for civic or community events.

(6) “Plant factor” has the same meaning as in section 491.

(7) “Separate interest” has the same meaning as in section 4185 of the Civil Code.

(8) “Turf” has the same meaning as in section 491.

(9) “Urban water supplier” has the same meaning as Water Code section 10617.

(10) “Water shortage contingency plan” means the plan required by Water Code section 10632.

(b) Each urban water supplier shall submit to the Department of Water Resources a preliminary annual water supply and demand assessment consistent with section

10632.1 of the Water Code no later than June 1, 2022, and submit a final annual water supply and demand assessment to the Department of Water Resources no later than the deadline set by section 10632.1 of the Water Code.

- (c) (1) Each urban water supplier that has submitted a water shortage contingency plan to the Department of Water Resources shall implement by June 10, 2022, at a minimum, all demand reduction actions identified in the supplier's water shortage contingency plan adopted under Water Code 10632 for a shortage level of ten (10) to twenty (20) percent (Level 2).
- (2) Notwithstanding subdivision (c)(1), urban water suppliers shall not be required to implement new residential connection moratoria pursuant to this section.
- (3) Notwithstanding subdivision (c)(1), an urban water supplier may implement the actions identified in subdivision (d) in lieu of implementing the demand reduction actions identified in the supplier's water shortage contingency plan adopted under Water Code section 10632 for a shortage level of ten (10) to twenty (20) percent (Level 2), provided the supplier meets all of the following:
- (i) The supplier's annual water supply and demand assessment submitted to the Department of Water Resources demonstrates an ability to maintain reliable supply until September 30, 2023.
- (ii) The supplier does not rely on, for any part of its supply, the Colorado River, State Water Project, or Central Valley Project, and no more than ten (10) percent of its supply comes from critically overdrafted groundwater basins as designated by the Department of Water Resources.
- (iii) The supplier's average number of gallons of water used per person per day by residential customers for the year 2020 is below 55 gallons, as reported to the Board in the Electronic Annual Report.
- (d) Each urban water supplier that has not submitted a water shortage contingency plan to the Department of Water Resources shall, by June 10, 2022, and continuing until the supplier has implemented all demand reduction actions identified in the supplier's water shortage contingency plan adopted under Water Code 10632 for a shortage level of ten (10) to twenty (20) percent (Level 2), implement at a minimum the following actions:
- (1) Initiate a public information and outreach campaign for water conservation and promptly and effectively reach the supplier's customers, using efforts such as email, paper mail, bill inserts, customer app notifications, news articles, websites, community events, radio and television, billboards, and social media.
- (2) Implement and enforce a rule or ordinance limiting landscape irrigation with potable water to no more than two (2) days per week and prohibiting landscape irrigation with potable water between the hours of 10:00 a.m. and 6:00 p.m.
- (3) Implement and enforce a rule or ordinance banning, at a minimum, the water uses prohibited by section 995. Adoption of a rule or ordinance is not required if the supplier has authority to enforce, as infractions, the prohibitions in section 995 and takes enforcement against violations.

- (e) (1) To prevent the unreasonable use of water and to promote water conservation, the use of potable water is prohibited for the irrigation of non-functional turf at commercial, industrial, and institutional sites.
- (2) Notwithstanding subdivision (e)(1), the use of water is not prohibited by this section to the extent necessary to ensure the health of trees and other perennial non-turf plantings or to the extent necessary to address an immediate health and safety need.
- (3) Notwithstanding subdivision (e)(1), an urban water supplier may approve a request for continued irrigation of non-functional turf where the user certifies that the turf is a low water use plant with a plant factor of 0.3 or less, and demonstrates the actual use is less than 40% of reference evapotranspiration.
- (f) The taking of any action prohibited in subdivision (e) is an infraction punishable by a fine of up to five hundred dollars (\$500) for each day in which the violation occurs. The fine for the infraction is in addition to, and does not supersede or limit, any other remedies, civil or criminal.
- (g) A decision or order issued under this section by the Board, or an officer or employee of the Board, is subject to reconsideration under article 2 (commencing with section 1122) of chapter 4 of part 1 of division 2 of the Water Code.

Authority: Section 1058.5, Water Code.

References: Article X, Section 2, California Constitution; Sections 4080, 4100, 4110, and 4185, Civil Code; Section 8627.7, Government Code; Sections 102, 104, 105, 275, 350, 377, 491, 1122, 10608.12, 10617, 10632, and 10632.1, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463; *Stanford Vina Ranch Irrigation Co. v. State of California* (2020) 50 Cal.App.5th 976.

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 22-

**RESOLUTION AMENDING RESOLUTION NO. 21-68 RESCINDING
RESOLUTION 17-43, DECLARING A WATER SHORTAGE EMERGENCY
CONDITION CALLING FOR WATER USE RESTRICTIONS, AND URGING
THE COUNTY OF SANTA CLARA TO PROCLAIM A LOCAL EMERGENCY**

WHEREAS, on June 9, 2021, the Board of Directors (Board) of the Santa Clara Valley Water District (Valley Water) adopted Resolution No. 21-68 (Attachment 1) declaring a water shortage emergency condition pursuant to Water Code Section 350 and calling for water use restrictions; and

WHEREAS, the Board's call for water use restrictions included, but was not limited to: (i) a restriction to outdoor watering of ornamental landscapes or lawns with potable water to a maximum of three days a week, and (ii) support of local adoption and enforcement of additional water waste restrictions by cities, retailers, and the County to achieve a 15% water use reduction target compared to 2019 water use; and

WHEREAS, Santa Clara County's Director of Emergency Services has proclaimed a local drought emergency on June 15, 2021, which was ratified by the Santa Clara County Board of Supervisors on June 22, 2021; and

WHEREAS, Santa Clara County was included in the Governor's drought emergency proclamation on July 8, 2021, and the entire state of California was included on October 19, 2021; and

WHEREAS, on January 4, 2022, the State Water Resources Control Board adopted an emergency regulation by Resolution No. 2022-0002, which contains restrictions to prevent the wasteful and unreasonable use of water, promote water conservation, and set forth monetary penalties for its violation; and

WHEREAS, the first three months of Calendar Year 2022 were the driest on record for Santa Clara County, and Valley Water's Federal and State imported water allocations have been reduced to historic lows; and

WHEREAS, on March 28, 2022, Governor Gavin Newsom issued Executive Order N-7-22 to call on local water suppliers to move to Stage 2 of their water shortage contingency plans, at a minimum, and directed the State Water Resources Control Board to evaluate the adoption of regulations banning irrigation of decorative grass around commercial, industrial and institutional buildings, which is estimated to result in potential water savings of several hundred thousand acre-feet; and

WHEREAS, trees and shrubs can be responsibly planted and maintained during drought, even one as historic and severe as the current one; and that trees, especially drought-tolerant, native species, can provide many social and environmental benefits; and

WHEREAS, because of persistent and unyielding drought conditions, the Board seeks to amend and add a number of restrictions to those previously adopted under Resolution No. 21-68,

Resolution Amending Resolution No. 21-68 Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency Resolution No. 22-

including reducing the maximum number of days per week the public may irrigate ornamental landscapes or lawns; and

WHEREAS, the amended and additional restrictions as stated in this Amended Resolution are necessary to conserve the limited water supply of Valley Water for the greatest public benefit with particular regard to public health, fire protection, and domestic use without threatening local land subsidence, by ensuring the conservation of water, by avoiding the waste of water, and by reducing water use in the County in a fair and equitable manner.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District hereby amends Resolution No. 21-68 (attached as Attachment 1) as follows:

1. Section 6 is replaced with:

“Calls for the public to:

- restrict outdoor watering of ornamental landscapes and lawns with potable water to no more than two days a week; and
- prioritize irrigation of established trees using low-flow irrigation over that of ornamental landscapes and lawns to reduce tree loss; and
- restrict the application of potable water to outdoor landscapes in a manner that causes more than incidental runoff such that water does not flow onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures; and
- restrict the application of water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall”

2. In Section 9, replace the 6th bulleted item with:

- “• Use of potable water to irrigate turf, lawns, gardens, or ornamental landscaping by means other than drip irrigation, or hand watering without quick acting positive action shut-off nozzles, on a specific schedule, for example: 1) before 9:00 a.m. and after 5:00 p.m.; or 2) selected days of the week;”

3. Add the following as Section 11:

“Calls for the County, water retailers and cities to:

- prohibit irrigation of lawns and ornamental landscaping during midday hours; and
- restrict ornamental landscape and lawn irrigation within their service or jurisdictional areas to Mondays and Thursdays for odd numbered and numberless addresses and to Tuesdays and Fridays for even numbered addresses, for those that have not already adopted specific days when irrigation is permitted within their jurisdictional area.”

Resolution Amending Resolution No. 21-68 Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency Resolution No. 22-

4. Add the following as Section 12:

“that Valley Water continues to pursue actions corresponding to Stage 3 of its Water Shortage Contingency Plan, including close coordination with the County, cities, retailers, large landscapers and agricultural users to implement ordinances and water use restrictions; aggressive and consistent communication efforts to request significant behavioral change of water users; and augmentation of local water supplies through transfers and withdrawals from groundwater banks.”

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on April 12, 2022:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

JOHN L. VARELA
Chair Pro Tem, Board of Directors

ATTEST: MICHELE L. KING, CMC

Clerk, Board of Directors

Resolution Amending Resolution No. 21-68 Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency Resolution No. 22-

EXHIBIT A COVERSHEET

BOARD RESOLUTION NO. 21-68

No. of Pages: 6

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 21-68

**RESCINDING RESOLUTION 17-43, DECLARING A WATER SHORTAGE
EMERGENCY CONDITION CALLING FOR WATER USE RESTRICTIONS, AND
URGING THE COUNTY OF SANTA CLARA TO PROCLAIM A LOCAL EMERGENCY**

WHEREAS, a public hearing was held on June 9, 2021, on the matter of whether the Santa Clara Valley Water District (Valley Water) Board of Directors should declare that a water shortage emergency condition exists within Santa Clara County (County); and

WHEREAS, notice of said hearing was published on June 2, 2021, in the *San Jose Mercury News*, a newspaper of general circulation printed and published within the County; and

WHEREAS, at said hearing, all persons present were given an opportunity to be heard by the Board; and

WHEREAS, the Board heard and considered public testimony, staff's presentation, and other evidence presented at said hearing; and

WHEREAS, the County is in its second consecutive year of drought, and the County is now in an extreme drought condition according to the United States Drought Monitor; and

WHEREAS, pursuant to Water Code Section 350 a "governing body of a distributor of a public water supply, whether publicly or privately owned and including a mutual water company, shall declare a water shortage emergency condition to prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply of the distributor to the extent that there would be insufficient water for human consumption, sanitation, and fire protection"; and

WHEREAS, the Board seeks to conserve the limited water supply of Valley Water for the greatest public benefit with particular regard to public health, fire protection, and domestic use without threatening local land subsidence, by ensuring the conservation of water, by avoiding the waste of water, and to the extent necessary and by reason of the existing water shortage emergency condition, by reducing water use in the County in a manner that is fair and equitable; and

WHEREAS, on March 22, 2021, the California State Water Resources Control Board mailed early warning notices to water rights holders in California; including Valley Water, urging them to plan for potential shortages by reducing water use and adopting practical conservation measures; and

WHEREAS, local watershed runoff was substantially limited in the 2020 and 2021 water years due to extreme dry conditions and Valley Water's current local surface water storage as of June 1 is at 26 percent of the 20-year average; and

WHEREAS, Anderson Reservoir is Valley Water's largest surface water reservoir and holds up to 89,278 acre-feet of water—more than all of Valley Water's other nine surface water reservoirs combined; and

Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency
Resolution No. 21-68

WHEREAS, on February 20, 2020, the Federal Energy Regulatory Commission, for public health and safety reasons, ordered Valley Water to drain Anderson Reservoir to deadpool beginning no later than October 1, 2020; and

WHEREAS, Anderson Reservoir has been drained to deadpool and will not be available as a surface water storage facility for the duration of the Anderson Dam Seismic Retrofit Project, which is expected to last 10 years; and

WHEREAS, the availability of Coyote Reservoir, Valley Water's second largest reservoir, is also limited because of California Department of Water Resources Division of Safety of Dams storage limits; and

WHEREAS, due to the unavailability of Anderson Reservoir and limited availability of Coyote Reservoir due to regulatory restrictions, Valley Water's ability to store water locally for groundwater recharge and water treatment plant supplies, and as a buffer to mitigate against current and future water shortages, is significantly limited; and

WHEREAS, the snowpack in the northern Sierra Nevada Mountains was 5 percent of normal and the statewide snow water equivalent was zero percent of normal as of June 1, 2021; and the 2021 State Water Project allocation is 5 percent, and the 2021 South-of-Delta Central Valley Project allocation is currently 25 percent for Municipal & Industrial water and zero percent for Agricultural water; and

WHEREAS, there is significant uncertainty as to local and statewide water supply conditions, and imported supplies may continue to be negatively impacted; and

WHEREAS, Santa Clara County relies heavily on unpredictable imported water to supplement local water to supply its drinking water treatment plants, to replenish the local groundwater basins, and to prevent adverse community impacts such as the return of historic overdraft and land subsidence in northern Santa Clara County; and

WHEREAS, through careful groundwater management, Santa Clara County groundwater storage at the start of 2021 was well within the "Normal" stage (Stage 1) of Valley Water's Water Shortage Contingency Plan, but without additional water use reduction this storage is expected to drop significantly by as much as 80,000 acre-feet by the end of 2021 due to limited recharge and increased pumping as a result of drought conditions, reduced imported water allocations, and the loss of Anderson Reservoir as a surface water storage facility; and

WHEREAS, if drought conditions continue into 2022 and imported water supplies continue to be severely limited, the worst case scenario projects groundwater to drop to the "Emergency" stage (Stage 5) of the Water Shortage Contingency Plan without additional water use reduction, which would greatly increase the risk of resumed land subsidence in northern Santa Clara County, risk wells going dry in residential areas of the County where groundwater is the sole source of drinking water, and risk that the ordinary demands and requirements of water consumers will not be satisfied without depleting the water supply to the extent that there would be insufficient water for human consumption, sanitation, and fire protection; and

WHEREAS, due to historic groundwater overdraft, the greater San José metropolitan area and heart of Silicon Valley had up to 14 feet of permanent subsidence, which resulted in seawater

Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency Resolution No. 21-68

intrusion, increased flood risk, and widespread damage to infrastructure, conservatively estimated to cost over \$947 million in 2021 dollars; and

WHEREAS, over 3,000 domestic wells users in southern Santa Clara County depend on groundwater for potable water supplies and these wells are often more vulnerable than public water supply wells, which are typically deeper; and

WHEREAS, Valley Water must maintain sufficient groundwater storage to guard against land subsidence, meet local water demands, cope with supply interruptions from natural disasters and ensure sufficient water for fire protection; and

WHEREAS, it is Valley Water's policy and is in the interest of Valley Water and the community to reduce the severity and occurrences of drought or dry weather induced water shortages by encouraging water use reduction measures so that available water supplies can meet at least 80 percent of average annual demand in drought years; and

WHEREAS, Santa Clara County and the region are subject to reoccurring droughts of varying severity, such as those prompting Valley Water to call for water use reductions in 1977, 1987 to 1992, 2007 to 2010; and

WHEREAS, Santa Clara County and California experienced a historic, multiyear drought from 2012 to 2016, prompting Valley Water to call for mandatory water use reductions between 20 to 30 percent since 2014; and

WHEREAS, on June 13, 2017, by Resolution 17-43, Valley Water continued its call for a voluntary 20 percent water use reduction (as compared to 2013 water use), and called for efforts to make water conservation a way of life; and

WHEREAS, on April 27, 2021, the Board voted to call for a voluntary 25 percent water use reduction (as compared to 2013 water use); and

WHEREAS, continuing the progress and momentum of community water use reductions and water wise efforts to make water conservation a way of life will improve long-term water supply reliability; and

WHEREAS, increasing long-term water conservation efforts and improving water use efficiency; strengthening local and regional drought planning; and increasing water supply and land use planning coordination are critical to Santa Clara County's resilience to drought, which may be intensified in the future with climate change; and

WHEREAS, Valley Water continues to work closely with its retail water agencies, untreated surface water customers, well owners, farmers, regulatory agencies, state and federal project operators, other water districts, and local municipalities and land use agencies to develop common sense approaches with the goal of achieving drought resiliency.

Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency
Resolution No. 21-68

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District hereby:

1. Rescinds Board Resolution 17-43; and
2. Declares pursuant to California Water Code Section 350 that a water shortage emergency condition now prevails within the County and a continued supply of water cannot be assured for human consumption, sanitation, and fire protection without threatening local land subsidence, and that such water shortage emergency condition shall continue until the Valley Water's Board adopts a finding determining otherwise; and
3. Establishes a water reduction program pursuant to Article C(4)(c) of Valley Water's treated water contracts by calling for water retailers to achieve a water use reduction equal to 33 percent of 2013 water use (15 percent of 2019 water use), which will result in a 23 percent reduction of Valley Water treated water scheduled deliveries to water retailers while such water reduction program is in effect; and
4. Commits to aggressively promote its conservation programs and information for the public, residents, businesses, agricultural and untreated water customers, and retailers to support all sectors in reducing water use; and
5. Urges Santa Clara County farmers and untreated water customers to consider the water shortage emergency condition in planting and irrigation practices; and
6. Calls for the public to restrict outdoor watering of ornamental landscapes or lawns with potable water to a maximum of three days a week; and
7. Urges local enforcement of other water waste restrictions currently in effect by local agencies and retailers, or as may be amended; and
8. Requests that the Santa Clara County Board of Supervisors proclaim a local emergency now exists throughout the County due to drought conditions; and
9. Supports local adoption and enforcement of additional water waste restrictions by cities, retailers, and the County as needed to achieve the water use reduction target of 15 percent of 2019 water use (33 percent of 2013 water use); these may include prohibitions against the following:
 - Use of potable water for more than minimal landscaping, as defined in the landscaping regulated of the jurisdiction or as described in Article 10.8 of the California Government Code in connection with new construction;
 - Excessive use of water: when a utility has notified the customer in writing to repair a broken or defective plumbing, sprinkler, watering or irrigation system and the customer has failed to affect such repairs within five business days, the utility may install a flow restriction device;
 - Use of potable water that results in flooding or runoff in gutters or streets;

Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency Resolution No. 21-68

- Individual private washing of cars with a hose except with the use of a positive action shut-off nozzle. Use of potable water for washing commercial aircraft, cars, buses, boats, trailers, or other commercial vehicles at any time, except at commercial or fleet vehicle or boat washing facilities operated at a fixed location where equipment using water is properly maintained to avoid wasteful use;
 - Use of potable water for washing buildings, structures, driveways, patios, parking lots, tennis courts, or other hard-surfaced areas, except in the cases where health and safety are at risk;
 - Use of potable water to irrigate turf, lawns, gardens, or ornamental landscaping by means other than drip irrigation, or hand watering without quick acting positive action shut-off nozzles, on a specific schedule, for example: 1) before 9:00 a.m. and after 5:00 p.m.; 2) every other day; or 3) selected days of the week;
 - Use of potable water for street cleaning with trucks, except for initial wash-down for construction purposes (if street sweeping is not feasible), or to protect the health and safety of the public;
 - Use of potable water for construction purposes, such as consolidation of backfill, dust control, or other uses unless no other source of water or other method can be used;
 - Use of potable water for construction purposes unless no other source of water or other method can be used;
 - Use of potable water for street cleaning;
 - Operation of commercial car washes without recycling at least 50 percent of the potable water used per cycle;
 - Use of potable water for watering outside plants, lawn, landscape, and turf areas during certain hours if and when specified in CPUC Tariff Schedule No. 14.1 when the schedule is in effect;
 - Use of potable water for decorative fountains or the filling or topping off of decorative lakes or ponds. Exceptions are made for those decorative fountains, lakes, or ponds which utilize recycled water;
 - Use of potable water for the filling or refilling of swimming pools;
 - Service of water by any restaurant except upon the request of a patron; and
 - Use of potable water to flush hydrants, except where required for public health or safety.
10. Recommends cities, retailers, and the County consider adopting water waste restrictions that are permanent.

Rescinding Resolution 17-43, Declaring a Water Shortage Emergency Condition Calling for Water Use Restrictions, and Urging the County of Santa Clara to Proclaim a Local Emergency Resolution No. 21-68

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on June 9, 2021:

- AYES: Directors R. Santos, N. Hsueh, T. Estremera, B. Keegan, G. Kremen, L. LeZotte, J. Varela
- NOES: Directors None
- ABSENT: Directors None
- ABSTAIN: Directors None

SANTA CLARA VALLEY WATER DISTRICT


 TONY ESTREMERERA
 Chair, Board of Directors

ATTEST: MICHELE L. KING, CMC


 Clerk, Board of Directors



City of Palo Alto City Council Staff Report

(ID # 14342)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval and Authorization for the City Manager to Execute Purchase Orders for Electric Distribution Transformers With Prequalified Vendors in an Amount up to \$2,000,000 Annually Between FY 2022 - FY 2026 in a Total Not-to-Exceed Amount of \$10,000,000

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council: approve and authorize the City Manager or designee to execute purchase orders as recommended by the Utilities Department of up to \$2,000,000 per fiscal year in aggregate from prequalified vendors for the purchase of electric distribution transformers for a total not-to-exceed amount of \$10,000,000 over five years for FY 2022 through FY 2026.

Executive Summary

The Utilities Department is seeking approval for authorization to spend up to \$2,000,000 in aggregate per fiscal year with any of the prequalified vendors and a total not-to-exceed amount of \$10,000,000 from FY2022 – FY2026 for the purchase of electric distribution transformers. Various types of distribution transformers are used to provide electric service to customers and, when needed, orders are solicited to pre-qualified vendors for each particular type. Transformers range in price from \$1,250 for a pole top transformer to \$45,000 for an underground commercial transformer. For FY 2022, staff has ordered \$100,000 in transformers and is seeking authorization to process pending purchase orders for 43 additional transformers totaling \$1,100,000 to \$1,200,000.

Due to the supply chain shortage, the need to upgrade transformers, and extended lead times of up to 24 months, staff is immediately placing substantial transformer orders and recommends increasing the annual authorization amount from \$1,000,000 to \$2,000,000 for the purchase of transformers including FY 2022.

Background

The Utilities Department uses various types of electric distribution transformers (pole top, padmount, and submersible) to provide electric service to customers in Palo Alto. In order to qualify to become a City supplier, manufacturers who supply transformers to the City must

ensure that they comply with the City of Palo Alto transformer specifications and industry standards. In December 2021, staff solicited a Request for Qualifications (RFQ) for the prequalification of transformer suppliers and approved three manufacturers per City of Palo Alto's Policies and Procedures 1 – 44/ASD, "Prequalification of Contractors." This ordering process ensures that City of Palo Alto receives competitive pricing without compromising product quality, and the ability to continue providing reliable service to customers.

In November 2015 Council approved and authorized staff request for transformer expenditures up to \$1,000,000 each year for five years ([Staff Report #6244](#)). Any unspent funds are returned to the Electric Fund reserves at the end of each fiscal year.

Discussion

Per the requirements of City of Palo Alto's Policies and Procedures 1 – 44/ASD, "Prequalification of Contractors," the Utilities Department solicited a Request for Qualifications (RFQ) for the prequalification of transformer suppliers in December 2021. Staff sent the solicitation to over 400 vendors including six transformer manufacturers, and received five responses. The City's prequalification process includes an evaluation of the following criteria: (a) ability to meet technical specifications, (b) ability to deliver materials on time, (c) equipment reliability and quality, (d) manufacturing history, and (e) references from other utilities. As part of its review process, staff identifies any exceptions to the City's technical specifications and determines whether those are acceptable, and also determine whether the City's other key criteria are met. If so, the supplier is deemed qualified. If not, then the supplier is deemed not qualified to supply that particular type of transformer. Suppliers can request to become qualified at a later time and will be evaluated by the same criteria. After reviewing the information each supplier provided in its responses to the City's prequalification questionnaire and supporting documentation, staff identified three manufacturers qualified for consideration of future transformer purchase orders. Approved manufacturers are identified by transformer type in the following table:

2022 Prequalified Suppliers by Transformer Type

	HITACHI Energy USA	Power Partners, Inc.	Howard Industries, Inc.
Padmount	YES	NO	YES
Underground Residential	NO	NO	YES
Underground Commercial	YES	NO	YES
Pole top	NO	YES	YES

When staff determines that transformers are needed, staff issues a Request for Quotation to the prequalified manufacturers for each particular transformer type. Staff places orders with manufacturers based on CIP requirements, new customer connections, and to replace old or failed transformers. Engineering staff reviews and evaluates all quotes, and issues a purchase order to the vendor offering the lowest price. Due to the current global supply chain shortages the lead time for transformer delivery ranges from 12 – 24 months.

CPAU will be purchasing more transformers in the upcoming years because of new initiatives, projects, and replacement of existing transformers. In addition, there has been an increase in service upgrades to 400amp services which has reduced a portion of the existing transformer stock inventory. It is not yet known how many and what types of transformers will be ordered, or the prices that suppliers will submit, so it is conceivable that the total amount expended with any one supplier could exceed \$250,000 in a single purchase. Since staff will be requesting competitive quotes from the qualified suppliers for each purchase, staff requests that Council authorize expenditures in excess of \$250,000 with any one of the pre-qualified suppliers, not-to-exceed more than \$2,000,000 individually or in aggregate for the following 5 years, FY2022 - FY2026.

Timeline

The request for approval of the Pre-Qualification of Contractors and authorization to execute purchase orders is for the fiscal years beginning in FY 2022 through FY 2026.

Resource Impact

Depending on whether a transformer is needed for a customer connection, a maintenance replacement, or planned project upgrade, funds will be available from the appropriate electric budget. For year one, funds are available in the FY 2022 Adopted Capital budget within the Electric Fund under projects EL-89028 (Electric Customer Connections), EL-98003 (Electric System Improvements) and EL-17001 (East Meadow Circles 4/12kV Conversion). For FY 2022, staff has ordered \$100,000 in transformers and is seeking authorization to process pending purchase orders for 43 additional transformers totaling \$1,100,000 to \$1,200,000 by June 30th, 2022. Any unspent funds annually will be returned to the Electric Fund reserves. Funding for the subsequent years is subject to City Council approval of the annual appropriation of funds through the annual budget process.

Policy Implications

Authorization of this purchase order limit does not represent any change to the existing policy and is consistent with existing City policies including the Council approved Utilities Strategic Plan, Strategic Objectives:

Policies and Procedures 1 – 44/ASD - Prequalification of Contractors

BP1 - Ensure a reliable supply of utility resources

BP2 - Operate the utility system safely.

Stakeholder Engagement

This agreement for materials does not directly impact customers that would require community outreach. Similarly, staff requested Council approval and authorization for a similar transformer supplier prequalification in November 2015 ([Staff Report #6244](#)).

Environmental Review

Council's approval of the annual purchase limit for electric distribution transformers does not meet California Environmental Quality Act's definition of "project" under Public Resources Code section 21065, and environmental review is not required. Replacement or reconstruction of existing transformers is categorically exempt from CEQA review under Public Resources Code 15302.



City of Palo Alto City Council Staff Report

(ID # 14373)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Policy and Services, Office of the City Auditor and Staff recommends that City Council Approve the Building and Permit Review Report

From: City Manager

Lead Department: City Auditor

Recommended Motion

Policy & Services Committee, City Auditor and Staff recommends that City Council consider the following action:

- 1) Review the Building Permit Process Review report and corresponding recommendations for improvement and consent.

Executive Summary

Baker Tilly, in its capacity serving as the Office of the City Auditor, performed an assessment of the City's Building & Permit Process. This assessment was conducted in accordance with the [FY2021 Audit Plan approved by City Council](#).

Through the audit activity, the Office of the City Auditor identified fifteen (15) recommendations and opportunities for improvement. Planning & Development Services concurred with each finding and has drafted action plans for each item.

The Office of City Auditor will perform periodic follow up procedures to validate that corrective actions have been implemented.

Background

Planning & Development Services (PDS) is responsible for long range planning, current planning, code enforcement, building permits, and building inspections. The chief planning official oversees long range and current planning and code enforcement, with the chief building official overseeing building inspections, plan check, and development services – which leads issuance of building permits. Both officials report to the PDS assistant director. The PDS director has direct reports that include the assistant director and departmental support functions.

The current iteration of PDS was created from the merger of the Planning and Community Environment Department and Development Services Department during fiscal year 2020. The merger was designed to “create one cohesive unit focused on entitlements, permitting, code enforcement, and land use visioning” – per the City’s 2020 budget document. This area has been the subject of additional reorganizations over the last decade as well.

This audit focuses in particular on the building permit and inspection processes. Building permits are issued through the City’s Development Center, which was created approximately a decade ago to help centralize and better coordinate the permitting process across all City departments and provide a more ‘one stop shop’ model for residents, contractors and the like. PDS issues a number of different building permits – including for ‘minor’ smaller scale projects (direct permits) and larger projects for residential and commercial projects that require more in-depth review.

The Office of the City Auditor included an audit activity related to the adjustment in the [FY2021 Audit Plan approved by City Council](#). The objectives of the Building Permitting Process Review are to:

- (1) Identify the highest impact areas to focus the assessment (e.g., specific permit type(s), specific sub-processes, etc.)
- (2) Document corresponding process(es) and evaluate for efficiency and effectiveness
- (3) Benchmark operational performance against industry practices and established standards

Discussion

The attached report summarizes the analysis, audit findings, and recommendations.

Timeline, Resource Impact, Policy Implications

The timeline for implementation of corrective action plans is identified within the attached report. All corrective actions are scheduled to be implemented by FY 2023.

Stakeholder Engagement

The Office of the City Auditor worked primarily with Planning & Development Services and engaged with additional stakeholders, including the City Manager’s Office and City Attorney’s Office, as necessary. In addition, the scope of services included engaging building permit applicants, as outlined in the report.

Environmental Review

Environmental review is not applicable to this audit activity.

Attachments:

- **Attachment14.a:** OCA - Building Permit Process Review (Final Draft)



City of Palo Alto

Office of the City Auditor
Building Permitting Process
Review

April 10, 2022

Executive Summary

Purpose of the Audit

Baker Tilly, in its capacity serving as the Office of the City Auditor, performed a review of the building permitting process in accordance with the [FY2021 Audit Plan approved by City Council](#). The objectives of this review were to:

- 1) Identify the highest impact areas to focus the assessment (e.g., specific permit type(s), specific sub-processes, etc.)
- 2) Document corresponding process(es) and evaluate for efficiency and effectiveness
- 3) Benchmark operational performance against industry practices and established standards

Report Highlights

Key Findings

Key Findings	Page #	Description of Finding
The lead time for a building inspection is approximately two weeks from request to inspection.	35	Lead times have been as long as 2 weeks between the time a building inspection is requested to an inspector arriving on-site. While this has improved at times during the OCA's review, the lead times remain a consistent concern within Planning & Development Services (PDS) and for its customers. In addition, any improvements are precarious with a staff absence – whether planned or due to injury, etc. that can quickly erode any improvement to lead time. In addition, contract inspection staff, who could be utilized to help with lead times, have been difficult to obtain, particularly after the start of the pandemic. Long lead times result in a host of compounding issues, with contractors scheduling inspections far in advance of work being completed – resulting in either inspectors arriving before work is complete or re-scheduling of appointments. This is confirmed by the examination of inspections requested – with 18% of inspections requested being cancelled.
Customers/applicants need better information on all aspects of the permitting and inspection process.	37	This finding closely relates to a number of the other observations within this report related to enhancing the customer service experience. Overall, the building permitting process would benefit from improved availability of documentation for all aspects of the permitting process, including checklists, forms and guidelines. These resources can be difficult to locate and also need updating (particularly related to the ability to submit applications on-line). In addition, customers would benefit from continued enhancements to the on-line permitting system – particularly those related to streamlining the process. Further, the customer experience would benefit from additional training of staff and communication across departments.
PDS is operating under an outdated initiative for the operation of its building permit function.	45	PDS is operating under a decade plus old strategic plan - 'Blueprint for a New Development Center' – which created the Development Center. While the model has helped to improve cooperation between departments and provide a one-stop-shop for applicants, this blueprint was developed prior to any permits or intake of information being done virtually. A full-fledged strategic planning process should be conducted in the near future. The OCA acknowledges a strategic planning process is a significant and lengthy undertaking; however, the City needs to be cognizant of what the building permitting process will look like in post-pandemic times to ensure alignment with process improvements, staffing, and related items.

**Key Recommendations to the City Manager:**

- Work towards improving inspection lead times by hiring an additional building inspector and implementing other efficiency measures
- Continue efforts to enhance and improve the on-line permitting system, including availability and accuracy of guidance documents and enhancing the user interface.
- Keep future vision for the building permitting process in mind with return to more normal operations post-pandemic, particularly related to balance of in-person versus on-line permitting and how this impacts staffing, resources, etc.

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Introduction

Objective

The objectives of the Building Permitting Process Review are to:

- (1) Identify the highest impact areas to focus the assessment (e.g., specific permit type(s), specific sub-processes, etc.)
- (2) Document corresponding process(es) and evaluate for efficiency and effectiveness
- (3) Benchmark operational performance against industry practices and established standards

Background

During the FY2021 risk assessment¹, the Office of the City Auditor (“OCA”) noted risk areas regarding the building permitting process. For context, permits are mandated before all construction and/or remodeling projects, with the option to file in-person at City Hall (prior to the COVID-19 restrictions) or through the Online Permit Services System.

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.

This may come with some potential risks, including:

- Individuals/businesses may not apply for permits or request inspections before initiating projects or the potential for delays or backlogs in providing permitting and inspection services
- Potential disagreement around the interpretation of current codes and regulations, increasing the amount of discretion necessary in decision making
- Pressure on existing staff and lower overall quality with high quantities of new building proposals required for review

While these are only examples, the risk assessment identifies risks in the permitting process as higher likelihood than average. Permitting is an important function in City operations, worthy of an internal audit to ensure efficient operations and mitigated risk.

Scope

The scope includes process review for key permit types in order to identify opportunities for improvement and risk mitigation.

Methodology

The audit activity was conducted in four steps. The following is a description of each step of our methodology.

Step 1 – Audit Planning

This step consisted 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, review process, and timing between stakeholders and auditors. Tasks include:

- Gathered information to understand the environment under review
- Secured agreement on the audit objectives
- Assessed the audit risk

¹ [https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/2021/id-11952-\[80076\].pdf](https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/2021/id-11952-[80076].pdf)

- Wrote an audit planning memo and audit program
- Announced the initiation of the audit and conduct a kick-off meeting with key participants

Step 2 – Organizational and Business Process Analysis

This step involved executing the procedures in the audit program to gather information, interview individual process owners and participants, survey appropriate industry stakeholders, conduct focus groups and field observations, and analyze the data and information gathered in order to obtain sufficient evidence to address the agreed-upon audit objectives.

Audit procedures included, but were not limited to:

- Interviewed the appropriate internal and external stakeholders and process owners
- Narrowed focus to high risk permitting categories/types as determined through the planning process
- Administered a confidential survey of inspections process stakeholders
- Reviewed the building codes, state statutes, and other applicable governance documents
- Performed test procedures and reviewed of selected supporting documents
- Benchmarked operational performance against industry best practices

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:

- Developed findings, conclusions, and recommendations based on the supporting evidence gathered
- Validated findings with the appropriate individuals and discussed the root cause of the identified findings
- Completed supervisory review of working papers and a draft audit report
- Distributed a draft audit report and conducted a closing meeting with key stakeholders
- Obtained written management responses and finalized a report
- Reviewed report with members of City Council and/or the appropriate Council Committee
- Presented the final report to the City Council and/or appropriate Council Committee

external peer review^[1]. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Organizational Strengths

During this audit activity, we observed certain strengths of the City. Key strengths include:

- Quick adaptation to a remote working environment
- Prompt to make improvements when opportunities are discovered
- High level of expectations and work ethic among Planning & Development Services (PDS) staff

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

The Office of the City Auditor greatly appreciates the support of the Planning & Development Services Department in conducting this audit activity.

Thank you!

^[1] Government auditing standards require an external peer review at least once every three (3) years. The last peer review of the Palo Alto Office of the City Auditor was conducted in 2017. The Palo Alto City Council approved a contract from October 2020 through June 2022 with Baker Tilly US, LLP (Baker Tilly) and appointed Kyle O'Rourke, Principal in Baker Tilly's Public Sector practice, as City Auditor. Given the transition in the City Audit office, a peer review was not conducted in 2020 and will be conducted in the second year of Baker Tilly's contract.

Detailed Analysis

Overview

Planning & Development Services (PDS) is responsible for long range planning, current planning, code enforcement, building permits, and building inspections. The chief planning official oversees long range and current planning and code enforcement, with the chief building official overseeing building inspections, plan check, and development services – which leads issuance of building permits. Both of these officials report to the PDS assistant director. The PDS director has director reports that include the assistant director and departmental support functions.

The current iteration of PDS was created from the merger of the Planning and Community Environment Department and Development Services Department during fiscal year 2020. The merger was designed to “create one cohesive unit focused on entitlements, permitting, code enforcement, and land use visioning” – per the City’s 2020 budget document. This area has been the subject of additional reorganizations over the last decade as well.

This audit focuses in particular on the building permit and inspection processes. Building permits are issued through the City’s Development Center, which was created approximately a decade ago to help centralize and better coordinate the permitting process across all City departments and provide a more ‘one stop shop’ model for residents, contractors and the like. PDS issues a number of different building permits – including for ‘minor’ smaller scale projects (direct permits) and larger projects for residential and commercial projects that require more in depth review.

As part of this audit activity, the OCA conducted a number of different analysis approaches to help develop a well-rounded perspective of the City’s building permit and inspection processes. The following section of the report provides an overview of each approach and a summary of significant findings.

- Building Permit Data Analysis – includes an overview of volume of building permits over last several years and more in depth examination of number of permits for photovoltaic projects.
- Interview with Staff – includes list of interviewees from PDS and City, general questions asked, and summary of themes from interviews.
- Business Process Review – detailed analysis of the building permits process, including process flow charts.
- Organizational Analysis – includes an overview of departmental structure, staffing, and technology utilized.
- Customer Survey – contains list of survey questions sent to all recent applicants for a building permit and a summary of themes from responses.
- Building Industry Associations Feedback – details trade associations contacted to gain additional perspectives on the City’s building permit and inspection processes.
- Code Review and Benchmarking – includes comparison of City’s permit process with comparable cities and more detailed examination of their photovoltaic code.

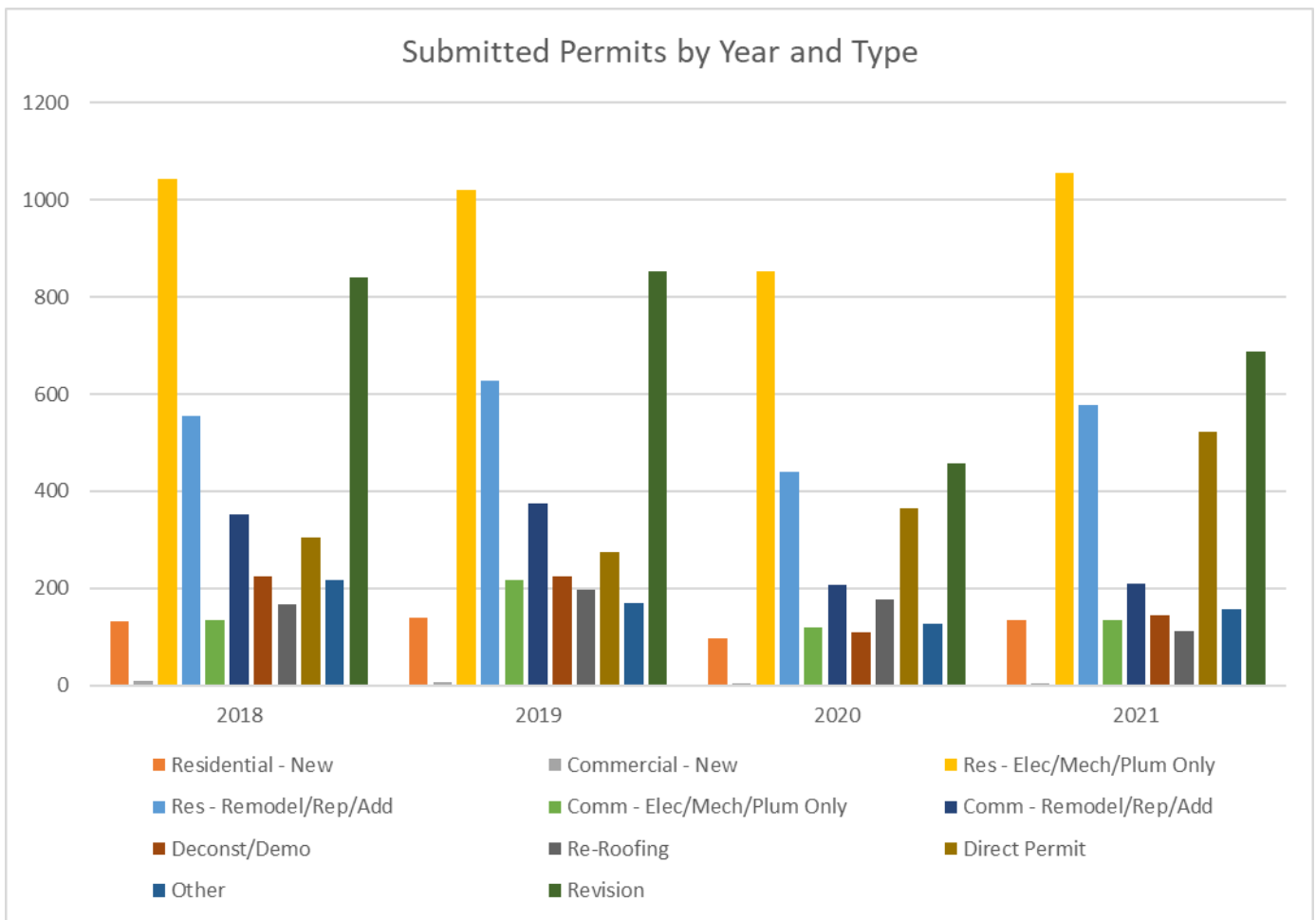
Building Permit Data Analysis

The OCA examined data provided by PDS in a number of key areas, including building permit type and volume and also number of inspections requested and current status. The following offers summary tables and brief narrative to explain insights gained. This analysis helped to inform and guide our further observations and recommendations included within this report.

Overall, analysis of the provided data insights into overall volume of the permits and variability between types and how this has been impacted by the pandemic. In addition, our analysis examined how many of permits applied for involve some type of photovoltaic component – a key area of concern the City and City Council. In addition, we looked further into the number of inspections performed with more in depth analysis on inspections requested that were either cancelled by the resident/contractor or deemed not ready for inspection.

Building Permit Data

The OCA examined the number of permits submitted over the last several years to gauge what types of permits had the highest volume and examine other trends.



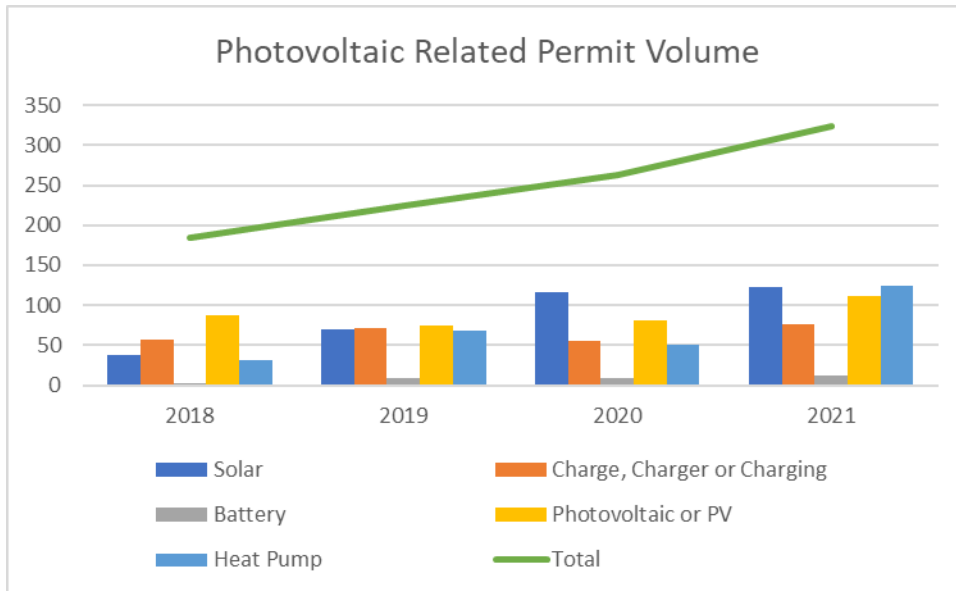
Total permits submitted has been impacted in recent years from a level of approximately 4,000 permits submitted annually in 2018 and 2019 – with 2020 showing just under 3,000 total permits submitted. Permits submitted has rebounded in 2021 with over 3,700 permits submitted. Demand for permits decreased in 2020 – driven largely by construction slow down due to the pandemic.

Demand for residential permits of all types far exceeded commercial permits with residential permits in the three major areas shown totaling nearly half (nearly 1,800) of all permits submitted for 2021. Commercial permits submitted totaled between 500 to 600 annually for 2018 and 2019 – but have dropped considerably with 330 submitted in 2020 and near 350 submitted for 2021.

The OCA summarized the 36 different categories of permits that PDS tracks to analyze and better display overall trends. The following is list of these categories to align with the above graphic:

OCA Summarized Grouping	Category Description	Category/Construction Type Code
Residential - New	Residential - New Single Family	101
	Residential - New Two Unit Bldg	103
	Residential - New 3 -4 Unit Bldg	104
	Residential - New 5 units or more Bldg	105
	Residential - New Mixed Use (Commercial/Residential) Bldg	107
Commercial - New	Commercial - New bldg	328
Res - Elec/Mech/Plum Only	Residential - Electrical/Mechanical/Plumbing only	432
Res - Remodel/Rep/Add	Residential - Remodel/Repair	433
	Residential - Addition and Remodel	434
Comm - Elec/Mech/Plum Only	Commercial - Electrical/Mechanical/Plumbing only	435
Comm - Remodel/Rep/Add	Commercial - Remodel/Repair	436
	Commercial - Addition and Remodel	437
Deconst/Demo	Residential - Deconstruction	644
	Residential - Demolition	645
	Residential - Deconstruction Garage/Carport/Accessory Bldg	646
	Residential - Demolition Garage/Carport/Accessory Bldg	647
	Commercial - Deconstruction	648
	Commercial - Demolition	649
Re-Roofing	Commercial - Interior Non-Structural Demolition	650
	Re-Roofing	331
Revision	Revision - Revision to Issued Building Permit	910
Direct Permit	Repair Gas Leak - Direct 'Online' Permit	991
	Boiler Replacement - Direct 'Online' Permit	992
	Furnace Replacement - Direct 'Online' Permit	993
	Re-Roofing - Direct 'Online' Permit	994
	Water Heater Replacement - Direct 'Online' Permit	995
	Backflow Device - Direct 'Online' Permit	996
	Window Replacement - Direct 'Online' Permit	997
	Re-Pipe Water Piping System - Direct 'Online' Permit	998
Other	Non Bldg Structures (sign, bus shelter, etc)	329
	Pool/Spa	330
	Landscape	333
	Use and Occupancy Only	431
	Residential - Garage/Carport/Accessory Bldg	438
	Building Moving/Relocation	651
	Miscellaneous (Noise Exemption, Parking Pass, etc)	900

The OCA further analyzed the building permit data to examine the number of permits that were for photovoltaic (PV), solar, and heat pump projects. With the City’s [Sustainability & Climate Action Plan](#), these projects are of particular importance to the City and its residents. As such, the OCA examined the permit submitted data to pull out this information as PV, solar, and heat pump projects can be included in a number of the categories shown above. The OCA analyzed the description from all permits issued by PDS over the last four years to aggregate the following. Up until early 2021, PDS did not have a separate flag or way of tracking photovoltaic permits issued.



In aggregating the data, the OCA made every effort possible to not double count between the categories indicated within the table. Overall volume for these types of projects continue to increase, even with pandemic related pressures that likely caused decrease in overall permit volume as discussed earlier in report. While permits related to these projects have been between 200 to near 350 permits annually – this is still less than 10% of the overall number of permits issued by PDS on an annual basis.

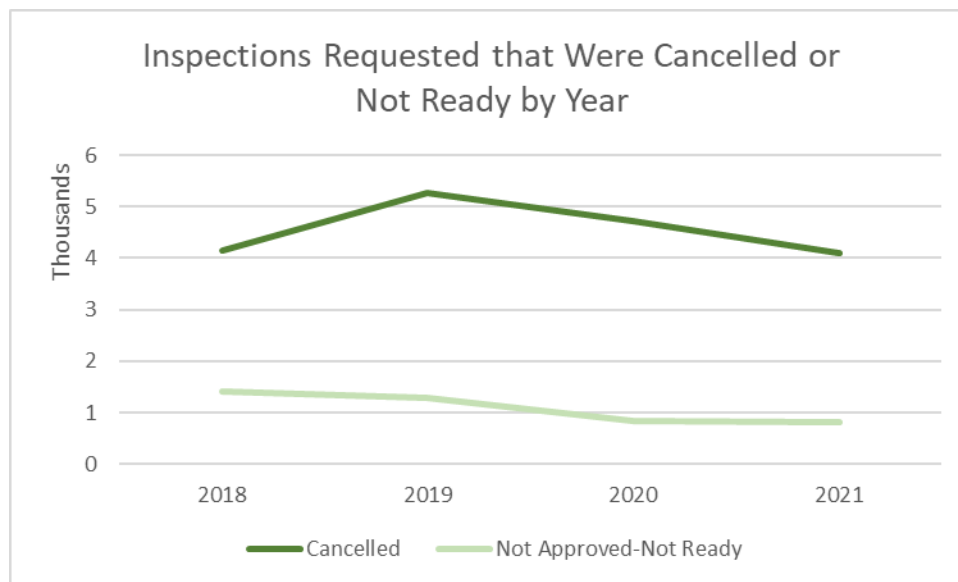
Inspection Data

PDS provided the OCA with the current inspection status for all inspections requested for from 2018 to 2021. The following chart shows the total number of inspections requested and performed by PDS inspectors (not other departments, i.e. Fire, Public Works, etc.). Of note, this table includes all inspections requested, regardless of ultimate status including approved, cancelled, not approved, etc.



As with permits submitted, inspections requested has also decreased since 2018, again driven by pandemic related pressures. Number of inspections for 2021 has increased slightly at just over 22,400 – but still below the 2018 level of nearly 30,000, a near 25% decrease.

The OCA further examined inspections for PDS inspectors that were requested, but were then either cancelled prior to the inspection date scheduled or deemed to be not ready for inspection once the inspector arrived.



The number of inspections requested and then cancelled totals just over 4,000 for 2021, with a approximately 800 additional scheduled inspections deemed not ready. For 2021 this totals nearly 5,000 scheduled inspections – nearly 22% of total inspections requested - that were scheduled, but did not result in an inspection being completed. Cancelled and not ready inspections for 2021 is down as compared to 2020 – where over 25% of inspections were cancelled or deemed not ready. However, 2021 is still higher on a percent basis than the 2018 level of approximately 19%. Notably, just over 5,500 inspections were cancelled or deemed not ready in 2018 as compared to approximately 4,900 in 2021, even though the number of total inspections requested in 2021 was approximately 25% less.

Themes

Observations from OCA's analysis of building permit data and related information include:

- Overall permit volume decreased significantly in 2020 due to pandemic related pressures.
- Permit volume is recovering in 2021
- PV and solar projects account for less than 10% of overall permits issued by PDS.
- Inspections requested has seen a 25% drop from 2018 to 2021.
- Inspections requested and then either cancelled or deemed not ready for inspection account for over 20% of total inspections requested in 2021.

Interviews with Staff

The OCA conducted a review of the building permitting and inspection processes through a number of interviews with key stakeholders and process owners. Staff interviews provide valuable insights into the overall process and provide the OCA with background on the inner workings of the processes. In addition, staff often provide suggestions for improvement that will benefit the overall process and ultimately the applicants and the City. The following includes general questions asked, list of those interviewed by title/function and a summary of overall themes from the interviews.

Throughout these interviews, the OCA collected observations based on themes and patterns heard in interviews. These interviews were key in terms of informing our understanding of the process and also formulating a prioritized list of key areas of concern and corresponding recommendations for improvement (as outlined later in this report).

The interviews were conducted in a conversational format to provide the interviewees with the opportunity to openly share about the process, their role in the process, and any other points of interest or concern. For consistency, we generally asked questions similar to the following:

- Where do you feel like the permitting process is the smoothest? What permitting types are the department's bread and butter?
- What permitting types tend to cause the most customer complaints?
- What permitting types tend to cause the greatest drain on internal resources?
- What permitting types tend to be prone to error in the process?
- Where do you face the most bottlenecks in communications?
- Are there positions currently in which only one person has a key piece of knowledge? What do you do when that person is out of the office?
- How is workload distributed among your team and the department as a whole? Are there any teams who are bottlenecks due to having regularly heavy workload?
- What areas in the permitting operations feel like there may be missing reviews/approvals? Any areas in which quality assurance is an issue?
- Where might there be a lack of documentation or standardized process?
- What systems are you using most often in your day to day? Do they meet your needs?
- Where are their heavily manual steps in the process? Are these steps necessary to be manual?

The OCA interviewed PDS staff and other City department staff. The other City department staff interviewed include those that help staff the Development Center and/or are heavily involved in the permitting and inspection processes. In some cases – particularly with manager or above level staff in PDS, we conducted follow up interviews for clarification and further information to best inform our review.

The following is a list of staff interviewed as part of our work (the number in parentheses following a title indicates how many staff within that title we interviewed):

- Director, Planning and Development Services
- Assistant Director, Planning and Development Services
- Chief Building Official
- Assistant Chief Building Official
- Current Planning Manager
- Inspection Manager
- Development Services Manager
- Building Inspector Specialist (3)
- Project Coordinator (5)
- Senior Management Analyst
- Senior Business Analyst

In addition to PDS staff, we also interviewed a number of City staff who support the building permit and inspection processes. The following is a list of staff by title interviewed as part of our work:

- Public Works Manager – Engineering
- Acting Deputy Chief – Fire Marshal (2)

-
- Acting Urban Forestry Manager
 - Utilities Manager
 - Public Works Manager – Water
 - Senior Industrial Waste Investigator
 - Public Works Manager – Zero Waste
 - Zero Waste Coordinator
 - Public Works Manager – Deconstruction

Themes

Observations from OCA's interviews with staff include:

- Drive to continue to improve and refine OPS to improve overall process.
- Desire to improve overall cycle times (i.e. time from initiating permit/inspection to completion) for all processes.
- Need to provide better resources and information on-line to applicants/customers.
- Need to create better internal documentation for processes to ensure consistency.
- Improve communication between PDS staff and departments supporting Development Center.



Business Process Review

Detailed Permitting Process Walk Through

The OCA conducted a detailed analysis of the building permitting process with walkthrough interviews. Throughout these interviews, the OCA sought to understand the process steps, the individual(s) completing each step, nuances of the process step requiring a special process note, and risks associated with any given process step (or with a process as a whole). After conducting these interviews, the Team documented each major process step in a process flow to clearly notate additional comments on the process and associated risks.

These risks are areas in which the City can improve its overall process. Not all of these risks are immediate needs, but these represent pain points in the customer experience or inefficiencies in internal operations. Without planning to address these risks, the City may not be operating at its full capacity, nor serving its customers to the fullest potential.

A summary of specific process risks are as follows:

Process Phase	Risk Notes
Pre-Application	Even if the pre-application process is completed fully and accurately, the applicant is still required to answer additional information, complete fee payments, and submit additional uploads. However, most often the pre-application materials are lacking, meaning that there is still the “application phase” for the applicant after having submitted this information. The title of “pre-application” terminology does not properly set applicant expectations, setting applicants up for frustration.
	Applicants have noted confusion over various application types if not familiar with the system. Furthermore, there are no descriptions or links to descriptions in the OPS system, so applicants would have to search separately for descriptions on Palo Alto’s website.
	The OPS system requests detailed description for the pre-application, but there is no guidance as to how long this description should be or what should/should not be included. Consequentially, applicants aren’t sure if they are missing information.
	Applicants are required to submit supporting documentation in the pre-application process, but the OPS system does not provide guidance regarding what documentation is needed, nor does it provide a link to find the information on the website. The documentation is also required to be in PDF format with a specific naming convention, but this is not detailed in the OPS system either. Applicants would have had to watch the video or read the instructions on the separate Palo Alto building permits website to have known about this. The Palo Alto team regularly receives incorrect document submissions because of these issues.
Pre-Application Review	The cloning process is the method by which the project coordinator copies and pastes information from the pre-application to the application. This requires manual entry. If all information in the pre-application is proper, the cloning process is quick. But oftentimes pre-applications come in with improper naming conventions. As stated in the pre-application phase, there is not guidance for the applicant in the online permitting system in regards to naming conventions.
	When pre-application acceptance auto generated emails are sent to applicants, oftentimes applicants consider this to be an acceptance of their application. This causes confusion for applicants who aren’t familiar with the process.
	Applicants should wait for all departments to complete their review prior to receiving the necessary changes due to the limitations on OPS, but applicants will tend to make changes prematurely prior to receiving all comments from all departments.



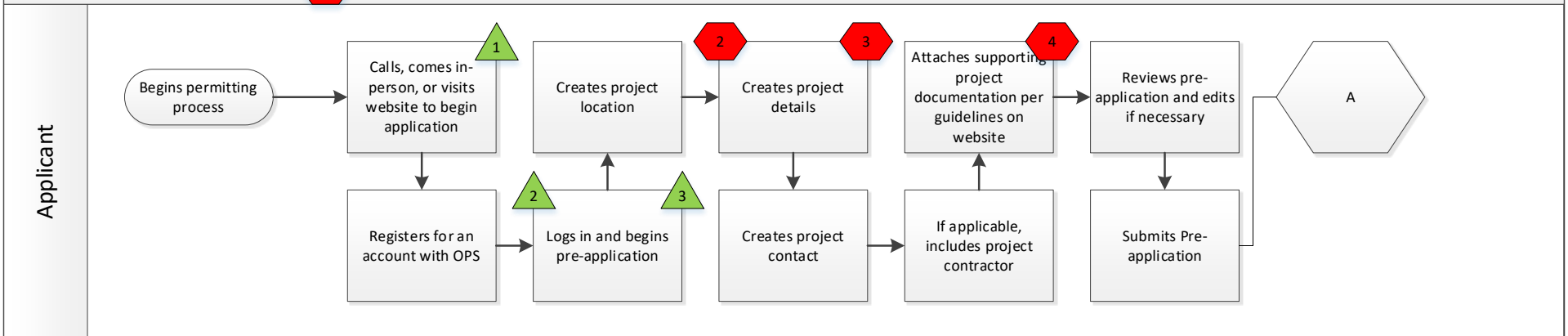
Process Phase	Risk Notes
Application Review and Issuance	It is common when an application is resubmitted to have new errors that didn't exist in previous versions. This is particularly relevant in naming conventions. If naming conventions are slightly off, the project coordinator may manually make changes, but otherwise the project coordinator will push the application back to the applicant. It is uncommon for applications to move to the issuance process on the first round. Most applications require some revisions.

Palo Alto Building Permitting Process



Pre-Application Submission

1

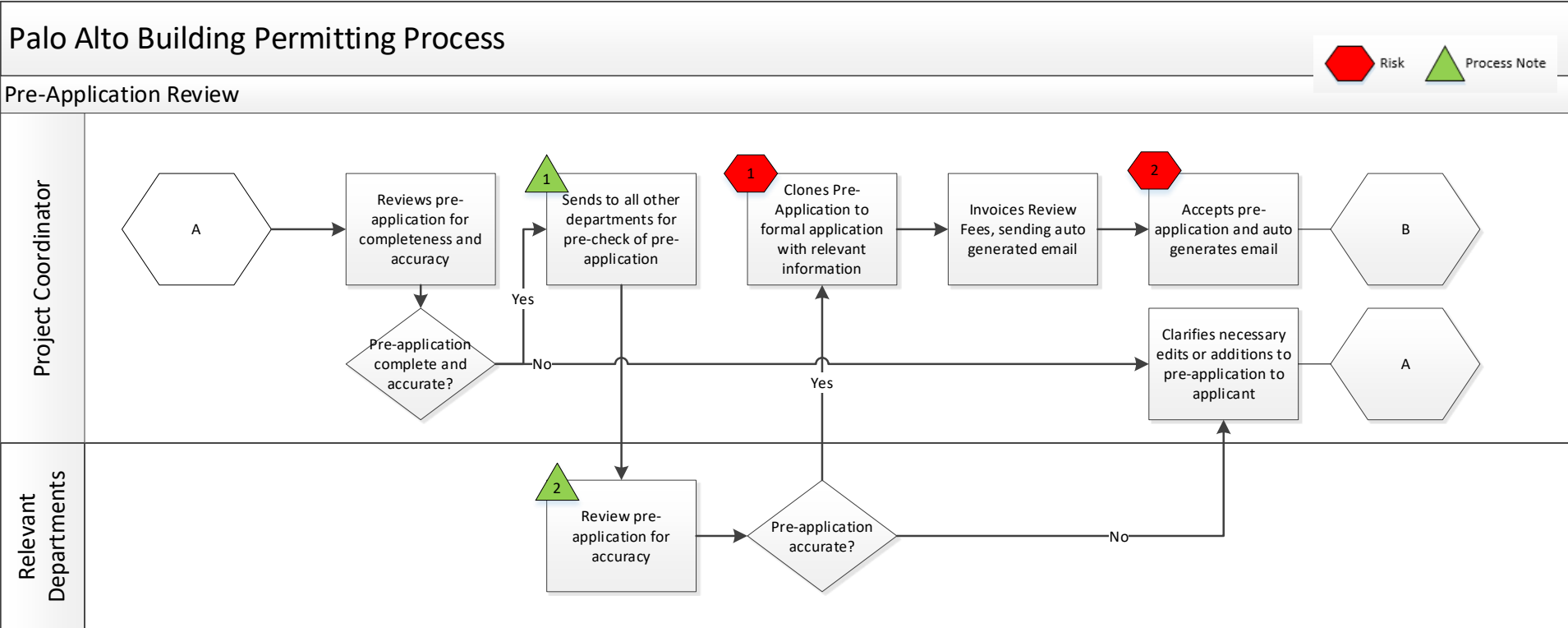


Process Notes

1. Palo Alto provides videos and to-do lists on the website for applicants on the webpage. Additionally, there are multiple places to click to apply for a building permit, including the home page of Palo Alto's webpage. If applicants were to arrive in-person, the process would remain the same, only with the applicant being guided by a Palo Alto employee.
2. Palo Alto employee audits the minor permit types to see if any applicants improperly use that permitting type to complete work with a broader scope.
3. For minor permitting types, applicants can receive a same-day permit without the need for Palo Alto staff touchpoints. This still goes through the OPS system, but doesn't require the same level of review.

Risk Notes

1. Even if the pre-application process is completed to perfection, the applicant is still required to answer additional information, complete fee payments, and submit additional uploads. However, most often the pre-application materials are lacking, meaning that there is still the "application phase" for the applicant after having submitted this information. The title of "pre-application" terminology does not properly set applicant expectations, setting applicants up for frustration.
2. Applicants have noted confusion over various application types if not familiar with the system. Furthermore, there are no descriptions or links to descriptions in the OPS system, so applicants would have to search separately for descriptions on Palo Alto's website.
3. The OPS system requests detailed description for the pre-application, but there is no guidance as to how long this description should be or what should/should not be included. Consequentially, the Palo Alto team receives a wide variety of responses and applicants aren't sure if they are missing information.
4. Applicants are required to submit supporting documentation in the pre-application process, but the OPS system does not provide guidance regarding what documentation is needed, nor does it provide a link to find the information on the website. The documentation is also required to be in PDF format with a specific naming convention, but this is not detailed in the OPS system either. Applicants would have had to watch the video or read the instructions on the separate Palo Alto building permits website to have known about this. The Palo Alto team regularly receives incorrect document submissions because of these issues.

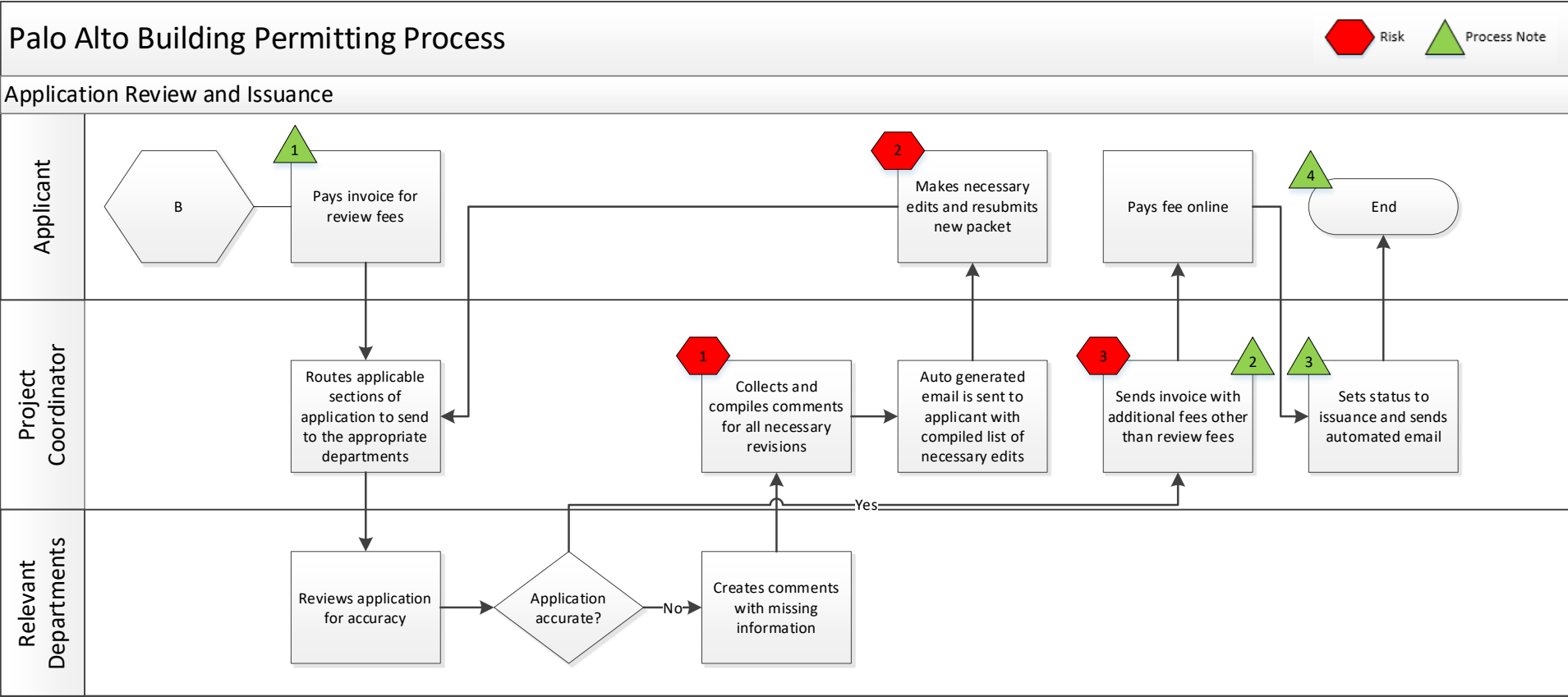


Process Notes

1. Project Coordinator sends to other departments at their discretion. The Project Coordinator may not feel it is necessary to send to other departments for a pre-check.
2. Depending on the plans submitted, some departments will require a review of the pre-application while others will not. This is determined by the project coordinator.

Risk Notes

1. The cloning process is the method by which the project coordinator copies and pastes information from the pre-application to the application. This requires manual entry. If all information in the pre-application is proper, the cloning process is quick. But oftentimes pre-applications come in with improper naming conventions. As stated in the pre-application phase, there is not guidance for the applicant in the online permitting system in regards to naming conventions.
2. When pre-application acceptance auto generated emails are sent to applicants, oftentimes applicants consider this to be an acceptance of their application. This causes confusion for applicants who aren't familiar with the process.



Process Notes

1. Application is only set up after applicant has paid review fees
2. All fees associated with the permitting process other than the already paid review fees are included, including inspection fees, record retention fees, etc.
3. Includes all stamped and approved documents
4. Applicant may print the issued permit if desired

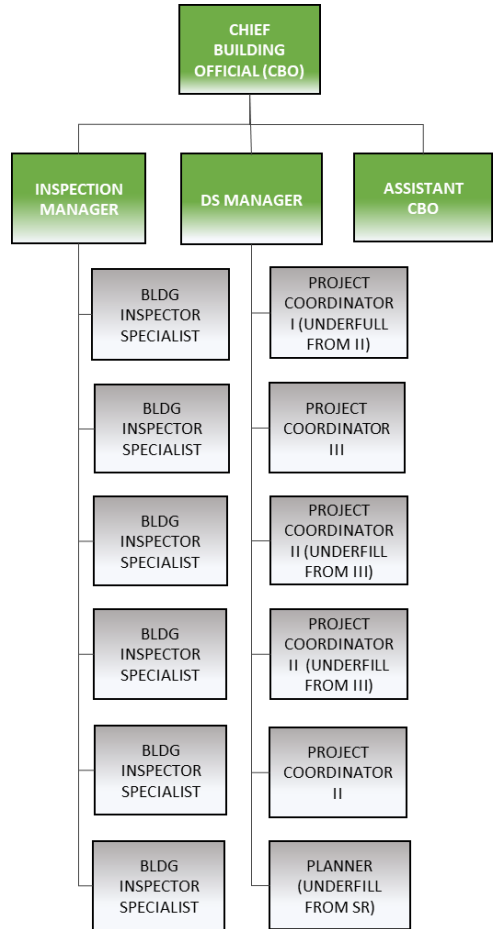
Risk Notes

1. Applicants should wait for all departments to complete their review prior to receiving the necessary changes due to the limitations on OPS, but applicants will tend to make changes prematurely prior to receiving all comments from all departments.
2. It is common when an application is resubmitted to have new errors that didn't exist in previous versions. This is particularly relevant in naming conventions. If naming conventions are slightly off, the project coordinator may manually make changes, but otherwise the project coordinator will push the application back to the applicant.
3. It is uncommon for applications to move to the issuance process on the first round. Most applications require some revisions.

Organizational Analysis

The OCA examined the organizational structure and technology utilized by PDS to better understand how the department operates and identify key players in the process. History of staff serving in key roles are taken from the staff interviews and help to provide an understanding of department turnover and expertise of staff currently filling roles. The technology utilized to support the process was a further point of examination to develop an understanding of how well technology solutions that are currently in place are supporting the process.

The permitting and inspection processes for the City primarily reside under the Chief Building Official (CBO) who reports to the Assistant Director of Planning and Development Services. PDS provided the organizational chart for fiscal year 2022 – the below captures the CBO’s direct reports:



Positions reporting to the CBO are all recent hires, but with prior experience in the City, as follows:

- Inspection Manager was hired into the role after serving 6 years as a contact inspector with the City. Has been in this role as inspection manager for the last 2 years, with a number of years of experience prior to working for the City.
- Development Services Manager was previously a planning manager until position was eliminated due to department restructuring, given opportunity to apply for current role. Has been in the development services manager role now for 1 ½ years – over 20 years experience with City overall nearly all in planning.
- Assistant CBO started in June 2021 and previously served for a number of years as the contracted lead plan reviewer for the City. Assistant CBO is a licensed engineer and has a number of years experience in the industry, including serving as a building official.

Items of note on the staff reporting to the CBO's direct reports include:

- Inspection staff was significantly reduced at start of pandemic with temporary slowdown in constructions projects. As a result of slowdown, contract inspectors were let go – reducing the field inspection staff by approximately half. Recently onboarding an additional inspector – which will bring number of inspectors in field up to six total.
- Plan check staff are all contracted staff.

In terms of technical operations, PDS primarily utilizes the Accela system to support its technology needs. The Accela Civic Permitting System for tracking and monitoring permit applications and inspections and to manage the associated workflow. Accela Citizen Access is also used by PDS to drive its Online Permitting Service (OPS) for residents/contractors to apply for building permits and associated tasks and to pay fees on-line.

OPS was brought on-line after the COVID-19 pandemic required remote work and less in-person interaction. Prior to the implementation of OPS, PDS accepted on-line application for minor building permits that were issued instantly – such as boiler/furnace/water heater replacement, backflow device, re-piping water system, re-roof, repair gas leak, and window retrofit. All other permits were initiated and ultimately issued by the applicant going to the Development Center and meeting with a project coordinator.

As part of the switch to acceptance of permit applications on-line, PDS needed a way to review plans submitted by applicants as part of the building permit application process. PDS's Accela technology consultant recommended DigEplan as the consultant knew the product well and that it would integrate with Accela.

Beginning this summer, as more in-person interactions became possible, PDS created appointments for applicants to schedule an in-person meeting with a project coordinator to assist with permit applications and related questions. These appointments are available 4 days a weeks, Monday through Thursday, with 4 appointment slots available on each day. PDS also has virtual appointment slots available five days a week as well to assist applicants. Scheduling for both in-person and virtual appointments can be done on the PDS website.

In addition, PDS utilizes the iRequest app from CityGovApps, which was implemented and customized to meet the City's needs and replaced a prior app that had poor functionality, per PDS staff.

Themes

Observations from OCA's organizational analysis include:

- Management under the CBO has seen a fair amount of turnover over the last several years.
- A number of recent PDS hires are from within the department or contract staff supporting PDS.
- Ability to quickly implement an on-line process for submitting permits that were previously done in-person/paper based.

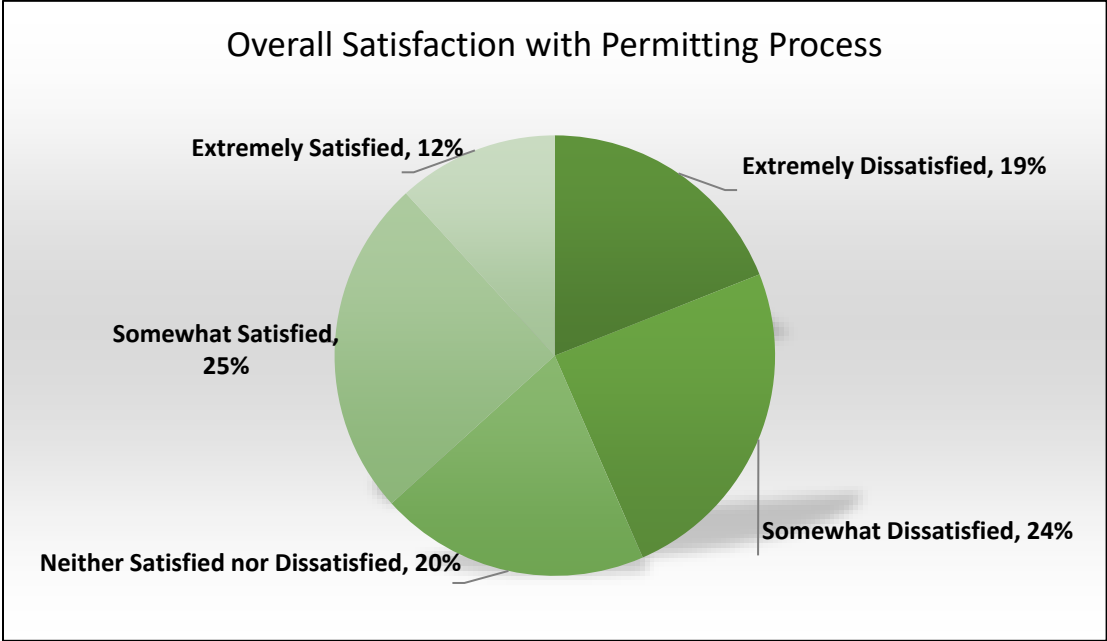
Customer Survey

As part of our review, the OCA sent a survey to past applicants for a building permit in the City. The OCA initiated the survey to gain a first hand account from building permit applicants on their experiences with the permit and inspection processes and better understand what is working (and not). The survey asked a range of questions regarding the applicant's role, frequency of applying, satisfaction with the permit and inspection processes, and other aspects of the process. Of the near 1,200 past applicants emailed, we received approximately 250 responses. The following offers highlights and general themes of their responses. The complete list of survey questions and summarized responses to each question are provided in [Appendix A](#).

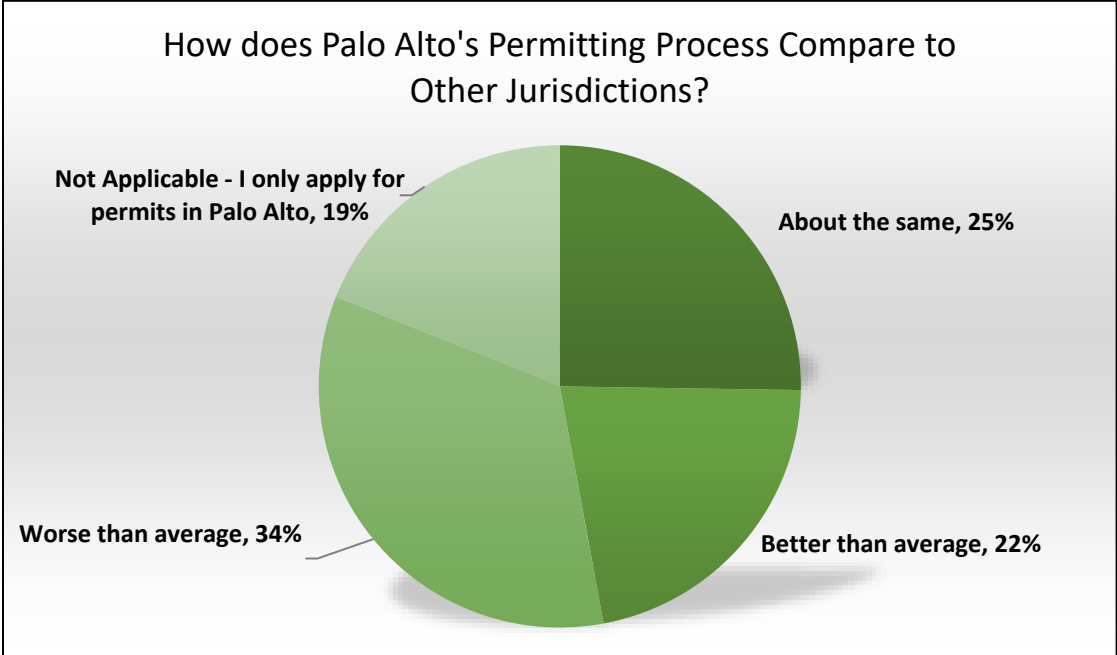
The following is a list of questions included in the survey:

1. What best describes your role in the permitting process?
2. What type of permit(s) did you apply for (check all that apply)?
3. When did you last apply for a permit?
4. How often do you apply for building permits?
5. Were you aware the City of Palo Alto Development Center is offering in-person appointments for assistance in submitting a building permit application?
Yes or No
6. Did you use the in-person service or the on-line application process?
7. Please rank the following from highest to lowest as to where you would like to the City focus its time and resources in improving the permitting process: A. Online permitting process; B. In-person permitting process; C. Appointment availability for in-person permitting; D. Availability of staff for questions; E. Clarity of requirements; F. On-line resources/reference documents; G. Turnaround time from application to permit (cycle time); H, Expedited permit for additional fee
8. Please provide any other additional comments/suggestions on the above ranking.
9. What is your perception of the following areas of additional steps and requirements related to the permit application and review process? A. Tree preservation and protection; B. De-watering requirements; C. Architectural review; D. Deconstruction and demolition; E. Utilities coordination
10. Provide additional comments on your above responses
11. Please rate your overall satisfaction with the permitting process
12. What suggestions for improvement of the permitting process do you have?
13. Please rank the following from highest to lowest as to where you would like to the City focus its time and resources in improving the inspection process: A. Wait time between request for inspection and actual inspection; B. On-site inspection visit; C. Clarity of inspector's report/findings; D. Training/knowledge of inspectors; E. Reinspection wait time; F. Overall satisfaction with the inspection process
14. If you apply for permits in other jurisdictions, how does Palo Alto's process compare?
15. If you have any other additional thoughts – please feel free to share.

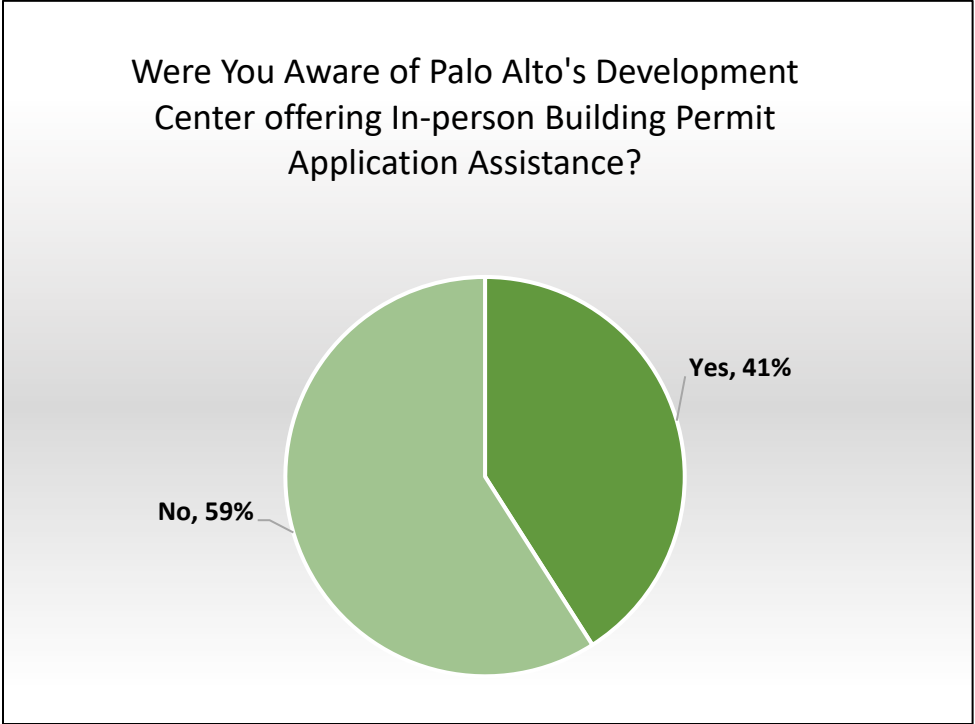
In terms of overall satisfaction with the permitting process, responses were fairly evenly distributed between satisfied and dissatisfied. Respondents feeling slightly more positive about the permitting process narrowly outpaced those feeling slightly negative about the process – with a large number of respondents feeling neutral overall.



In addition, we asked respondents how the City’s permitting process compared to other jurisdictions where they may apply for permits. Overall, the respondents viewed the City’s permitting process as worse than average; however nearly half of respondents viewed the City’s process as comparable to better than average.



The OCA also asked if respondents were aware of the in-person appointments being offered at the Development Center to answer questions on building permit questions. Well over half of respondents were not aware of these appointments.



The survey included a number of opportunities for respondents to share additional comments, thoughts, etc. The following provides a high-level summary of the general themes of these comments, based on the OCA's examination:

- An overall lack of timeliness dominated the open-ended comments received from respondents. Comments mentioned permit process taking a significant amount of time and corresponding issues such as project delays and costs. Length of time to obtain an inspection was mentioned throughout as well. In addition, a number of comments mentioned length of time to get a response to questions, clarifications, etc. – and also a general lack of communication from the City was cited.
- Lack of clear guidelines and too much complexity was another commonly cited complaint and area of need for improvement by respondents. Frustration in being able to obtain/understand what was needed for an application was mentioned numerous times. Respondents also mentioned rules/processes being overly complex and difficult to understand, in addition to OPS being difficult/complex to navigate.
- Customer service-related issues were mentioned throughout the comments as well. In addition to lack of response from staff, respondents stated that some staff were poorly equipped to answer questions and that the consistency from one staff to another in similar titles also varied widely. In addition, respondents mentioned need for better interactions with staff – citing suboptimal customer service from both project coordinators and inspectors.

In addition, the OCA examined responses based on type of permit applied for, time frame and frequency of application and other respondent characteristics to look for any correlation. Based on this examination, we found:

- For respondents seeking a solar permit, they were overall more dissatisfied with their experience – with a much higher rate of extreme dissatisfaction, in particular. In terms of comparison, these respondents also felt the City’s process was worse than other organizations where they sought permits from – but also indicated at a higher rate than all respondents that the process was overall comparable.
- In terms of frequency of application, those applying for permits on a weekly basis felt the City’s process was better in comparison to other organizations – with a noticeable positive trend in favorable comparability the more a respondent issued permits with the City. This trend was also present when respondents were asked about their overall satisfaction with the permitting process, with those having more frequent issuance of permits with the City having a greater overall sense of satisfaction.
- In addition to frequency of applying, we also asked respondents when they had last applied for a permit. Respondents indicating they had applied for a permit within the last week of completing the survey were generally more dissatisfied and felt the City’s process was worse overall than other cities/jurisdictions where they had applied for a permit. However, those indicating they applied for a permit within the last month were overall more satisfied and felt the City’s process compared more favorably. This could be an indication that the process may be perceived as being somewhat difficult for those just having gone through the process, but not overlay difficult to leave a longer lasting negative perception. the negative experiences of applying for a permit was top of mind.

Themes

Observations from OCA’s customer survey include:

- Majority of respondents applied for permits multiple times per year, with approximately one-quarter of respondents applying infrequently.
- Respondents skewed slightly negative in their overall perception of various aspects of the building permit process.
- Key areas of concern for respondents included:
 - Length of time to issue a building permit or obtain an inspection was too long
 - Guidance provided on-line was either lack or not clear
 - Customer service was often lacking – both in terms of responsiveness and helpfulness
- Areas that respondents would like to see improvement of the building permit process included the online permitting process and turnaround time from application to permit.
- For the inspection process – respondents would like to see improvement in wait time between request for inspection and actual inspection.
- Open ended responses focused extensively on frustration with length of process overall

Building/Contractors Associations Feedback

Overview

The OCA reached out to a number of local professional associations across building industry types to try and gather additional opinions and insights into the permit and inspection processes in the City. The following is a list of associations we contacted:

- [Bay Area Building Industry Association](#)
- [Associated General Contractors, South Bay District](#)
- [American Institute of Architects – Silicon Valley Chapter](#)
- [California Solar & Storage Association](#)

Only the California Solar & Storage Association ultimately provided names for the OCA to speak with. However, responses from those individuals was extremely limited. Individuals that were willing to have correspondence with the OCA were skeptical of efforts to improve the permit and inspection process in the City and highly critical of the current process.

In addition to these associations, the OCA was also provided with contact information for other contractors. The contractors we spoke with were more willing to offer insights, but again, in general, were highly critical of the process in the City.

Themes

The following is a high-level summary of themes from these conversations:

- Long wait time for permit approval
- Inconsistency in experience and knowledge of inspection staff
- Inspectors requiring additional work above and beyond what the approved project plan outlines
- Requirements well above and beyond what is considered 'best practice' from surrounding jurisdictions
- Other contractors refusing to work in Palo Alto or charging premiums for projects in City

Concerns with the permit and inspection processes are also expressed in articles and reader comments from the local newspaper, [Palo Alto Online](#), with themes similar to those expressed above and from the broader customer survey conducted by the OCA.

Photovoltaic Code Review and Benchmarking

Overview

The OCA completed research on comparable cities to understand the similarities and differences in their photovoltaic (PV) permitting requirements. The permitting process for PV projects have been a more common topic of conversation for the City for a number of reasons. Historically, the process to receive a permit for a PV project has been difficult according to interviews though many improvements have been made since. Additionally, the OCA also heard during interviews that many of the individuals or organizations applying for PV-related permitting may not have as much experience with the City's process as experienced builders and architects applying for traditional permit types. These factors encouraged the OCA to conduct research into the PV requirements for comparable cities.

Overall, all of the comparable cities had similar requirements as the City of Palo Alto. This is likely due to each comparable city basing their requirements on State statutes. Even checklists and guides are similar between cities, including Palo Alto. One unique element of Palo Alto is their ownership of their utilities. Like other

cities, Palo Alto requires both a permit to build and to connect to the grid. However, seeing as Palo Alto owns its own utility, this could be a more efficient, collaborative approval process.

In addition, the OCA examined each of the comparable cities to look at their current practices for issuing permits and requesting inspections. Most all of the cities are handling permits electronically only and scheduling inspections via apps, website or phone. In addition, we examined their websites, including available information and on-line submission tools, to examine their practices in relation to the City of Palo Alto. In general, information in other cities was more readily available and accessible in intuitive formats.

Photovoltaic (PV) Benchmarking Summary

The OCA worked with the PDS staff to create a list of comparable cities (whether by geography, size, or both). The information below summarizes peer cities' photovoltaic permitting process and links to their codes.

City	Base of Code	Similarities/Differences Notes	Link to Code
Palo Alto	Primarily based on State statutes	N/A, See Below	Palo Alto Municipal Code
Los Altos	Primarily based on State statutes	Only one inspection is required for Los Altos residents	Los Altos Municipal Code
Menlo Park	Primarily based on State statutes	Contains a clear checklist for applicants Initial inspections are included in the new building initial building inspection, saving applicants a step	Menlo Park Municipal Code
Mountain View	Primarily based on State statutes	City utilities are private entity, which provides less control for the city	Mountain View Municipal Code
San Jose	Primarily based on State statutes	Has additional requirements for PV panel weight, height, load, etc. that is not required by the City of Palo Alto Provides a clear one-pager of critical information for applicants	San Jose Municipal Code
Sunnyvale	Primarily based on State statutes, but rewritten in laymen's terms	Similar to Palo Alto in a "one-stop shop" idea, as in all permits are issued from the building department	Sunnyvale Municipal Code

While there was discussion in interviews around the difficulty of PV permitting in particular, the difficulty is not particular to the code itself. As mentioned, the code is largely standard language taken from State statutes. If the State statutes were unnecessarily cumbersome, Palo Alto would not be in any better or worse position than any other neighboring cities.

Summary of Additional Findings from Comparable Cities

In addition to the review of building code, the OCA also examined items of interest as to how the building and inspection processes are structured in the comparable cities and any significant, recent changes. The following is a summary of these findings by comparable city.

City	Summary of Significant Information	Source(s)
Los Altos	<ul style="list-style-type: none"> • Building Department opened back up to public on October 18, 2021 • City requiring all plans be submitted to an email address beginning April 2021 – no hard copies accepted. • Checklists/submittal instructions readily accessible on single page of website (with reference to other depts, as necessary) – • City uses eTRAKiT to schedule inspections 	Los Altos Building Services
Menlo Park	<ul style="list-style-type: none"> • Permits being accepted through on-line portal (through Accela), process includes a pre-application step before conversion to a building permit application. • In-person meetings by appointment only • No over the counter reviews available • Number of forms, guides and FAQs readily accessible on Building Division’s home page • Expedited plan check – but not well advertised • Inspections can be scheduled by phone or on-line via the Accela portal 	Menlo Park Building Division
Mountain View	<ul style="list-style-type: none"> • Public Counter in Building Division by appointment only – schedule on-line for a 20 minute session (TimeTap program) • Plans can be submitted electronically Monday- Friday between 8am-4pm • A number of forms and handouts available on website – several clicks to find • Inspections scheduled on-line via an Epermits page 	Mountain View Building Division
San Jose	<ul style="list-style-type: none"> • In person appointments available, but geared to those with lack of access to internet or other technical challenges • Website includes a number of walk-throughs/checklists to detail when ‘simple’ project permits can be used, as well as other permit types • Encourage using their sjpermits.org site by waiving portion of fees (\$48) • Have expedited review for certain projects • For fiscal year 2022 budget, reduced Development Services Imaging and Call Center intake staffing by 11 positions due to process and technology improvements. Funds re-allocated to ADU Ally program and environmental reviews. 	San Jose Development Services Permit Center San Jose 2021-2022 Adopted Operating Budget (see page 730) San Jose Organizational Charts
Sunnyvale	<ul style="list-style-type: none"> • Permit center open to public five days a week • Plan check available in morning, by appointment • Can submit on-line – however, website advises calling a planner to discuss project prior to filling out any forms or submitting • On-line portal fairly rudimentary – but in check box format for type of quick permit requested includes detailed guidelines/checklist for each type – instructions not as clear for permits requiring plan check 	Sunnyvale Permit Center

City	Summary of Significant Information	Source(s)
	<ul style="list-style-type: none">• Inspections can also be scheduled through on-line portal	

Themes

The following is a high-level summary of themes from this review:

- PV/Solar codes for comparable cities follow State statutes fairly closely.
- Some comparable cities review/processes for PV/solar projects have more clear guidelines and checklists than the City of Palo Alto – which is also generally true for information available on a broader basis.
- Comparable cities mostly on-line/virtual only for current permitting processes.
- Comparable cities also offering in-person meetings, generally by appointment only.

Audit Results

This section summarizes the results of our analysis and offers recommendations for improvement. Of note, the recommendations provide overall suggestions for improvement for the building permit and inspections processes for all types of building permits. Initially, the OCA was tasked with examining two permit types; however, after initial analysis, the OCA determined that permits generally follow the same process regardless of type. Regardless, the OCA's recommendations outline significant opportunities for improvement, as noted more specifically in the following.

For each observation and recommendation, we have also provided a high level assessment of potential impact for PDS of implementing the recommendation and the significance of potential barriers to implementing the recommendation. The assessments are ranked on a scale of high, medium and low – with the following serving as definitions for the ranking category:

- High: High level of impact to the organization, with a low or medium barriers to implement
- Medium: Medium or high level of impact to the organization, with medium or high barriers to implement
- Low: Medium or low level of impact to the organizations, with medium or high barriers to implementation

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
1	Inspection Lead Times	<p>The lead time for a building inspection is approximately two weeks from request to inspection.</p> <p>As noted by staff throughout PDS, lead times have shown recent improvement decreasing from what was a 2 week wait from request to actual inspection; however, such improvements are precarious with any staff absence – whether planned or due to injury, etc. that can quickly erode any improvement to lead time. According to interviews with PDS staff, contract inspection staff have been difficult to obtain, particularly after the start of the pandemic. Long lead times result in a host of compounding issues, with contractors scheduling inspections far in advance of work being completed – resulting in either inspectors arriving before work is complete or re-scheduling of appointments. This is confirmed by the Building Permit Data Analysis section’s examination of inspections requested – with 18% of inspections requested being cancelled. Inspection lead times were also noted as one of the top areas for need for improvement by building permit customers in survey responses.</p>	<p>The OCA recommends hiring additional staff and implementing efficiency measures to improve permitting and inspections cycle times.</p> <p>The City should make "improvement of lead times" (i.e. the length of time between inspection request and actual inspection) one of the top priorities for improvement in the building permit and inspection processes. A number of changes can be implemented to help improve the lead times, including:</p> <ol style="list-style-type: none"> 1. Hire an additional Inspector to help improve and maintain lead times. An additional staff member would also help support the requirement for Inspectors to meet continuing education requirements (100 hours per year per inspector) and keep up with changes in the building industry. 2. Find additional efficiencies with current staff, including assigning geographic areas to Inspectors to reduce travel time and possibly assigning inspections by specialty 3. If lead time lengths persist after hiring of additional inspector, PDS should renew efforts to utilize contract inspectors to assist with peak application times. As part of this, PDS should expand the pool of contract Inspectors it can rely on that are versed in City building code or find ways to utilize contract staff for Inspections that are not as heavily modified per City building code. 4. Consider third party plan review 	1. High	2. Med	1. High

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
			and inspection options with applicants paying a premium fee for expedited review (certified by the City, with a fees/premium price to the applicant to ensure no cost to City, and establish a quality assurance process). 5. Consider the role of a lead inspector/field supervisor to help with training, quality control, and other duties that would assist inspection manager			

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
2	Customer Service/Accessibility	<p>Customers/applicants need better information on all aspects of the permitting and inspection process.</p> <p>Applications require a pre-review (pre-application) and first review which was noted by PDS staff as being confusing to the applicant. Second, many applications are incomplete, often due to lack of understanding by applicants as to what information needs to be included. This requires back and forth between PDS and the customer to obtain the correct information for the application to proceed through the review process. Checklists, forms and related documents can be difficult to locate on the website and also are organized more by department than project/permit, which may not be readily intuitive for applicants. .</p> <p>Survey responses confirm difficulty to find forms and follow what is required for an application. Lack of clarity of the process was mentioned by a quarter of those leaving open ended responses (approximately 150 respondents) third only to need for quicker turnaround times and need for better customer service/responsiveness from PDS staff.</p> <p>Per PDS staff, applicants also can be confused as to what type</p>	<p>The OCA recommends that PDS takes steps to ensure that all relevant building codes, compliance guides, checklists, videos and other process requirements/documentation are current, visible, and readily accessible on-line.</p> <p>While the City has created a number of documents and guides to help customers through the permitting process, customers may not know that those guides exist. The City should reference all guides, videos and other aids throughout the process in the OPS system and in-person. This will allow customer to understand what reference materials are available to aid in the process. This is also true of documentation impacting the process from other departments, such as Utilities, Urban Forestry, Public Works, etc. – information should be presented in multiple places on the website and in OPS to ensure that applicants have multiple touch points to access and digest relevant information to help improve the overall quality of applications submitted and to best inform the applicant.</p> <p>In addition, PDS should develop a ‘frequently asked questions’ (FAQs) resource on its website and widely communicate it through various channels to help stem some of the questions being emailed and called in directly to staff. This FAQ section could also serve then as a longer</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
		<p>of inspection to request. This is likely due to there being incomplete guidance provided on PDS website – particularly related to final inspections. —</p>	<p>range repository of information regarding the permit and inspection processes going forward.</p> <p>PDS needs to examine how capacity constraints may impact their ability to make these improvements (and also in Recommendations 3, 6, 7, 9 &10). This could include repurposing of current staff/functional titles, hiring additional staff, and/or hiring consultants to support efforts to improve accessibility, functionality, and the application process, in general. However, PDS needs to consider its longer-term operating model as a part of this, i.e. on-line, counter service or a hybrid approach (see Recommendation #8).</p>			

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
3	Guidance/Forms/Checklists	<p>A number of the forms, guidelines, and checklists provided on PDS’s website date from prior use of the OPS system.</p> <p>While most of the more technical information is likely still pertinent, information on how to submit applications and associated information through OPS are not, as PDS did not intake any applications electronically pre-pandemic. While a large amount of information is available on-line, its accuracy for the change to OPS could prove problematic for less informed or frequent users, in particular. For example, PDS’s ‘Single Family Residential Construction Guide’ has links throughout – more than half of which refer back to a City web page that no longer exists. In addition, this document still references the ‘in-person’ permitting process throughout, including references to submitting paper plans. Per city staff, t applicants knowingly submitting incomplete applications and relying on PDS staff to then outline what the applicant needs to submit, likely driven in part by the lack of up to date and readily accessibly information.</p>	<p>The OCA recommends modifying OPS to incorporate relevant information and present in more intuitive format.</p> <p>As touched on in Recommendation 2, reference materials should be better integrated into OPS at each relevant stage the process. Applicants should be able to have a hyperlink to a video or checklist at each point in the OPS process. For example, at each point applicants attach documents, the OPS system should link to resources regarding naming conventions. This will cut down on questions from applicants and will provide higher quality applications overall. If applications are done correctly, the City will save time on resubmittals and rereviews, especially in regards to naming conventions for application files. These reference materials will also ensure as a check for project coordinators as well – to ensure that similar projects are all upheld to the same standards in terms of documentation requested and ultimately provided.</p> <p>See the City of San Jose’s Building Division website as an example – including for how forms are presented in an applicant intuitive format here</p> <p>In addition, PDS should present information in a type of decision-tree format that is more intuitive from an applicant’s perspective – asking specific questions to help guide the applicant through the process and</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
			pointing applicants towards reference materials to help answer more commonly asked questions.			

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
4	Permitting Process as an Applicant's QA Step	<p>Applicants knowingly submit incomplete information.</p> <p>Applicants oftentimes use the permitting process as a quality assurance check on their application. In other words, they may be submitting applications with awareness that it may be sent back with a summary of everything that's missing. Ideally, applicants are utilizing the resources provided to the applicants to send in as complete of an application as possible. Instead, using the permitting process as a quality assurance (QA) step for applicants is a burden on City resources.</p>	<p>The OCA recommends to providing better guidance resources and rejecting any incomplete applications.</p> <p>Please refer to Recommendations #2 and #3 for details regarding providing guidance/resources on OPS for applicants. PDS staff need to more proactively reject applications that are grossly incomplete or inaccurate and point applicants back to on-line resources (as improved in other recommendations in this report). This primarily resides with the project coordinators thoroughly reviewing submissions (aided by better training for consistency as mentioned in other recommendations as well). A high level of customer service in these communications is necessary and also inclusion of a reminder that incomplete applications increase review time for all applications.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
5	Communications between Project Coordinators and Departments	<p>Requirements for pre-application/application plan review and permitting are not always clear.</p> <p>Departments involved in the building permit and plan review processes noted inconsistencies between Project Coordinators in informing the departments as to whether or not a pre-application/application required their review. In some interviews, the OCA learned of departments being pulled into the review process much later than others. This leads to potential delays for the applicant, quicker turnaround times for the department brought late to the table, and also potential significant costs for the applicant if the omission impacts inspection process requiring significant project changes. Departments also noted that communication is inconsistent depending on project coordinator, particularly as related to high profile or expedited projects.</p>	<p>The OCA recommends improving notification for all involved departments of pending reviews simultaneously at the pre-application stage.</p> <p>During the pre-application phase, all pre-check requests should be sent to all departments simultaneously. Currently, this is being done manually by the project coordinator with guidance from an MS Excel based workflow. Ideally, this can be automated in OPS as a function of the workflow. This ensures that departments have adequate time to review the pre-application and provide a consistent timeline for each pre-application. Department deadlines should remain consistent as well, ensuring all departments are held to a consistent expectation for turnaround times. Communication protocols should also be actively reviewed and included in developing Standard Operating Procedures (SOPs) as further outlined in these recommendations. Review of SOPs should also ensure that a complete list of which department needs to review what type of permit/project is developed.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
6	OPS Functionality	<p>PDF forms required by OPS, including the building permit application, do not always provide sufficient information for review.</p> <p>OPS provides applicants the ability to attach PDF forms as opposed to entering information directly into the system, including the actual building permit application and other supporting documentation/plans. Often, the PDF forms submitted are missing vital information. Additionally, many applicants may not be familiar with everything that is required of them in these permit applications. OPS doesn't provide the guidance for applicants to ensure that each step of the process is clear, given their specific circumstances, or ensure that applicants are providing all necessary information field-by-field. Information on the City's website is segregated by department as opposed to providing a 'one-stop shop' for information that may pertain to applying for a permit.</p>	<p>The OCA recommends digitizing data collection from PDF to directly in the OPS system to ensure that all relevant data is captured.</p> <p>The main function of OPS at the moment is attaching documents in a guided process. However, the City could strive to have OPS contain much of the vital information in separate fields (i.e., having the application itself be an on-line fillable form) to avoid errors in submissions and resubmissions. Additionally, for fields that need to be edited, applicants could edit only those fields without having to attach an entirely new application.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
7	Policies and Procedures	<p>PDS does not have a shared and consistent set of Standard Operating Procedures (SOPs).</p> <p>Many SOPs are documented via email or team members instead rely on institutional knowledge. This creates the potential for variances in applicant experiences in regards to the permitting and inspection processes. Additionally, it does not provide a living, single source of truth on which PDS can rely and reference and also train new staff from.</p>	<p>The OCA recommends development of a robust set of internal standard operating procedures and develop timeline and process for routine review and updates of procedures.</p> <p>When developing Standard Operating Procedures (SOPs), it is important to view these as living documents. In other words, SOPs should contain the current practices, and also should be updated and refined as PDS learns of new and better practices in regards to the permitting system. It is also important that these SOPs are a helpful guide to employees who may be learning a new skill or process. SOPs should be readily accessible and available to staff throughout PDS as a reference guide. A clear process should also be developed in terms of regularly updating and reviewing the SOPs, including a process for incorporating changes and suggestions from staff throughout the department. Updating of policies and procedures will be of particular importance to help codify recommended process improvements within this report.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
8	Need for Updated Strategy	<p>PDS is operating under an outdated initiative for the operation of its building permit function.</p> <p>The Development Center was established in July 2011, as recommended in the 'Blueprint for a New Development Center' in July 2010. This plan created the current counter service model and was driven by a need to increase customer satisfaction and expedite permit issuance. While the model has helped to improve cooperation between departments and provide a one-stop-shop for applicants, the blueprint was developed prior to any permits or intake of information being done virtually. Some of the key tenants and goals of the blueprint are still relevant; however, consideration should be given as to how the digital dissemination and availability of information could change both the interface with the applicants and also how coordination between departments actively involved in the permitting process takes place.</p>	<p>The OCA recommends PDS develop an updated strategic plan reflecting current realities and the lessons-learned throughout the pandemic.</p> <p>PDS needs to develop a new strategic plan in order to inform its operations. A new strategic plan should include guidance on department structure, along with a mission/vision statement for PDS and include goals with associated performance metrics. The Blueprint was adopted over a decade ago and while a number of the objectives outlined within this plan remain relevant, a 're-think' of how the Development Center and associated processes are structured is necessary. The need to re-refresh the plan is of particular evidence with the processes shifting to a much more virtual dependent format due to the pandemic. While the adjustment was a heavy lift – the move to an on-line process has seen benefits both for applicants and staff in terms of convenience and coordination. PDS should build upon the switch to the virtual application to guide its strategy and priorities. The plan should be done in conjunction with the City Manager and Council to ensure broad input and incorporation of needs from the community – including not only residents, but building industry professionals as well. This new plan should also than serve as a roadmap for a number of other recommendations within this</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
			<p>report – particularly those related to staffing and structure of the permitting and inspection processes. In addition, the plan needs to reflect the current initiatives of the City – with particular attention to photovoltaic/electrification goals.</p> <p>Development of a new strategic plan and the process to do so is a significant time investment. As such, OCA recommends having preliminary conversations with the City Manager and Council to best address shorter-term direction and corresponding needs, particularly related to service delivery model and potential staffing impacts (as previously referenced in Recommendation #2).</p>			

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
9	Need for Further Technology Improvements	<p>Technology challenges impede plan review and permitting processes.</p> <p>A number of staff noted that Accela/OPS is often slow and adds wait time for their tasks while the system re-freshes, loads, etc. Also, it was noted that the system is unavailable regularly for system updates. Some features of the software are also suboptimal - such as the ability to quickly bookmark and reference plans uploaded into the system. In addition, the DigEplan add-on to Accela that enables electronic plan review was done quickly in response to the pandemic and push to work remotely, with some noting there may be a better system available to meet the City's needs. PDS was starting a test pilot of the DigEplan software as the need to shift to remote work happened.</p>	<p>The OCA recommends that PDS continues exploring technology enhancements and better platforms</p> <p>PDS should continue to make strives to improve functionality of Accela/OPS. Efforts should be made to coordinate system updates outside of regular working hours to minimize impact on staff. PDS should also explore whether or not DigEplan is the best solution going forward as well - particularly related to ability/need to bookmark plans for ease of review. Future system needs should be informed and aligned with an updated strategic plan for the permit and inspection processes to ensure functionality and ease of access for staff and applicants.</p> <p>In addition, PDS should continue with efforts to stream line the permitting process by utilizing products such as SolarAPP+. PDS is in conversations to possibly utilize the product, and OCA strongly encourages to move towards implementation of SolarAPP+ or a similar product.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
10	Training - Project Coordinators and Inspectors	<p>Project Coordinator training needs improvement. Inspectors need time for training.</p> <p>In interviews with departments involved in the permitting process, the need for better training of Project Coordinators was mentioned several times. Project Coordinators did not always provide or ensure all required information was obtained during the intake process for the applications. In addition, some departments needing to be involved in the plan check process were not notified promptly to ensure adequate time for the department's review of their area of expertise. Also, with lags in building inspections, City Inspectors are more constrained for time in their ability to seek/attend training to keep up with relevant trends in the building industry.</p>	<p>The OCA recommends PDS create materials to train from and prioritize time for training.</p> <p>Training of staff should flow from the development of Standard Operating Procedures, with the SOPs serving as a baseline of understanding for staff, whether project coordinators, plan checkers, department staff, inspectors, etc. A regular schedule for training should be developed as well, in order for staff to share particular issues they have had to address and broader sharing of knowledge/insights in general. In addition, a regular training should be held that includes all staff involved in permitting and inspection processes - both from PDS and the other departments supporting, to best share information, address concerns, establish mutual understanding, and build a broader sense of team work.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
11	Building Code Modifications and Ability to Effectively Administer	<p>Palo Alto code modifications increase the complexity of the building plan review and permitting process.</p> <p>Per City and PDS staff and OCA review, City building code generally follows the State of California Building Code. However, some code modifications unique to Palo Alto have been added to the building code to address specific situations and other areas of importance. The ability to administer some of the modifications to the code can be difficult, as relayed in interviews with PDS and particularly other department staff and also from applicant/customer feedback. In addition, it was noted that the frequency of modifications for some portions of the code can also make administration difficult with trying to apply the updates and track which version of the code applies to permits based on when the application was submitted.</p>	<p>The OCA recommends that interim code interim modifications are limited as much as possible</p> <p>Modifications to the building code need to mirror the regular schedule of updating the building code in line with the regular cycle of updates down to the State of California Building Code. Any interim modifications should be done only as necessary and if involving a matter of serious concern for public health, safety and general welfare. As part of a strategic plan update, criteria for what would trigger making an interim modification should be discussed with the City Manager, PDS staff and Council to help balance immediate need and ability to implement/administer code changes. Included should be consideration for how changes will be communicated to the public and also contractors that may be impacted. While additional up front time, this communication may help offset questions once a code change is made.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
12	Quality Control	<p>Quality control processes can be strengthened.</p> <p>Managers within the permit and inspection processes have concerns that the volume of work has limited their ability to conduct quality control - particularly related to newer and contract staff. Inconsistencies have been mentioned by numerous City staff interviewed as related to how staff in similar titles perform their responsibilities. The lack of time and focus on quality control exacerbates the ability to consistently apply City processes and in serving applicants/customers - and in the relative experiences of applicants in navigating the processes as well. Lack of consistency amongst staff was also mentioned throughout the open-ended responses from the customer survey.</p>	<p>The OCA recommends PDS place a greater emphasis on quality control and resources to help promote it.</p> <p>As included in previous recommendations, the development of SOPs, guidelines, checklists, etc. will help with quality control and consistency amongst Project Coordinators and Inspectors. In addition, management needs to be proactive in creating performance metrics that identify potential quality control shortcomings and have discussions with staff who may not be meeting these expectations. Performance metrics need to include those that focus more on cycle times for various aspects of both the permit and inspection processes. This should include examining the length of time from application to approval; inspection request to scheduled time; overall length from application to final inspection; and other relevant time frames – and should be done across permit types. Routine training, as also mentioned in prior recommendations, will also help in terms of improving quality control.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
13	Staff Model - Contractor vs City Employee	<p>Difficulties in hiring and retaining contract staff impede departmental performance.</p> <p>PDS has used both contract and City staff for several key areas, including plan review and inspections. Due to the pandemic, contract staff are increasingly difficult to find and also issues with not having the same individual from a contract company being available (resulting in additional City staff time to train, etc.). In addition it was mentioned in a number of interviews with City staff, that there are continued questions/concerns from the City legal department about having the same functions/roles completed by City staff and contractors. Also difficulty in getting contract staff who want to be in-person when things do open back up. PDS management staff have also stated a concern of how to maintain quality control for the work of contract staff.</p>	<p>The OCA recommends that PDS develop plans to best utilize/balance contract staff.</p> <p>PDS should discuss and develop plans for how to address its staffing needs going forward. This should be done in conjunction with development of the aforementioned strategic plan and the need for additional inspection staff. PDS should be proactive in its planning - particularly in relation to its plan check staff. While the contracted plan check staff have been fairly stable, PDS needs to ensure that the stability in this area continues and also ensure quality and timeliness of contractor's work as well.</p> <p>In addition, OCA encourages PDS to examine how its payment structure and other requirements (including reporting in-person) for contract staff aligns with peer jurisdictions and how this may impact PDS's ability to attract and retain contractors.</p>	2. Med	1. High	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
14	Vacancies and staff turnover	<p>Turnover in key staff positions constrains organizational efficiency and effectiveness.</p> <p>PDS has seen a fair amount of turnover with the Assistant CBO, Inspection Manager, and Development Services Manager - all new to their roles within the last 2 years or less. The Development Services Manager is new to their role as of June 2020, with their predecessor only lasting 9 months in the role. In addition, the lead plan checker role is being filled by the Assistant CBO (a role he previously filled). Staff turnover has placed pressure on the processes in general and also requires additional time from more veteran staff to train new staff. Delays in City hiring process can also compound the impacts of staff resignations.</p>	<p>The OCA recommends developing a strategic hiring plan for recruitment and retention.</p> <p>PDS needs to be proactive in terms of retaining and attracting staff - doing so in conjunction with priorities it identifies as part of an updated strategic plan. A hiring plan should also address the balance and use of contract versus directly employed staff to address PDS needs. Particular consideration is needed in terms of the ability to utilize contractors in key areas, given challenges related to the market for contract staff. In addition, PDS management should carefully examine the requirements/needs for particular positions in hiring, particularly as related to project coordinators and management positions. PDS has hired internal candidates for several of these roles over recent years.</p>	2. Med	2. Med	2. Med

#	Observation Title	Summary of Observation	Recommendation	Impact	Barriers to Improvement	Overall Priority
15	Unpermitted Work	<p>Unpermitted building may have increased during the pandemic.</p> <p>Concern has been expressed by some PDS and City staff interviewed that unpermitted work may have increased do to the pandemic, which may account for some of the decrease in permitting activity in the same time frame (but also likely driven by a decrease overall due from a slow down/stoppage of work due to the pandemic). Typically the City has not patrolled to discover unpermitted work, relying upon residents reporting unpermitted work and inspectors discovering unpermitted work enroute to inspections across the City. Anecdotally, City staff stated that unpermitted work may be 50% higher than normal at the start of the pandemic, but believe this has decreased with the City offering on-line permitting and construction activity resuming 'normal' levels. If significant unpermitted work may be drastically lowering permitting applications, the City may be at risk for lost revenue and improper building activities.</p>	<p>The OCA recommends that PDS improve timeliness and complexities of permit and inspection processes to promote compliance.</p> <p>Recommendations 1, 2, 3, and 6 will help greatly in reducing the time, effort, and wait for applicants/customers of the permit and inspection processes. Some risk of unpermitted work being performed is offset by neighbors reporting any unpermitted work. If the concern of unpermitted work becomes greater/more apparent - Inspectors could be tasked with spending part of their time canvassing the City while enroute to scheduled inspections to look for any work being done without permits - but this may require additional inspection staff given the current inspection lead time.</p>	3. Low	2. Med	3. Low

Appendices

Appendix A: Customer Survey

The following includes a complete list of the survey questions and associated options for respondents to pick from (if a multiple choice type question). Also, we have included the responses for all questions that could be readily summarized and did not allow for open ended responses.

Here is the introduction to the survey and survey questions:

The City of Palo Alto is examining its building permit process – including permit application process and inspection process – to identify areas for improvement. As a recent applicant for a building permit, we would greatly appreciate your time in completing this short survey to help better inform this analysis and guide potential areas for improvement.

This examination is being led by the Office of the City Auditor as contracted to Baker Tilly US, LLP, an internationally-regarded advisory, tax, auditing, and assurance firm (more information here - <https://www.cityofpaloalto.org/Departments/City-Auditor>).

1. What best describes your role in the permitting process?
 - a. Architect
 - b. Engineer
 - c. Commercial Contractor
 - d. Home Builder
 - e. Electrical Contractor
 - f. Plumbing contractor
 - g. HVAC Contractor
 - h. Solar Contractor
 - i. Homeowner
 - j. Other – please specify:
2. What type of permit(s) did you apply for (check all that apply)?
 - a. Residential – New Building
 - b. Commercial - New Building
 - c. Pool/Spa/Landscaping
 - d. Solar/Battery Storage/Other Photovoltaic Project
 - e. Electrical/Mechanical/Plumbing only
 - f. Addition/Remodel/Repair
 - g. Garage/Carport/Accessory Bldg
 - h. Deconstruction
 - i. Demolition

- j. Direct 'Online' Permit (i.e. Repair Gas Leak, Boiler/Furnace/Water Heater Replacement, Re-Roofing, Backflow Device, Window Replacement, etc.)
 - k. Other (if not included above)
3. When did you last apply for a permit?
 - a. Within the last week
 - b. Within the last month
 - c. Within the last 3 months
 - d. Within the last 6 months
 - e. Within the last year
 - f. More than one year plus ago
 4. How often do you apply for building permits?
 - a. Weekly
 - b. Monthly
 - c. A few time a year
 - d. Annually
 - e. Infrequently
 5. Were you aware the City of Palo Alto Development Center is offering in-person appointments for assistance in submitting a building permit application?
 - a. Yes
 - b. No
 6. Did you use the in-person service or the on-line application process?
 - a. Pre-COVID, In-person/Counter service
 - b. Post COVID, In person, appointment
 - c. Online system
 - d. Post COVID – both in person and on-line
 - e. Something different – please indicate
 7. Please rank the following from highest to lowest as to where you would like to the City focus its time and resources in improving the permitting process:
 - a. Online permitting process
 - b. In-person permitting process
 - c. Appointment availability for in-person permitting
 - d. Availability of staff for questions
 - e. Clarity of requirements
 - f. On-line resources/reference documents
 - g. Turnaround time from application to permit (cycle time)
 - h. Expedited permit for additional fee
 8. Please provide any other additional comments/suggestions on the above ranking.

9. What is your perception of the following areas of additional steps and requirements related to the permit application and review process?

Very positive, Positive, Neutral, Negative, Very negative

- a. Tree preservation and protection
- b. De-watering requirements
- c. Architectural review
- d. Deconstruction and demolition
- e. Utilities coordination

10. Provide additional comments on your above responses

11. Please rate your overall satisfaction with the permitting process

- a. Extremely Satisfied
- b. Somewhat Satisfied
- c. Neither Satisfied or Dissatisfied
- d. Somewhat Dissatisfied
- e. Extremely Dissatisfied

12. What suggestions for improvement of the permitting process do you have?

13. Please rank the following from highest to lowest as to where you would like to the City focus its time and resources in improving the inspection process:

- a. Wait time between request for inspection and actual inspection
- b. On-site inspection visit
- c. Clarity of inspector's report/findings
- d. Training/knowledge of inspectors
- e. Reinspection wait time
- f. Overall satisfaction with the inspection process

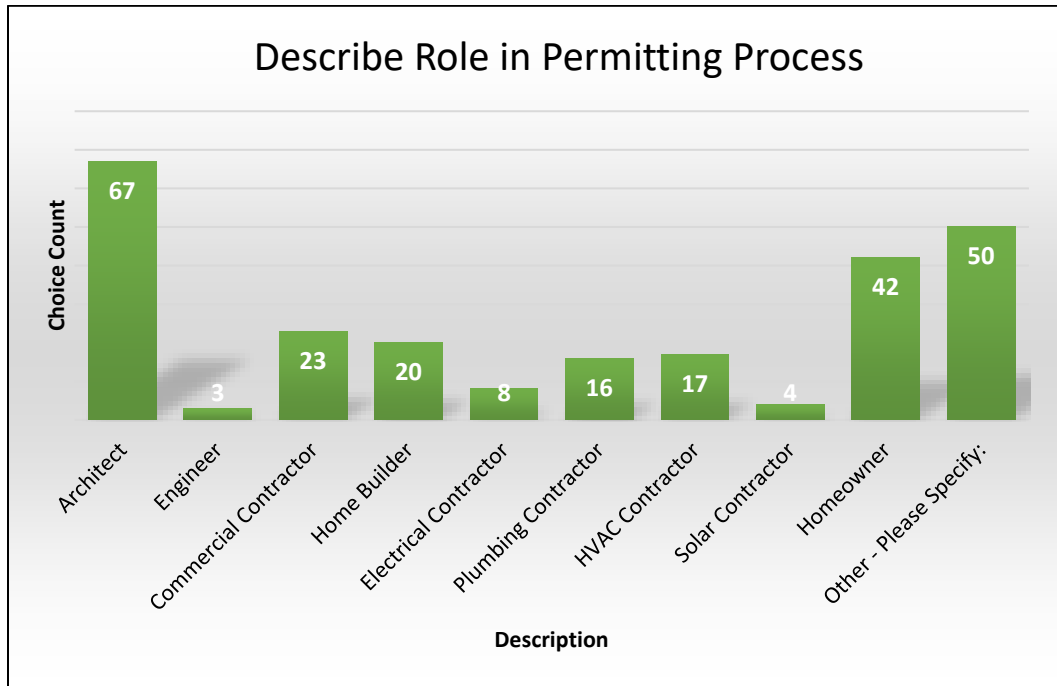
14. If you apply for permits in other jurisdictions, how does Palo Alto's process compare?

- a. Not applicable – I only apply for permits in Palo Alto
- b. About the same
- c. Better than average
- d. Worse than average
- e. Additional comments:

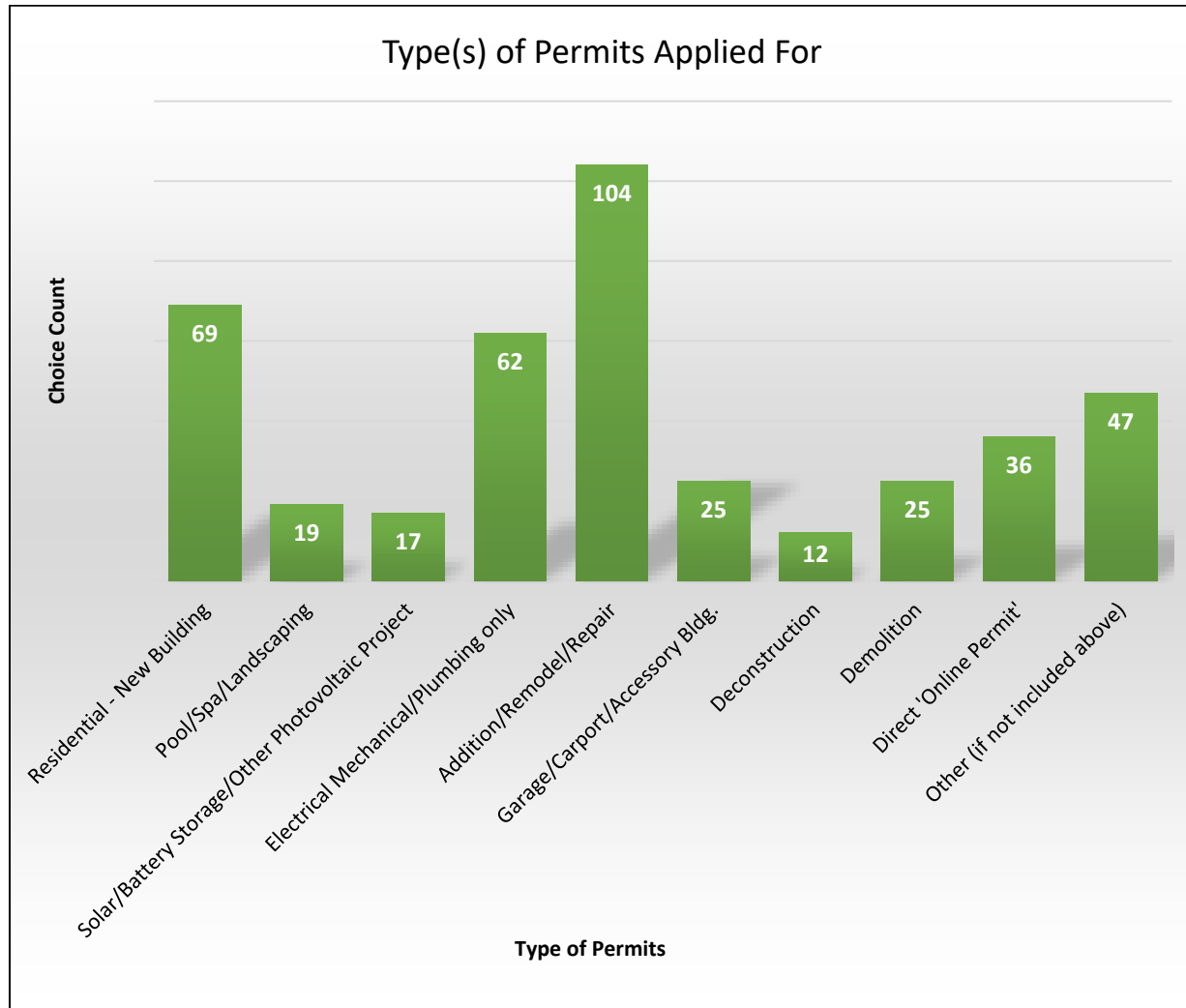
15. If you have any other additional thoughts – please feel free to share.

The following are the results that can be readily summarized:

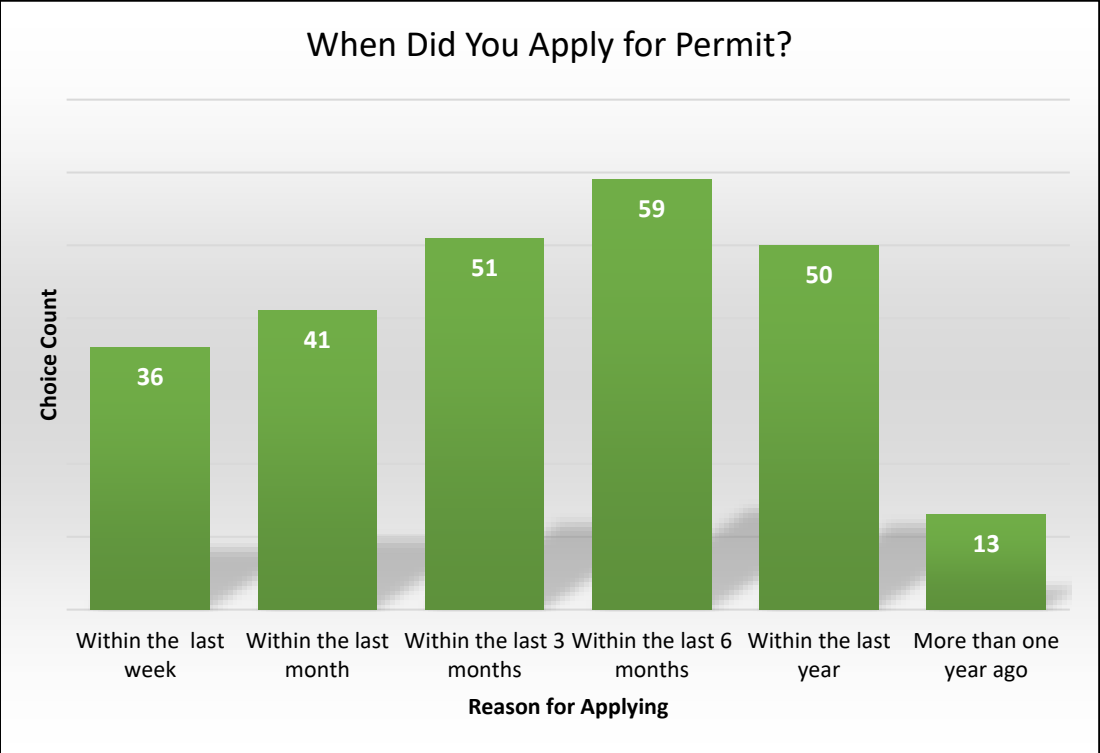
1. What best describes your role in the permitting process?



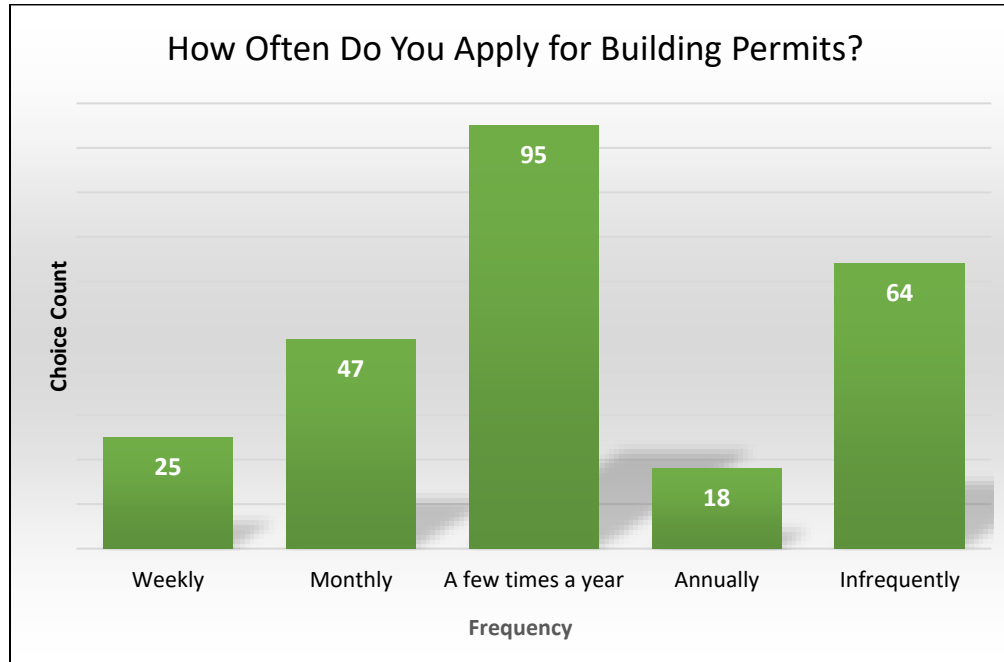
2. What type of permit(s) did you apply for (check all that apply)?



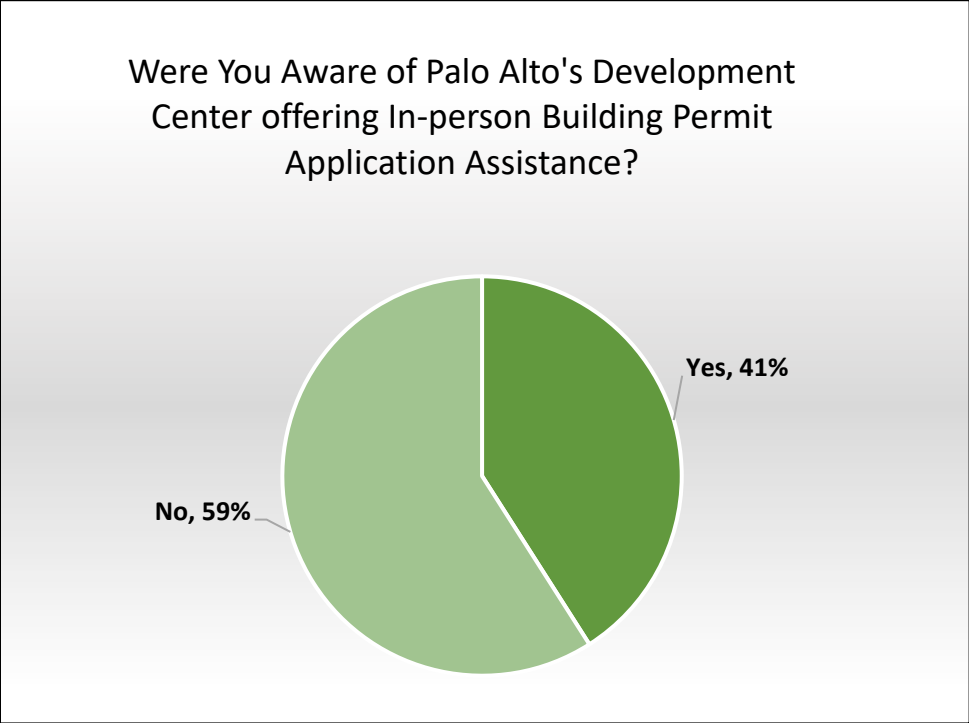
3. When did you last apply for a permit?



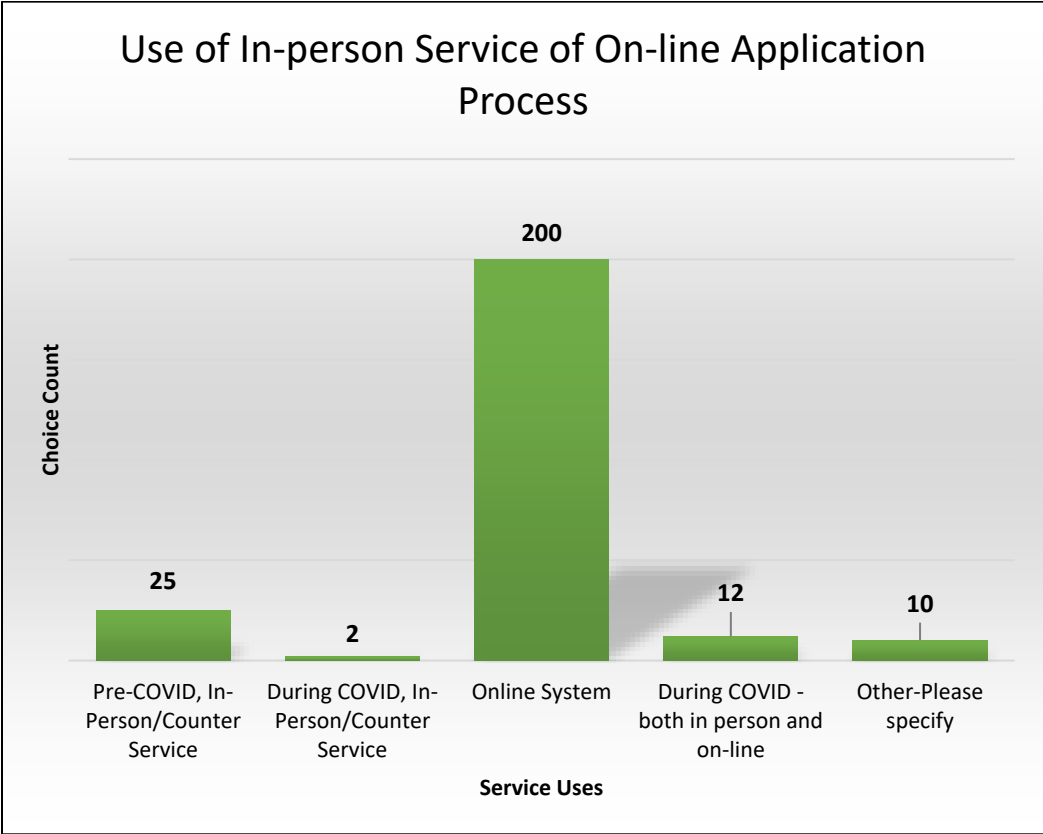
4. How often do you apply for building permits?



5. Were you aware the City of Palo Alto Development Center is offering in-person appointments for assistance in submitting a building permit application?



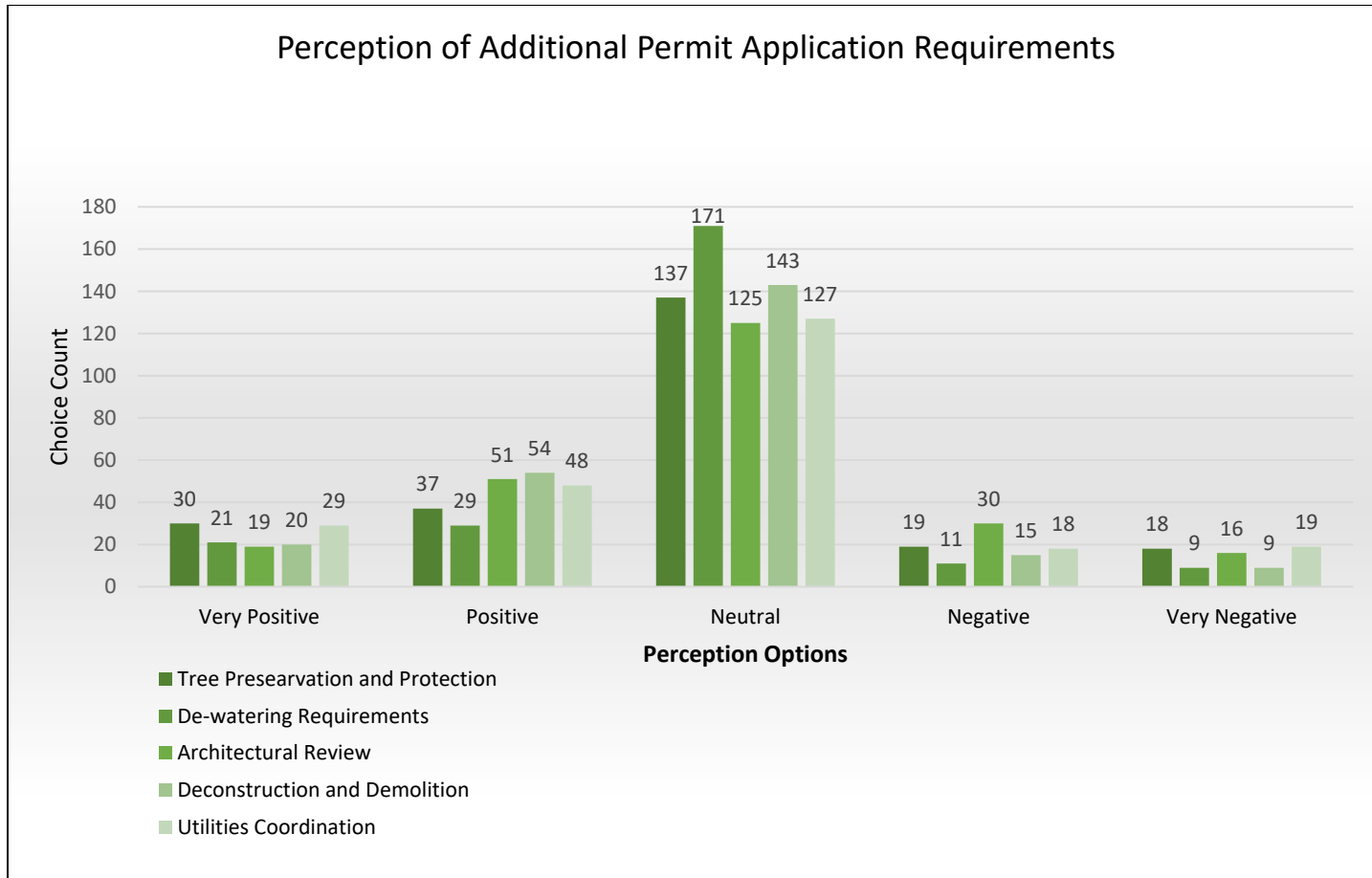
6. Did you use the in-person service or the on-line application process?



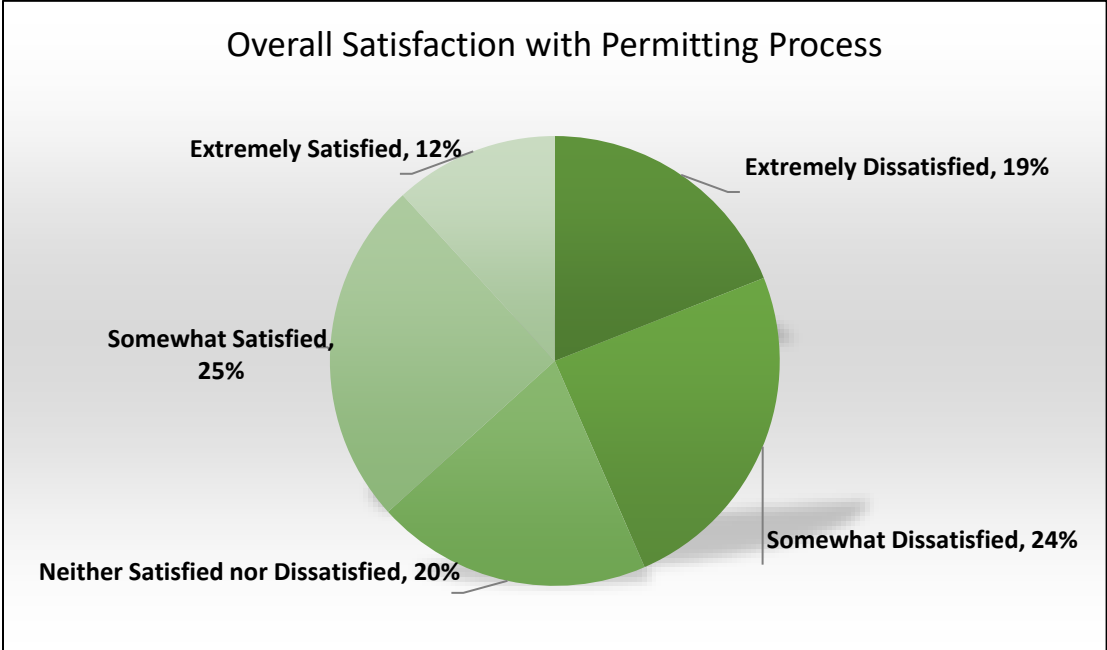
7. Please rank the following from highest to lowest as to where you would like to the City focus its time and resources in improving the permitting process:
- a. Online permitting process
 - b. In-person permitting process
 - c. Appointment availability for in-person permitting
 - d. Availability of staff for questions
 - e. Clarity of requirements
 - f. On-line resources/reference documents
 - g. Turnaround time from application to permit (cycle time)
 - h. Expedited permit for additional fee

Aspects of Permitting Process	1st	2nd	3rd	4th	5th	6th	7th	8th
Online permitting process	66	40	37	32	20	15	5	7
In-person permitting process	21	25	23	26	31	39	46	11
Appointment of staff for questions	3	13	29	27	39	39	44	28
Availability of staff for questions	22	28	39	46	34	37	14	2
Clarity of Requirements	32	39	27	25	36	28	26	9
On-line resources/reference documents	6	12	27	29	23	37	43	45
Turnaround time from application to permit (cycle time)	68	44	20	23	19	6	33	9
Expedited Permit for additional fee	4	21	20	14	20	21	11	111

9. What is your perception of the following areas of additional steps and requirements related to the permit application and review process?

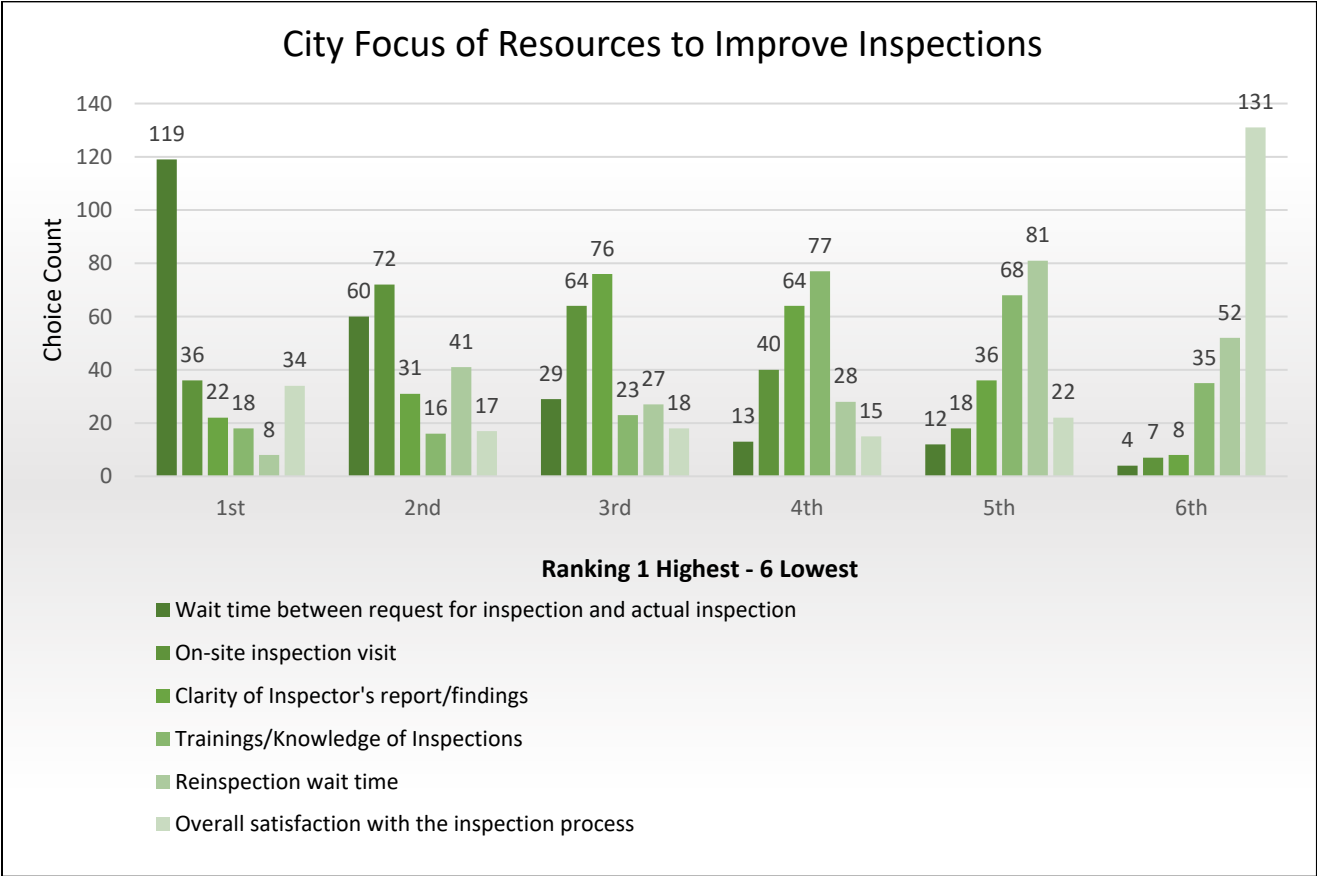


11. Please rate your overall satisfaction with the permitting process

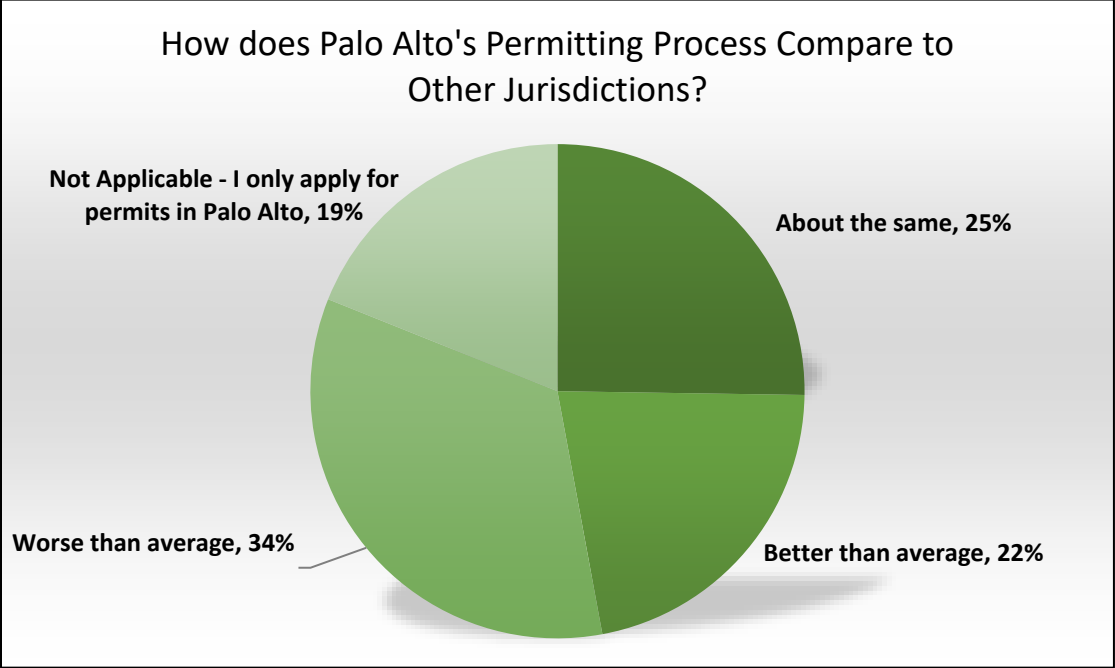


13. Please rank the following from highest to lowest as to where you would like the City focus its time and resources in improving the inspection process:

- a. Wait time between request for inspection and actual inspection
- b. On-site inspection visit
- c. Clarity of inspector's report/findings
- d. Training/knowledge of inspectors
- e. Reinspection wait time
- f. Overall satisfaction with the inspection process



14. If you apply for permits in other jurisdictions, how does Palo Alto's process compare?



Appendix B: Management Response

PDS provided responses to each recommendation. The OCA will perform periodic follow up to understand what actions have been taken to remediate the matters identified in this report. Results of that follow up will be communicated to the Policy & Services Committee and subsequently to City Council.

Recommendation	Responsible Department(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	To be completed 6 months after Council acceptance and every 6 months thereafter until all recommendations are implemented	
			Current Status	Implementation Update and Expected Completion Date
<p>Finding: The lead time for a building inspection is approximately two weeks from request to inspection.</p>				
Hire an additional Inspector to help improve and maintain lead times. An additional staff member would also help support the requirement for Inspectors to meet continuing education requirements (100 hours per year per inspector) and keep up with changes in the building industry.	PDS	<p>Concurrence: Agree Target Date: Ongoing / October 31, 2022 Action Plan: PDS is seeking two new inspector positions as part of the FY22-23 budget and is currently recruiting for these two new inspector positions using City Manager authorized over-strength positions.</p>		
Find additional efficiencies with current staff, including assigning geographic areas to Inspectors to reduce travel time and possibly assigning inspections by specialty	PDS	<p>Concurrence: Partially Agree Target Date: Ongoing / October 31, 2022 Action Plan: To the extent feasible, this already occurs. Challenges arise however depending on the type of inspection needed and if that requires an inspector with a certain skill-set or specialty. It is anticipated with the addition of two additional inspectors and consultant funding requested in the FY22-23 budget, combined with existing efforts to assign inspections based on geography, the department will be able to restore more timely inspections schedules.</p>		

<p>If lead time lengths persist after hiring of additional inspector, PDS should renew efforts to utilize contract inspectors to assist with peak application times. As part of this, PDS should expand the pool of contract Inspectors it can rely on that are versed in City building code or find ways to utilize contract staff for Inspections that are not as heavily modified per City building code.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: October 31, 2022 Action Plan: PDS is proactively seeking a two additional inspectors. As part of the FY22-23 budget, PDS is also requesting additional consultant funds to bring in inspectors to manage increased workload or respond to staff absences. Moreover, staff is reviewing its contracts with vendors to ensure Palo Alto remains competitive with other jurisdictions.</p>		
<p>Consider third party plan review and inspection options with applicants paying a premium fee for expedited review (certified by the City, with a fees/premium price to the applicant to ensure no cost to City, and establish a quality assurance process).</p>	<p>PDS</p>	<p>Concurrence: Partially Agree Target Date: October 31, 2022 Action Plan: If the above actions do not sufficiently address the delay in inspection services, staff will consider this recommendation as a contingency to address continued delays. It is worth noting this recommendation adds some complexity to the operation and additional staff resources to manage which may draw attention away from other efforts.</p>		
<p>Consider the role of a lead inspector/field supervisor to help with training, quality control, and other duties that would assist inspection manager</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: March 31, 2023 Action Plan: Staff will coordinate with Human Resources to conduct a classification review to evaluate the scope of work for the position and determine the appropriate level within the organization structure.</p>		

Finding: Customers/applicants need better information on all aspects of the permitting and inspection process.

<p>The OCA recommends that PDS takes steps to ensure that all relevant building codes, compliance guides, checklists, videos and other process requirements/documentation are current, visible, and readily accessible on-line.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing / June 30, 2023 Action Plan: Staff will update recommended documents, organize information succinctly on webpage, reference documents throughout the permitting process and coordinate with other City departments to do the same. The department will also prepare a FAQ section on the website.</p>		
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Finding: A number of the forms, guidelines, and checklists provided on PDS's website date from prior use of the OPS system.

<p>The OCA recommends modifying OPS to incorporate relevant information and present in more intuitive format.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing / June 30, 2023 Action Plan: Staff views this as a parallel process to recommendation 2 and will update forms and checklists and improve integration with the Online Permit System. Staff is also reviewing the workflow to submit a pre-application/building permit and anticipates changes to clarify processes and make the system more integrated and seamless from the customer's perspective.</p>		
<p>The OCA recommends to providing better guidance resources and rejecting any incomplete applications.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: June 30, 2023 Action Plan: Concurrent with the prior two recommendations, staff will improve forms, guidelines and checklists to improve expectations and establish clear processes to ensure application submittals are complete and ready for conversion into a building permit application.</p>		

Finding: Requirements for pre-application/application plan review and permitting are not always clear.

The OCA recommends improving notification for all PDS involved departments of pending reviews simultaneously at the pre-application stage.

Concurrence: Partially Agree
Target Date: Ongoing / June 30, 2023
Action Plan:
Sending notification to all involved departments of pending pre-application reviews adds significantly more work to project reviewers supporting the DC. One role of the coordinator is to vet these issues and minimize this burden to other plan reviewers. There currently is no screening process for pre-applications. Staff is also finding that it is missing a critical touchpoint with its customers having made this process available online. Accordingly, staff is exploring opportunities to require in-person or virtual appointments on a pilot program basis to see if this real-time interaction can improve the quality of submittals and result the pre-application to a building permit application at the meeting instead of relying on an exchange of email messages and uploading of application material, which takes a long time to implement.

Finding: PDF forms required by OPS, including the building permit application, do not always provide sufficient information for review.

<p>The OCA recommends digitizing data collection from PDF to directly in the OPS system to ensure that all relevant data is captured.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing / June 30, 2023 Action Plan: Staff is currently having discussions about using online, fillable forms and integrating this information into the Accela permitting system. This effort ties into the other recommendations to improve access to forms, checklists and improve processes.</p>		
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Finding: PDS does not have a shared and consistent set of Standard Operating Procedures (SOPs).

<p>The OCA recommends development of a robust set of internal standard operating procedures and develop timeline and process for routine review and updates of procedures.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: December 31, 2023 Action Plan: This requires considerable staff resources and at a time when the department will be re-examining processes and procedures and making substantial refinements to forms and checklists and updates to the department website. Staff agrees with the recommendation but will need additional time fulfil this request.</p>		
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Finding: PDS is operating under an outdated initiative for the operation of its building permit function.

The OCA recommends PDS develop an updated strategic plan reflecting current realities and the lessons-learned throughout the pandemic.

PDS

Concurrence: Agree

Target Date: December 31, 2025

Action Plan:

An updated strategic plan would be helpful to guide process improvements and would serve to recommit resources and refine performance and service expectations. Significant changes have occurred since the Blueprint was adopted and it warrants an update. The staff resources and time needed to properly prepare an updated strategic plan is extensive. The department is currently implementing several structural and operational changes to respond to a changed work environment, new challenges, and adjusting its service model to respond to challenges. Staff anticipates an updated strategic plan can begin in about two-years with completion and report to Council within three years.

Finding: Technology challenges impede plan review and permitting processes.

<p>The OCA recommends that PDS continues exploring technology enhancements and better platforms</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing Action Plan: This is an ongoing task. The department's Data Analysis Team works daily to make system upgrades and improvements to respond to internal and external customer needs. The department has a request in the FY22-23 budget for an additional FTE resource to reflect the fact that the permitting operation requires more backend support as it shifts to more online services. Additionally, the department is currently in the process of conducting a request for proposals for an electronic plan review system; as noted in the audit, the department currently uses Digiplan, which was set up on an urgent basis to respond to the pandemic. Through the RFP process staff will be able to evaluate available options.</p>		
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Finding: Project Coordinator training needs improvement. Inspectors need time for training.

<p>The OCA recommends PDS create materials to train from and prioritize time for training.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing/December 2023 Action Plan: Building inspectors are allotted time for mandatory training hours. Project coordinators would benefit from SOPs as recommended above and this effort will also track with that timeline. The project coordinator program has not fully developed into the proactive project manager role as envisioned in the Blueprint and there is department interest in seeing this through. At the time of this audit, coordinator staff has experienced significant disruptions to the manner in which they provide service to customers, communicate internally with remote workers supporting the DC and learn new software systems in response to the pandemic and shift to online services. Managers will continue to explore training opportunities, refine and streamline processes and prioritize training.</p>		
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Finding: Palo Alto code modifications increase the complexity of the building plan review and permitting process.

<p>The OCA recommends that interim code interim modifications are limited as much as possible</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing Action Plan: Staff agrees that amendments to the building code should be limited. Staff is also unaware of any interim building code modifications that have occurred outside of the State-mandated cycle. The City does tend to adopt more aggressive green building standards than the State mandates but these occur during the regular adoption cycle. The planning operation sees many code updates including interim zoning codes that may affect development but these are typically Council-directed policy initiatives or State-legislative actions.</p>		
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Finding: Quality control processes can be strengthened.

<p>The OCA recommends PDS place a greater emphasis on quality control and resources to help promote it.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: June 30, 2023 Action Plan: Many of the recommendations in this audit will strengthen quality control. Additional inspectors, training, SOPs and process improvements will all help achieve this goal. Additionally, PDS has put forth a FY22-23 budget proposal for additional staff and consultant resources to further support operations and improve processes. The audit also recommends performance metrics. Staff will implement these metrics over the course of the next year and include them in performance evaluations for PDS staff and encourage the same for staff supporting the DC from other departments.</p>		
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Finding: Difficulties in hiring and retaining contract staff impede departmental performance.

<p>The OCA recommends that PDS develop plans to best utilize/balance contract staff.</p>	<p>PDS</p>	<p>Concurrence: Agree Target Date: Ongoing / June 30, 2023 Action Plan: The department has a strategy for its use of consultants. Specifically, consultants are used for plan review services and as needed to supplement the inspection program. Onboarding inspection contractors requires significant training and staff support and is typically employed when there is a long-term absence or vacancy. Staff has been unable to attract any plan review consultants to report to the development center since the pandemic. Accordingly, the department is seeking to hire an inhouse plan reviewer in the FY22-23 budget and is exploring possible changes to consultant contracts to make Palo Alto more competitive with peer jurisdictions.</p>		
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City of Palo Alto City Council Staff Report

(ID # 14374)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Consent of the Macias Gini & O'Connell's Single Audit Report for the Year Ended June 30, 2021

From: City Manager

Lead Department: City Auditor

Recommendation

The Finance Committee, the Office of the City Auditor and Staff recommend that the City Council consent to the audit reports for the fiscal year ended June 30, 2021 prepared by Macias Gini & O'Connell ("MGO"). These reports are collectively referred to as the Single Audit.

1. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With Government Auditing Standards.
2. Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Federal Awards Required by the Uniform Guidance.

Discussion

At the [January 24, 2022 City Council Meeting, the City Council approved the following audit reports prepared by MGO:](#)

- a) Auditor's Report to the City Council (the "Management Letter")
- b) Cable TV Franchise, Independent Auditor's Report and Statements of Franchise Revenues and Expenses for the years ended December 31, 2020 and 2019
- c) Palo Alto Public Improvement Corporation (a component unit of the City of Palo Alto) Annual Financial Report for the year ended June 30, 2021
- d) Regional Water Quality Control Plant, Independent Auditor's Report and Financial Statements for the year ended June 30, 2021
- e) Independent Accountant's Report on Applying Agreed-Upon Procedures related to the Article XIII-B Appropriations (GANN) Limit for the year ended June 30, 2021

At that time, guidance necessary for the completion of the Single Audit had not yet been released by Federal Office of Management and Budget. The Single Audit report has since been completed, thus the recommended action within this report.

MGO reports the following within the Single Audit Report:

- Unmodified opinions as it pertains to both the Financial Statements and to Federal Awards
- No material weaknesses or significant deficiencies in internal controls over financial reporting or over major programs
- No findings or questioned costs

Stakeholder Engagement

This report has been prepared by the Office of the City Auditor in coordination with the Administrative Services Department.

Environmental Review

Environmental Review is not applicable to this activity.

Attachments:

- **Attachment15.a:** FY 2021 City of Palo Alto Single Audit Report

CITY OF PALO ALTO
Single Audit Reports
For the Year Ended June 30, 2021



CITY OF PALO ALTO
Single Audit Reports
For the Year Ended June 30, 2021

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and Members of the
City Council of the City of Palo Alto
Palo Alto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palo Alto, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

Walnut Creek, California
November 15, 2021



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and Members of the
City Council of the City of Palo Alto
Palo Alto, California

Report on Compliance for Each Major Federal Program

We have audited the City of Palo Alto, California’s (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
April 20, 2022

CITY OF PALO ALTO
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Federal Program Title	Grantor Identifying Number	Assistance Listing Number	Federal Expenditures	Subrecipients Expenditures
U.S. Department of Housing and Urban Development				
<i>Direct:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	--	14.218	\$ 867,207	\$ 777,320
COVID-19 - Community Development Block Grants/Entitlement Grants	--	14.218	304,548	281,183
<i>Subtotal - CDBG - Entitlement Grants Cluster</i>			<u>1,171,755</u>	<u>1,058,503</u>
Total U.S. Department of Housing and Urban Development			<u>1,171,755</u>	<u>1,058,503</u>
U.S. Department of Justice				
<i>Direct:</i>				
Bulletproof Vest Partnership Program	--	16.607	7,148	-
Total U.S. Department of Justice			<u>7,148</u>	<u>-</u>
U.S. Department of Transportation				
<i>Direct:</i>				
Airport Improvement Program	3-06-0182-014-2018	20.106	70,984	-
Airport Improvement Program	3-06-0182-015-2020	20.106	5,558,250	-
<i>Subtotal - Airport Improvement Program</i>			<u>5,629,234</u>	<u>-</u>
<i>Pass-through from State of California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	CML-5100(027)	20.205	3,741,154	-
Highway Planning and Construction	STPL-5100(028)	20.205	1,009,000	-
Highway Planning and Construction	HSIPL-5100(029)	20.205	946,170	-
Highway Planning and Construction	BRLS-5100(017)	20.205	197,981	-
Highway Planning and Construction	75LX335-00180000017	20.205	132,323	-
<i>Pass-through from Santa Clara Valley Transportation Authority:</i>				
Highway Planning and Construction	SCL 170021	20.205	15,813	-
<i>Subtotal - Highway Planning and Construction Cluster</i>			<u>6,042,441</u>	<u>-</u>
Total U.S. Department of Transportation			<u>11,671,675</u>	<u>-</u>
U.S. Department of Treasury				
<i>Pass-through from State of California Department of Finance</i>				
COVID-19 - Coronavirus Relief Fund	Not Available	21.019	854,743	-
Total U.S. Department of Treasury			<u>854,743</u>	<u>-</u>
National Endowment for the Humanities				
<i>Direct:</i>				
Museums for America	MA-10-17-0327-17	45.301	61,845	-
Museums for America	MA-40-18-0555-18	45.301	86,974	-
<i>Subtotal - Museums for America</i>			<u>148,819</u>	<u>-</u>
COVID-19 - National Leadership Grants	489610.41	45.312	56,354	-
<i>Subtotal - Direct Awards</i>			<u>205,173</u>	<u>-</u>
<i>Pass-through from California State Library:</i>				
Grants to States	LS246140-OLS-20	45.310	17,961	-
Total National Endowment for the Humanities			<u>223,134</u>	<u>-</u>
U.S. Department of Health and Human Services				
<i>Pass-through from Christopher and Dana Reeve Foundation:</i>				
Paralysis Resource Center	90PRRC0002-02-00	93.325	14,325	-
Total U.S. Department of Health and Human Services			<u>14,325</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Pass-through from California Governor's Office of Emergency Services:</i>				
Emergency Management Performance Grants	2020-0006-085-00000	97.042	5,611	-
Homeland Security Grant Program	2018-0054-085-00000	97.067	216,461	-
Total U.S. Department of Homeland Security			<u>222,072</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,164,852</u>	<u>\$ 1,058,503</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF PALO ALTO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Palo Alto, California (City), and its component unit as disclosed in the notes to the basic financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of measurement focus applied. The Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in governmental funds and the accrual basis of accounting for program expenditures accounted for in proprietary funds. Expenditures of federal awards reported in the Schedule are recognized when incurred and all eligibility requirements have been met. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs. Expenditures funded from the following acts are denoted by the prefix COVID-19 in the federal program title in the Schedule (as applicable):

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

NOTE 3 – DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of federal award programs when related expenditures are incurred.

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds or as expenses/capital assets in the proprietary funds. Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

CITY OF PALO ALTO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for the major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes

Section II Financial Statement Findings

None reported.

Section III Federal Awards Findings

None reported.

CITY OF PALO ALTO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Prior audit findings were not reported.



City of Palo Alto City Council Staff Report

(ID # 14384)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of an Agreement Between Santa Clara Valley Water District and the City of Palo Alto for Administration and Funding of Water Conservation and Stormwater Rebate Programs for a Total-Not-to-Exceed Amount of \$675,000 Over a Three Year Term Ending June 30, 2025

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends the Palo Alto City Council:

- (1) Approve and authorize the City Manager or designee to execute the Agreement Between Santa Clara Valley Water District and the City of Palo Alto for Administration and Funding of Water Conservation and Stormwater Rebate Programs (Agreement), comprised of \$600,000 for water conservation programs and \$75,000 for stormwater programs over the three-year contract term ending June 30, 2025, for a total-not-to-exceed amount of \$675,000; and
- (2) Authorize the City Manager or designee to adjust the reimbursement amounts for the Water Conservation and Stormwater Rebate Programs, so long as the City's total contribution does not exceed \$600,000 for water conservation programs and \$75,000 for stormwater programs over the three-year contract term ending June 30, 2025.

Executive Summary

To achieve state and local water conservation and efficiency objectives, the City of Palo Alto Utilities (CPAU) partners with the Santa Clara Valley Water District (Valley Water) to offer a suite of conservation programs and services to Palo Alto's residential and commercial water customers. Valley Water offers the programs in the City's service area, and the City adds funding to some of the programs. The Rain Barrel Distribution Events and the Home Water Use Reports are administered by the City while Valley Water adds funding. The existing Memorandum of Understanding (MOU) governing these programs expires June 30, 2022.

Staff recommends approval of the proposed Agreement with Valley Water for a new three-year term allowing Valley Water and the City to administer a variety of water conservation

programs and allow the City to match funding for some of those programs, effectively increasing incentives for Palo Alto residents and businesses to reduce water use. Under the proposed Agreement, Palo Alto will match Valley Water-funded rebates for landscape conversion rebates, graywater systems, submeters, rain barrels, cisterns, and rain gardens resulting in higher incentives for the Palo Community. Rebates for the first three programs will be funded from the Utilities Department budget while rebates for the remaining programs will be funded by the City's Stormwater Management Fee. In addition, Valley Water will pay 50% of the cost of Palo Alto's Home Water Use Reports, up to \$625,000.

Marketing for all water conservation programs is shared between Valley Water and the City. Implementation and administrative functions for these programs (e.g., scheduling, budget tracking and invoicing, contractor oversight, customer service, and project reporting associated with program implementation) is managed by City and/or Valley Water staff, depending on the program.

Historically, these water efficiency programs administered through Valley Water have been cost effective, meaning the cost of implementation is lower than the City's water supply cost, and this trend is expected to continue. The funding provided by Valley Water through this partnership enables Palo Alto to receive more benefits and cost savings than would be achieved through self-administered water efficiency programs. The total not-to-exceed amount from the City is \$225,000 per year and \$675,000 over the three-year term in incentives.

Background

State requirements and Council policies have resulted in aggressive water reduction goals which are largely achieved through conservation and efficiency programs. Valley Water and Palo Alto use innovative technologies and cost-effective programs to best utilize the annual water conservation operating budget.

The guiding document for water utility efficiency goals is the Urban Water Management Plan (UWMP) ([Staff Report #12025](#)). The UWMP is updated every five years and outlines the long-term supply and demand-side issues and policies impacting the water utility. The UWMP also details the measures CPAU will take to reach its water reduction goals, through a series of Demand Management Measures.

For over a decade Valley Water has delivered water conservation programs to residents and businesses throughout Santa Clara County. Council has approved a series of MOUs, the most recent of which was [Staff Report #11295](#), for the delivery of water conservation and efficiency programs to the Palo Alto residents and businesses. Valley Water and the City co-fund various programs and partner to promote residential and commercial sanitary fixtures, free conservation devices, indoor and outdoor water efficiency surveys, irrigation hardware upgrades, and residential educational workshops. The first MOU was adopted by Council in 2002 ([CMR 359:02](#)). Over time, the water efficiency programs provided through the partnership

have evolved or expanded concurrent with advancements in water-saving technologies and best practices for water efficient program delivery.

Discussion

Under the proposed Agreement, most rebates will continue to be funded by Valley Water, with the City matching payments to customers for some programs. Palo Alto residents and businesses will be eligible to receive higher incentives than those from other water retailers in Santa Clara County for retrofits such as high-water use landscape conversion and custom facility process improvements for water efficiency. Mobile home parks and condominium complexes in Palo Alto will receive increased incentives for adding residential submeters. Rebates for laundry-to-landscape gray water systems will provide a financial incentive to residents to reduce potable water landscape irrigation. The Landscape Replacement Program provides rebates for residential and commercial customers to replace high water use landscapes with low water use landscape, and the rebate will be greater in Palo Alto due to the City's contribution. Likewise, cost sharing will be implemented for rain barrels, cisterns, graywater systems, and rain gardens, all of which reduce reliance on potable water while keeping pollution out of the stormwater system and, thus, the San Francisco Bay.

Tables A-1, A-2 and A-3 summarize the proposed Agreement costs and reflect funding for the cost-sharing rebate amounts for the programs.

Table A-1 Water Conservation Program Rebate Matching Amounts from Palo Alto

Program	CITY's Reimbursement Rates
Landscape Conversion Rebate (in addition to VALLEY WATER rebate)	\$2.00 per square foot, up to \$2,000 per residential site and \$20,000 per commercial site
Large Landscape Lawn to Mulch Rebate (in addition to VALLEY WATER rebate)	\$1.00 per square foot, up to \$1,000 per residential site and \$10,000 per commercial site
Graywater Conversion Rebate (in addition to VALLEY WATER rebate)	\$200 per site
Submeter Rebate	\$150 per submeter

Table A-2 Stormwater Program Rebate Matching Amounts from Palo Alto

Program	CITY's Reimbursement Rates	
Rain Barrel Rebate (in addition to VALLEY WATER rebate)	Rebate cap: \$1,000 per residential site; \$5,000 per commercial site. Rebates may be applied to any combination of rebate types and amounts listed in Tables A-2 or A-3.	Cost of the rain barrel minus VALLEY WATER's rebate amount, up to a maximum of \$35.
Cistern (in addition to VALLEY WATER rebate)		\$0.50 per gallon
Rain Garden (in addition to VALLEY WATER rebate)		\$1 per square foot, up to \$300 per site

Table A-3 Payments from Valley Water to Palo Alto for Rain Barrels Distributed by Palo Alto

Program	VALLEY WATER's Reimbursement Rates	
Rain Barrel Distribution Event Rebate (in addition to CITY rebate)	Rebate cap: \$1,000 residential site; \$5,000 commercial site. Rebates may be applied to any combination of rebate types and amounts listed in Tables A-2 or A-3.	\$35.00 per rain barrel

Valley Water provides access to their online application portal to City of Palo Alto residents and businesses for all the programs listed above. Valley Water administers rebates for the programs listed in Table A-1 and A-2 on behalf of both agencies and then invoices the City. The City will administer rebates for the discounts on any rain barrels, cisterns or rain gardens (listed in Table A-3), and then invoice Valley Water. These discounts are offered at Rain Barrel Distribution Events which may occur yearly or biannually.

CPAU staff also administers several water conservation programs in-house. CPAU's Home Water Reports provide information to residents including water use and tips and programs to improve water efficiency. Through the proposed Agreement, Valley Water will reimburse CPAU for up to 50% of the cost of the program up to a maximum of \$625,000.

To ensure continued and aggressive water conservation efforts, staff recommends Council approve the proposed Agreement with a maximum City funding obligation total of \$225,000 per year and \$675,000 over the three-year term. The additional funding will ensure continued momentum of the eight water efficiency programs administered by Valley Water and City through June 30, 2025. Staff further recommends that Council authorize the City Manager or designee to adjust the City's funding levels for the programs listed in Appendix A, so long as

the City's total contribution does not exceed \$600,000 for water conservation programs and \$75,000 for stormwater programs over the three-year contract. Table 2 shows funding amounts for the three years of the proposed Agreement by department budget.

Table 2: Proposed Agreement Funding

Department	FY2023	FY2024	FY2025	Total
Utilities (Water Fund)	\$200,000	\$200,000	\$200,000	600,000
Public Works (Stormwater Management Fund)	\$25,000	\$25,000	\$25,000	\$75,000
Total	\$225,000	\$225,000	\$225,000	\$675,000

Resource Impact

The funds to support year one of this proposed Agreement are available within the Utilities and Public Works Departments in the Water and Stormwater Management Funds respectively, subject to the approval of the FY 2023 Proposed Operating budget. Funding for FY 2024 and beyond is subject to City Council approval of the annual appropriation of funds through the annual budget process.

Valley Water will pay the City 50% of the Home Water Use Reports program cost, up to \$625,000.

Implementation of the proposed conservation programs will slightly reduce the City's water consumption, and thus reduce water revenues to the Utility but will reduce water supply costs by a greater amount, reducing overall costs to the community. These water efficiency programs are expected to be cost-effective, meaning the cost of implementation will be lower than the water supply cost.

Policy Implications

The proposed Agreement continues funding for water efficiency programs consistent with the 2020 Urban Water Management Plan ([Staff Report #12025](#)), the Utilities Strategic Plan, and the City's Sustainability and Climate Action Plan Goals and Key [Draft Sustainability and Climate Action Plan Goals and Key Actions](#). Stormwater-related programs support implementation of the Green Stormwater Infrastructure (GSI) Plan accepted by Council in May 2019 ([Staff Report #9883](#)).

In December 2018, the SWRCB adopted amendments to the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay Delta Plan Amendment) to establish water quality objectives to maintain the health of the Bay Delta ecosystem. Palo Alto

Council expressed support for the Bay Delta Plan Amendment in its August 20, 2018 vote¹. Water conservation programs are an important means for Palo Alto to reduce its dependence on the Tuolumne River.

Community Engagement

Community engagement occurred through the process of adopting the policies above. Palo Alto and Valley Water both actively market these programs through their websites, at community events, via bill inserts, other social media and newsletters.

Environmental Review

Approval of the proposed Agreement does not meet the definition of a project pursuant to Section 21065 of the California Public Resources Code, thus no environmental review under the California Environmental Quality Act (CEQA) is required and is categorically exempt from CEQA under Public Resources Code Sections 15307 (Actions by Regulatory Agencies for Protection of Natural Resources) and 15308 (Actions by Regulatory Agencies for Protection of the Environment). Valley Water is the lead agency with respect to programs covered by the Agreement.

Attachments:

- **Attachment16.a:** Attachment A: AGREEMENT FOR WATER CONSERVATION AND STORMWATER REBATE PROGRAMS

¹ <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/00-archive/2018/08-20-2018-final-ccm-minutes.pdf>

**AGREEMENT
BETWEEN
SANTA CLARA VALLEY WATER DISTRICT
AND
THE CITY OF PALO ALTO
FOR WATER CONSERVATION AND STORMWATER REBATE PROGRAMS**

This agreement (AGREEMENT) is between Santa Clara Valley Water District (VALLEY WATER), an independent special district created by the California Legislature, and the City of Palo Alto (CITY). This AGREEMENT sets forth the respective roles of VALLEY WATER and the CITY related to VALLEY WATER'S residential and commercial conservation programs (VALLEY WATER PROGRAMS) and the CITY's residential and commercial conservation and stormwater rebate programs, each identified in Appendix A (PROGRAMS AND REIMBURSEMENT RATES). CITY and VALLEY WATER may be referred to individually as "PARTY" or collectively as the "PARTIES" or the "PARTIES TO THIS AGREEMENT."

RECITALS

WHEREAS, the VALLEY WATER PROGRAMS provide water conservation services and rebates, including but not limited to Rain Barrel, Cistern, and Rain Garden, for properties located within the service area of the CITY (SERVICE AREA); and

WHEREAS, CITY provides home water use reports within the SERVICE AREA to educate customers about water conservation, drought, and water demand (HOME WATER USE REPORTS PROGRAM); and

WHEREAS, CITY administers a RAIN BARREL DISTRIBUTION EVENT, during which CITY residents and businesses will have opportunity to purchase rain barrels at a discount funded by rebates from both CITY and VALLEY WATER without submitting a rebate application; and

WHEREAS, the VALLEY WATER PROGRAMS and the HOME WATER USE REPORTS PROGRAM are consistent with both Parties' Urban Water Management Planning Act requirements; and

WHEREAS, VALLEY WATER and CITY wish to collaborate to implement VALLEY WATER PROGRAMS, the HOME WATER USE REPORTS PROGRAM, and the CITY REBATE PROGRAM in the SERVICE AREA as described in this AGREEMENT.

NOW, THEREFORE, in consideration of the recitals and mutual obligations of the Parties expressed in this AGREEMENT, VALLEY WATER and CITY agree:

AGREEMENT

1. TERM

The term of the AGREEMENT is retroactive from July 1, 2022 to June 30, 2025 (TERM), or until funds are depleted, whichever occurs first. The TERM may be extended by mutual written consent of the Parties. This AGREEMENT shall be contingent upon approval of program funding each fiscal year by the CITY's Council and VALLEY WATER's Board of Directors. In the event such financial contingency is not met, the implementation and enforcement of this AGREEMENT will be suspended on the first day of the fiscal year for which funding is not approved and reinstated the month following approval of the financial contingency by both agencies.

2. NOT TO EXCEED COMPENSATION

- 2.1. The compensation to be paid to VALLEY WATER by CITY for programs as described APPENDIX A, Table A-1, shall not exceed \$200,000 per year or \$600,000 over the TERM.
- 2.2. The compensation to be paid to VALLEY WATER by CITY for programs as described APPENDIX A, Table A-2, shall not exceed \$25,000 per year or \$75,000 over the TERM.
- 2.3. The compensation to be paid to the CITY by VALLEY WATER for the RAIN BARREL DISTRIBUTION EVENT program as described in APPENDIX A, Table A-3 shall not exceed \$5,000 per year or \$15,000 over the TERM.
- 2.4. The compensation to be paid to CITY by VALLEY WATER for the HOME WATER USE REPORTS PROGRAM shall not exceed \$625,000 over the TERM.
- 2.5. Either Party may adjust its contribution to any of the rebate amounts for any of the programs described in APPENDIX A, so long as that Party's total contribution for any individual program does not exceed the amounts described in Sections 2.1-2.4, respectively.

3. RESPONSIBILITIES OF VALLEY WATER

3.1. VALLEY WATER PROGRAMS

- 3.1.1. Administer VALLEY WATER PROGRAMS as listed in Appendix A, Tables A-1 and A-2.
- 3.1.2. Invoice the CITY, approximately every six months in accordance with the CITY's REIMBURSEMENT RATES listed in Appendix A.
 - 3.1.2.1. Invoices shall include an attachment with VALLEY WATER PROGRAM customer information for those SERVICE AREA customers who received services during the dates of the invoice.
 - 3.1.2.2. Customer information shall include the rebate number, invoice date, date of notice to proceed, rebate type, customer name, customer site type, customer address, area of converted landscape in square feet (if applicable), rainwater capture details (if applicable), including rain garden (roof square footage), rain barrel quantity, and cistern total gallonage, total rebate amount in dollars, total rebate amount owed by VALLEY WATER and the CITY in dollars.

- 3.1.2.3. In accordance with Gov. Code 6254.16, VALLEY WATER shall ensure that customer names, home addresses and utility usage data will only be made available to CITY for those customer account holders from whom VALLEY WATER has obtained written authorization for the release of information.
 - 3.1.3. At least once per year, collect and analyze data to determine water savings for Santa Clara County and provide the results to the CITY along with CITY's customer participation data.
 - 3.1.4. Administer funds received from the CITY for VALLEY WATER PROGRAMS.
 - 3.1.5. Work cooperatively with the CITY to advertise VALLEY WATER PROGRAMS to targeted customers.
- 3.2. RAIN BARREL DISTRIBUTION EVENT
- 3.2.1. Pay rebates to eligible customers in accordance with APPENDIX A, Table A-3 for distributed rain barrels.
 - 3.2.2. Pay the CITY within thirty (30) days of receipt of an invoice from the CITY.
 - 3.2.2.1. Parties may mutually agree to extend the deadline for payment sixty (60) days from receipt of an invoice.
- 3.3. HOME WATER USE REPORTS PROGRAM
- 3.3.1. Pay fifty percent (50%) of the cost of the CITY's HOME WATER USE REPORTS PROGRAM up to the maximum in Section 2.4.
 - 3.3.2. Pay the CITY within thirty (30) days of receipt of an invoice from the CITY.
 - 3.3.2.1. Parties may mutually agree in writing to extend the deadline for payment sixty (60) days from receipt of an invoice.
- 4. RESPONSIBILITIES OF THE CITY**
- 4.1. VALLEY WATER PROGRAMS
- 4.1.1. Identify and notify all qualified properties within the SERVICE AREA regarding the opportunity to participate in VALLEY WATER PROGRAMS.
 - 4.1.2. Work cooperatively with VALLEY WATER to advertise VALLEY WATER PROGRAMS to targeted customers as described at <https://www.valleywater.org/watersavingsorg>
 - 4.1.3. Provide water use and other relevant customer data for customers in the SERVICE AREA to VALLEY WATER to determine water savings and the cost effectiveness of VALLEY WATER PROGRAMS, subject to the disclosure requirement in 4.1.3.1.
 - 4.1.3.1. In accordance with Gov. Code 6254.16, customer name, home address and water usage records will only be made available to VALLEY WATER for those customer account holders from whom VALLEY WATER has obtained written authorization for the release of such information from the CITY.
 - 4.1.4. Pay VALLEY WATER within thirty (30) days of receipt of invoice(s) from VALLEY WATER.

- 4.1.4.1. Parties may mutually agree in writing to extend the deadline for payment sixty (60) days from receipt of an invoice.
- 4.1.5. Pay VALLEY WATER the one-time retail agency licensing fee of \$1,000 for access to Droplet Landscape Rebate Program application portal.

4.2. RAIN BARREL DISTRIBUTION EVENT

- 4.2.1. Administer the RAIN BARREL DISTRIBUTION EVENT once annually or every other year.
 - 4.2.1.1. At the RAIN BARREL DISTRIBUTION EVENT, CITY residents and businesses will have opportunity to purchase rain barrels at a discount funded by rebates from both CITY and VALLEY WATER without submitting a rebate application.
 - 4.2.1.2. RAIN BARREL DISTRIBUTION EVENT rebates do not count toward the maximum rebate caps per site described in Table A-2.
 - 4.2.1.3. RAIN BARREL DISTRIBUTION EVENT will meet all of VALLEY WATER's rain barrel rebate requirements as specified under the Landscape Rebate Program.
- 4.2.2. Notify VALLEY WATER a minimum of 60 days before each RAIN BARREL DISTRIBUTION EVENT.
- 4.2.3. Invoice Valley Water a minimum of 30 days after each RAIN BARREL DISTRIBUTION EVENT in accordance with the amounts listed in Appendix A, Table A-3.
 - 4.2.3.1. Include an attachment to the invoice with the following information: participating customer information, including customer name, site address, rain barrel purchase date, rain barrel quantity and size, total rebate amount in dollars, and total rebate amount owed by VALLEY WATER and the CITY in dollars.
 - 4.2.3.2. Confirm VALLEY WATER has provided written authorization for all customer account holders whose data will be shared under this Agreement.

4.3. HOME WATER USE REPORTS PROGRAM

- 4.3.1. Administer the HOME WATER USE REPORTS PROGRAM, which shall include coordination with the WaterSmart software vendor (C19174648) or another vendor mutually agreed to by the Parties (VENDOR).
- 4.3.2. Invoice Valley Water twice per year at the rate defined in Section 3.3.1 based upon actual CITY-paid invoices for the HOME WATER USE REPORTS PROGRAM.
 - 4.3.2.1. Include as an attachment to the invoices the HOME WATER USE REPORTS PROGRAM mailing history for the dates of the invoices.
- 4.3.3. Identify and notify qualifying properties within the SERVICE AREA about the HOME WATER USE REPORTS PROGRAM.
- 4.3.4. Collaborate with VALLEY WATER regarding developing and delivering targeted marketing through the HOME WATER USE REPORTS PROGRAM as appropriate and to the extent available through the VENDOR.

- 4.3.5. Collect and analyze HOME WATER USE REPORT PROGRAM data to determine water savings.
- 4.3.6. At least once per year, provide VALLEY WATER with cumulative water usage records and other data necessary to determine savings and cost effectiveness of the HOME WATER USE REPORTS PROGRAM.

5. HOLD HARMLESS AND LIABILITY

- 5.1. in lieu of and notwithstanding the pro rata risk allocation, which might otherwise be imposed between the Parties pursuant to Government Code Section 895.6, the PARTIES agree that all losses or liabilities incurred by a PARTY shall not be shared pro rata but, instead, VALLEY WATER and CITY agree that, pursuant to Government Code Section 895.4, each PARTY hereto shall fully indemnify and hold the other PARTY, their officers, Board members, Council members, employees, and agents, harmless from any claim, expense or cost, damage or liability, including that imposed for injury (as defined in Government Code Section 810.8) occurring by reason of the negligent acts or omissions or willful misconduct of the indemnifying PARTY, its officers, Board members, Council members, employees or agents, under or in connection with or arising out of any work, authority or jurisdiction delegated to such PARTY under this AGREEMENT. No PARTY, nor any officer, Board member, Council member, employee or agent thereof shall be responsible for any damage or liability occurring by reason of the negligent acts or omissions or willful misconduct of the other PARTY hereto, their officers, Board members, Council members, employees, or agents, under or in connection with or arising out of any work authority or jurisdiction delegated to such other PARTY under this AGREEMENT.
- 5.2. The rights, duties, and obligations of the Parties as set forth above in this Hold Harmless and Liability section will survive termination, suspension, completion, and expiration of this AGREEMENT.

6. PROJECT MANAGEMENT

VALLEY WATER's project manager is Justin Burks, Senior Water Conservation Specialist, Water Supply Planning & Conservation Unit, Telephone: (408)630-2684, e-mail: JBurks@ValleyWater.org. CITY's project manager is Kevin Carley, Utilities Department, Resource Management Division, Telephone: 650-617-3181, email: kevin.carley@CityofPaloAlto.org. The project managers will be the points of contact with respect to program management and invoicing. By written notice to the other Party as described in Section 9, Valley Water and the CITY may designate an alternate project manager from time to time.

7. INSURANCE

Each Party shall adhere to the insurance requirements that are specified in Appendix B of this AGREEMENT.

8. DOCUMENT REVIEW

VALLEY WATER and the CITY will, upon reasonable advance written notice, make available for inspection to the other Party records, books and other documents relating to VALLEY WATER PROGRAMS, the HOME WATER USE REPORTS PROGRAM, and the RAIN BARREL DISTRIBUTION EVENT.

9. NOTICES

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

If to VALLEY WATER: Santa Clara Valley Water District
5750 Almaden Expressway
San José, CA 95118
Attn: Justin Burks

If 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.

Either party may change such mailing or email address by notice given to the other Party as provided in this Section 9.

10. ENTIRE AGREEMENT

This Agreement, together with all exhibits referenced and attached hereto, is the entire agreement between the parties respecting the matters set forth within, and supersedes all prior negotiations or agreements between the parties, if any.

11. AMENDMENTS

The AGREEMENT may only be amended by written agreement executed by both Parties.

12. ASSIGNMENT

Neither Party is allowed to assign, sublet, or transfer this AGREEMENT or any of the rights or interests in this AGREEMENT without the written consent of the other Party.

13. SEVERABILITY

The partial or total invalidity of one or more parts of this AGREEMENT will not affect the intent or validity or remaining parts of this AGREEMENT.

14. GOVERNING LAW

This AGREEMENT is a contract under the laws of the State of California and for all purposes must be interpreted in accordance with such laws. The federal and state

courts within Santa Clara County, California shall have exclusive jurisdiction to adjudicate any dispute arising out of or related to this Agreement. Each Party expressly consents to the personal jurisdiction of and venue in such courts, and service of process effected upon it by registered mail sent to the address set forth herein for each Party.

15. TERMINATION OF AGREEMENT

This AGREEMENT may be terminated by either Party hereto for any reason upon thirty (30) days written notice to the other Party.

16. SIGNATURES

The individuals executing this AGREEMENT represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities. Unless otherwise prohibited by law or CITY policy, the parties agree that an electronic copy of a signed contract, or an electronically signed contract, has the same force and legal effect as a contract executed with an original ink signature. The term “electronic copy of a signed contract” refers to a writing as set forth in Evidence Code Section 1550. The term “electronically signed contract” means a contract that is executed by applying an electronic signature using technology approved by the Parties.

17. CALIFORNIA ENVIRONMENTAL QUALITY ACT.

The Parties’ approval of this Agreement is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Sections 15307 (Actions by Regulatory Agencies for Protection of Natural Resources) and 15308 (Actions by Regulatory Agencies for Protection of the Environment). VALLEY WATER is the lead agency with respect to any individual programs covered by this Agreement.

18. COUNTERPARTS

This AGREEMENT may be executed in counterparts, each of which shall be deemed an original, and all of which taken together shall be the entire AGREEMENT.

19. COMPLIANCE WITH LAWS

Each Party shall at all times in the performance of its obligations under this Agreement comply with all applicable laws as each currently exists and as may hereafter be amended.

20. WAIVER A Party’s waiver of any term, condition, covenant, or breach of any term, condition or covenant shall not be construed as a waiver of any other term, condition, or covenant or breach of any other term, condition, or covenant .

In WITNESS WHEREOF, the Parties have executed this AGREEMENT as of the effective date above.

CITY OF PALO ALTO a municipal corporation

APPROVED AS TO FORM:

Amy Bartell
Assistant City Attorney

Ed Shikada
City Manager

SANTA CLARA VALLEY WATER DISTRICT, a Special District created by the Legislature of the State of California

APPROVED AS TO FORM:

Rick L. Callender, Esq.
Chief Executive Officer

**APPENDIX A
PROGRAMS AND REIMBURSEMENT RATES**

The programs administered by VALLEY WATER AND CITY and CITY'S and VALLEY WATER's reimbursement rates are specified below.

PARTIES will be reimbursed for the programs listed below, up to a Not-To-Exceed Amount Specified in the AGREEMENT.

Table A-1 Water Conservation Program Rebate Matching Amounts from CITY

Program	CITY's Reimbursement Rates
Landscape Conversion Rebate (in addition to VALLEY WATER rebate)	\$2.00 per square foot, up to \$2,000 per residential site and \$20,000 per commercial, industrial, institutional, and multi-family site (5+ units)
Large Landscape Lawn to Mulch Rebate (in addition to VALLEY WATER rebate)	\$1.00 per square foot, up \$10,000 per commercial, industrial, institutional, and multi-family sites (5+ units)
Graywater Conversion Rebate (in addition to VALLEY WATER rebate)	\$200 per site
Submeter Rebate (in addition to VALLEY WATER rebate)	\$150 per submeter

Table A-2 Stormwater Program Rebate Matching Amounts from CITY

Program	CITY's Reimbursement Rates	
Rain Barrel Rebate (in addition to VALLEY WATER rebate)	Rebate cap: \$1,000 per residential site; \$5,000 per commercial site.	Cost of the rain barrel minus VALLEY WATER's rebate amount, up to a maximum of \$35.
Cistern (in addition to VALLEY WATER rebate)	Rebates may be applied to any combination of rebate types and amounts listed in Tables A-2 or A-3.	\$0.50 per gallon
Rain Garden (in addition to VALLEY WATER rebate)		\$1 per square foot, up to \$300 per site

Table A-3 Payments from VALLEY WATER for Rain Barrels Distributed by CITY

Program	VALLEY WATER's Reimbursement Rates	
Rain Barrel DISTRIBUTION EVENT Rebate (in addition to CITY rebate)	Rebate caps do not apply	\$35.00 per rain barrel.

APPENDIX B **INSURANCE**

Each Party represents and warrants that, at its sole cost and expense it will maintain for the duration of the AGREEMENT insurance against claims for injuries to persons or damages to property that may arise from, or in connection with its (and its agents, representatives', employees' or contractors') performance of the services and/or operations herein and the indemnity provisions of this AGREEMENT.

A. Types of Coverage and Minimum Limits

1. Commercial General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage.
2. Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage; and
3. Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the California Labor Code and Employers Liability limits of \$1,000,000 per accident; and
4. Professional Liability Errors & Omissions \$1,000,000 per claim/ aggregate limit.
5. Cyber Liability Insurance \$1,000,000 per claim/aggregate limit.

B. Authority to Self-Insure

The requirements of this Appendix B may be satisfied by the provision of similar coverage through a self-insurance program and such self-insurance shall be certified in writing with an "Affidavit of Insurance" upon request by the other party.

C. Contractors

Each Party shall obtain separate evidence of insurance for each contractor/consultant hired to perform any services under this Agreement.



City of Palo Alto

City Council Staff Report

(ID # 14415)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Professional Services Contract Number C22184801 with Construction Testing Services for On-Call Construction Dewatering and Deconstruction Services in an Amount Not to Exceed \$339,480 Over a 3-year Term.

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that the City Council approve and authorize the City Manager or their designee to execute Contract Number C22184801 with Construction Testing Services, Inc. (Attachment A), for a not to exceed amount of \$113,160 per year for three years for a total amount not to exceed \$339,480 for professional services for oversight and management of excavation projects requiring temporary groundwater pumping (dewatering), and to assist in implementation and support for the Deconstruction and Construction Materials Management Ordinance.

Background

Construction Dewatering

Basement construction is often required for non-residential, mixed use and multifamily residential buildings, particularly if underground parking is included in the proposal. Additionally, the high value of land and housing in Palo Alto translates into residential property owners seeking to increase their single-family homes by constructing basements. Basement construction groundwater pumping occurs when a basement is constructed in areas of shallow groundwater, typically in the neighborhoods closer to the bay or near former creek beds. Perimeter wells are established to draw down the groundwater allowing for construction of the basement. Dewatering continues until enough of the house or commercial structure has been constructed to keep the basement in place.

Over the years, basement construction groundwater pumping has generated public concern in Palo Alto. Public concerns relate to the apparent wasting of water by discharging to storm drains, potential impacts on groundwater elevation and flow volume, as well as potential effects on neighboring properties, such as subsidence and cracks, and effects on trees and other landscaping. To address these concerns, Council approved new requirements in February 2016, designed to minimize and standardize the process of pumping and discharge of

groundwater from dewatering of below ground structures during construction (Staff Report ID [#6478](#)). In March and December 2017, Council directed staff to make further enhancements and codify these changes in the municipal code (Staff Report ID [#7633](#) and [#8580](#)). The 2017 changes included improving the fill station performance, monitoring actual groundwater elevation changes during dewatering, assessing impacts on nearby structures, clarifying reporting requirements, limiting the number of weeks during which a residential project may dewater, and requiring a hydrogeological study.

Public Works staff (with the assistance of a consultant) tracks this information during the dewatering process. The table below is a summary of the projects requiring dewatering in the last few years. Since the more restrictive requirements went into effect in 2018, the number of non-exclusionary dewatering projects has greatly reduced.

Recent Dewatering Project Information

Year	Non-Exclusionary sites	Exclusionary (Secant) Sites	Groundwater Pumped (MGAL)	Water Discharged to Storm Drain (MGAL)	Reused Water (MGAL)
2019	7	1	121.0	112.6	8.4
2020	1	4	54.2	51.5	0.5*
2021	1	1	3.2	2.4	0.8
2022	0	2	TBD	TBD	TBD

*Some numbers may not total exactly due to inconsistencies and the changing out of flow meters through the dewatering process.

The information on dewatering project types and amount of groundwater pumped, as well as other information such as groundwater monitoring well drawdown and adjacent structure surveys is collected and assessed to inform future potential updates to the groundwater dewatering program.

Deconstruction

In June 2019, Council approved the Deconstruction and Construction Materials Management Ordinance ([Deconstruction Ordinance, Ordinance 5472/PAMC Title 5, Chapter 5.24, ID#10148](#)) with an effective date of July 1, 2020. The Deconstruction Ordinance applies to all residential and commercial projects undergoing a whole structure demolition requiring a building permit application for deconstruction on or after July 1, 2020. The objectives of the ordinance are to 1) increase salvage and reuse to the highest extent possible and 2) increase the amount and quality of recyclable materials for all construction and demolition projects, beginning with whole structure deconstruction projects.

Permit applicants and project teams (including homeowners, general contractors, and architects) require multiple interactions at different stages of the deconstruction projects starting from when building permit applications are submitted. The Deconstruction Ordinance's success is dependent on detailed information being provided about the ordinance and

scheduling consultations to explain the requirements and answering questions from the applicants and their project teams.

In Fiscal Year 2021, the first year of the ordinance, the City's Development Center received 44 building permit applications for residential and commercial projects that involved whole structure demolition covered under the Deconstruction Ordinance. It is estimated there will be over 60 permit applications for deconstruction projects in Fiscal Year 2022.

Discussion

Construction Dewatering

Under the stricter requirements now in place, applicants are required to submit a hydrogeological study as part of their grading permit application, as well as to construct a monitoring well for projects which require dewatering. The hydrogeological study is used to design a dewatering system that minimizes the amount of groundwater pumped, while the monitoring well is used to determine and record the depth to groundwater as the dewatering system operates. The hydrogeological study is a permit requirement which requires evaluation and validation by a licensed geotechnical or hydrogeological engineer before a dewatering permit can be issued. Once a dewatering permit is issued, the project's onsite monitoring well must be monitored, and the data recorded on a regular basis. These tasks included in the consultant scope of services require technical expertise that City staff do not have, as well as site inspections, data collection, and data compilation and reporting which would greatly reduce available staff time needed for regular plan review, permitting, and other development related tasks. This contract is the successor to a previous contract which expired on June 6, 2021. The hydrogeological report review, monitoring, and data collection activities which were introduced in 2017 required consultant assistance resulting in the previous contract. Prior to the changes in 2017, dewatering program tasks were less significant and were managed by City staff. The current hydrogeological report review, monitoring, and data collection activities will continue through FY 2025.

Deconstruction

As the pandemic diminishes, the number of projects to meet the ordinance requirements will continue to increase, and additional consultant support is needed. The support in the consultant's scope of work includes providing education and outreach material for applicants and project teams virtually and in person, conducting inspection and site visits at each job site, maintaining and documenting records, monitoring compliance and project inspection results, and aggregating progress reports and associated metrics. In addition, staff needs support to research and create strategies for expanding the applicability of deconstruction methods and reuse requirements to additional projects such as renovations and partial demolition. An additional \$17,815 in funding was added to the contract deconstruction tasks from the originally scoped fee to allow for more support as the program grows.

Competitive Solicitation

A request for proposals (RFP) for these projects was sent to prospective consultants and posted

on the City's eProcurement Platform, Planetbids, on April 7, 2022. One submittal was received for this RFP.

Summary of Solicitation Process

PROPOSAL DESCRIPTION/NUMBER	ON-CALL DEWATERING & DECONSTRUCTION RFP # 184801
<i>Proposed Length of Project</i>	3 years
<i>Number of Vendors Notified</i>	2214
<i>Number of Proposal Packages Downloaded</i>	19
<i>Total Calendar Days to Respond to Proposal</i>	21
<i>Public Link to Solicitation</i>	https://pbsystem.planetbids.com/portal/25569/bo/bo-detail/92798
<i>Number of Proposals Received</i>	1
<i>Range of Proposal Amounts Submitted</i>	\$95,345 annually

An evaluation committee consisting of representatives from Public Works Engineering Services and Public Works Environmental Services reviewed the proposal. The committee carefully reviewed the firm's qualifications and proposal in response to the criteria identified in the RFP. The committee reviewed the firm's qualifications relative to its experience in evaluating geotechnical and hydrogeological reports, excavation, grading, and dewatering methodologies, data collection and reporting, the knowledge of deconstruction and reuse requirements, the quality of their proposed project approach, performance on past projects, the qualifications of the specific staff to be assigned to the project and understanding of the project's goals.

The proposal from Construction Testing Services was selected based upon the depth and quality of their experience with construction and deconstruction methodologies, experience with other jurisdictions including the City of Palo Alto, and the qualifications of their proposed team of staff. If this contract is not approved, staff would need to deprioritize other tasks to focus on this work, resulting in longer Public Works plan and permit review times, delays in the deconstruction program, and reduced technical oversight of dewatering hydrogeological studies.

This contract is on the City's professional services template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include termination due to non-appropriation of funds or amending the contract to reduce the cost, for example, by reducing the scope of work. The contract may also be temporarily suspended by written notice of the City Manager.

Timeline

Upon execution of this contract, consultant services as defined in the contract scope of work will be available to City staff as needed upon receipt of permit applications for projects which will require construction-related dewatering or require a building permit application for deconstruction.

Resource Impact

Funding for the dewatering portion of the contract services will be available in the Public Works Department’s Engineering Services Division within the Planning and Development Services Department General Fund FY2023 Operating Budget pending Council’s adoption of the FY2023 Budget, and dewatering permit fees will be collected to offset the budgeted expenses. The deconstruction portion of the contract services will be funded through the Refuse Fund operating budget and is available in the FY2022 Adopted Refuse Fund Operating budget. The funding sources breakdown is summarized in the table below.

Funding Source	On-Call Services
<i>Permit Fees</i>	\$73,160
<i>Refuse Fund</i>	\$40,000
Total	\$113,160

Stakeholder Engagement

Development of the scope of services for this project included engagement of staff from the following workgroups: Public Works Engineering Services and Environmental Services.

Policy Implications

This recommendation does not present any changes to existing City policies.

Environmental Review

This project is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306 of the CEQA guidelines.

Attachments:

- **Attachment17.a:** C22184801 CTS_PSA_Partially Executed

CITY OF PALO ALTO CONTRACT NO. C22184801**AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN THE CITY OF PALO ALTO AND
CONSTRUCTION TESTING SERVICES, INC.**

This Agreement for Professional Services (this “Agreement”) is entered into as of the 20th day of June, 2022 (the “Effective Date”), by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and CONSTRUCTION TESTING SERVICES, INC., a California corporation, located at 2118 Rheem Drive, Pleasanton, CA 94588, Department of Industrial Relations Registration Number 1000000948 (“CONSULTANT”).

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

RECITALS

A. CITY intends to manage excavation projects requiring temporary groundwater pumping and implement and support the Deconstruction and Construction Materials Management Ordinance (the “Project”) and desires to engage a consultant to provide on-call professional services 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.

Optional On-Call Provision (This provision only applies if checked and only applies to on-call agreements.)

CITY may elect to, but is not required to, authorize on-call Services up to the maximum compensation amount set forth in Section 4 (Not to Exceed Compensation). CONSULTANT shall provide on-call Services only by advanced, written authorization from CITY as detailed in this Section. On-call Services, if any, shall be authorized by CITY, as needed, with a Task Order assigned and approved 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 on-call 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 due to CONSULTANT for all Task Orders issued under this Agreement shall not exceed the amount of compensation set forth in Section 4. CONSULTANT shall only be compensated for on-call Services performed under an authorized Task Order and only up to the maximum compensation amount set forth in Section 4. Performance of and payment for any on-call Services are subject to all requirements and restrictions in this Agreement.

SECTION 2. TERM.

The term of this Agreement shall be from the date of its full execution through June 30, 2025 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. 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 **Three Hundred Thirty-Nine Thousand Four Hundred Eighty Dollars (\$339,480)**. 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.

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. 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.

Option B: Subcontracts Authorized: Notwithstanding Section 11 (Assignment) above, CITY agrees that subcontractors may be used to complete the Services. The subcontractor authorized by CITY to perform work on this Project is:

Integrated Design 360, LLC, 101 Jefferson Drive, 1st Floor, Menlo Park, CA 94025

CONSULTANT shall be responsible for directing the work of any subcontractors and for any compensation due to subcontractors. CITY assumes no responsibility whatsoever concerning compensation of subcontractors. CONSULTANT shall be fully responsible to CITY for all acts and omissions of subcontractors. CONSULTANT shall change or add subcontractors only with the prior written approval of the City Manager or designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign John Eudy, Vice President of Operations, telephone: 925-596-4151, email: jeudy@cts-1.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 Mike Nafziger, Public Works Department, Engineering Division, 250 Hamilton Avenue, Palo Alto, CA 94301, Telephone: 650-617-3103, email mike.nafziger@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.

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.

[Option A applies to the following design professionals pursuant to Civil Code Section 2782.8: architects; landscape architects; registered professional engineers and licensed professional land surveyors.] 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 third party 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") to the extent that such Claims arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party. CITY will reimburse CONSULTANT for the proportionate percentage of defense costs exceeding CONSULTANT's proportionate percentage of fault as determined by the final judgment of a court of competent jurisdiction.

[Option B applies to any consultant who does not qualify as a design professional as defined in Civil Code Section 2782.8.] 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 16.A. LIMITATION OF LIABILITY.

16.A.1. LIMITATION OF LIABILITY OF CONSULTANT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CONSULTANT BE LIABLE TO CITY, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES OR FOR ANY LOSS OF PROFIT OR LOSS OF BUSINESS BY CITY, EVEN IF CONSULTANT HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH POTENTIAL CLAIM, LOSS OR DAMAGE. EXCEPT AS PROVIDED IN THE IMMEDIATELY FOLLOWING SENTENCE, IN NO EVENT SHALL THE TOTAL AGGREGATE LIABILITY UNDER THIS AGREEMENT OF CONSULTANT TO CITY EXCEED THE DOLLAR AMOUNT PROVIDED FOR IN SECTION 4 ("NOT TO EXCEED COMPENSATION") OF THIS AGREEMENT. CONSULTANT'S LIABILITY LIMIT SET FORTH HEREIN SHALL NOT APPLY TO (1) DAMAGES CAUSED BY CONSULTANT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (2) CONSULTANT'S OBLIGATIONS TO INDEMNIFY AND DEFEND CITY PURSUANT TO SECTION 16 ("INDEMNITY") OF THIS AGREEMENT, (3) LIMIT CLAIMS OR GENERAL DAMAGES THAT FALL WITHIN THE INSURANCE COVERAGE OF THIS AGREEMENT, (4) STATUTORY DAMAGES, AND (5) WRONGFUL DEATH CAUSED BY CONSULTANT.

16.A.2. LIMITATION OF LIABILITY OF CITY. CITY'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE COMPENSATION PROVIDED FOR IN SECTION 4 ("NOT TO EXCEED COMPENSATION") OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH 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, except as provided in Section 16.A (Limitation of Liability) of this Agreement.

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 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.

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).

OR

26.1. **This Project is subject to prevailing wages and related requirements as a “public works” under California Labor Code Sections 1720 et seq. and related regulations.** CONSULTANT is required to pay general prevailing wages as defined in California Labor Code Section 1773.1 and Subchapter 3, Title 8 of the California Code of Regulations Section 16000 et seq., as amended from time to time. Pursuant to Labor Code Section 1773, the CITY has obtained the general prevailing rate of per diem wages and the general rate for holiday and overtime work in this locality for each craft, classification, or type of worker needed to execute the contract for this Project from the State of California Department of Industrial Relations (“DIR”). Copies of these rates may be obtained at the CITY’s Purchasing Department office. The general prevailing wage rates are also available at the DIR, Division of Labor Statistics and Research, web site (see e.g. <http://www.dir.ca.gov/DLSR/PWD/index.htm>) as amended from time to time. CONSULTANT shall post a copy of the general prevailing wage rates at all Project job

sites and shall pay the adopted prevailing wage rates as a minimum. CONSULTANT shall comply with all applicable provisions of Division 2, Part 7, Chapter 1 of the California Labor Code (Labor Code Section 1720 et seq.), including but not limited to Sections 1725.5, 1771, 1771.1, 1771.4, 1773.2, 1774, 1775, 1776, 1777.5, 1782, 1810, 1813 and 1815, and all applicable implementing regulations, including but not limited to Subchapter 3, Title 8 of the California Code of Regulations Section 16000 et seq. (8 CCR Section 16000 et seq.), as amended from time to time. CONSULTANT shall comply with the requirements of Exhibit E, entitled “DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS”, for any contract for public works construction, alteration, demolition, repair or maintenance, including but not limited to the obligations to register with, and furnish certified payroll records directly to, DIR.

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 a 9204 Public Works Project and is required to comply with the claims procedures set forth in Exhibit F, entitled “Claims for Public Contract Code Section 9204 Public Works Projects”.

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 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 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
- EXHIBIT B: SCHEDULE OF PERFORMANCE
- EXHIBIT C: COMPENSATION
- EXHIBIT C-1: SCHEDULE OF RATES
- EXHIBIT D: INSURANCE REQUIREMENTS
- EXHIBIT E: DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS
- EXHIBIT F: CLAIMS FOR PUBLIC CONTRACT CODE SECTION 9204
PUBLIC WORKS PROJECTS

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

CONTRACT NO. C22184801 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

CONSTRUCTION TESTING SERVICES, INC.

City Manager

Officer 1

DocuSigned by:


By: _____
486D48492E1648B...


Name: _____
Patrick Greenan, PE, President

Title: _____
President

APPROVED AS TO FORM:

City Attorney or Designee

Officer 2

DocuSigned by:


By: _____
41CBF8BDD620459...

Name: _____
Ryan Keegan, Controller

Title: _____
Controller

EXHIBIT A SCOPE OF SERVICES

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

The scope of work for the on-call CONSULTANT is to assist City staff in the oversight and management of excavation projects requiring temporary groundwater pumping (dewatering), and assist in implementation and support to the Deconstruction and Construction Materials Management Ordinance.

CONSULTANT services consists of five tasks:

- Task 1 – Dewatering Site Inspection, Data Collection, and Reporting
- Task 2 – Prepare a Dewatering Season End Report
- Task 3 – Review Geotechnical Study and Dewatering Plans
- Task 4 – Deconstruction Program Implementation
- Task 5 – Deconstruction Program Development Support

DEWATERING

Task 1. Site Inspection, Data Collection and Reporting

The objective of this task is to monitor the rate and volume of groundwater pumped, groundwater drawdowns, use of groundwater, and water quality, thereby assisting the CITY in managing the dewatering activities. The data collection will enable accurate reporting and oversight of dewatering activities, helping to minimize the negative effects that dewatering may potentially have on the source and receiving environments. Continuous monitoring will assure the quality and accuracy of anticipated analytical values during dewatering operations associated with the installed system. Communication with City Staff is necessary for success of the monitoring program.

For Sites Using Controlled Groundwater Pumping (Non-Exclusionary Technique):

- 1.1 Meet with City staff as needed (virtually/in person and/or field visits) to discuss initiation and completion of projects, equipment set-up and oversight, site observations and data collection and analysis.
- 1.2 Record and file drawdown levels at onsite monitoring locations daily during the two-week warm-up period.
- 1.3 Record and file flow meter data for the settling tank discharge and water fill station daily during two-week warm-up period.

- 1.4 File water quality test results provided by City staff on a weekly (or less frequent) basis for the duration of the dewatering activity. Prepare data to be uploaded to City website.
- 1.5 Record and file flow rate and drawdown data for each site every two weeks after the two-week warm-up period.
- 1.6 Provide additional support as needed.

For Sites Using Groundwater Exclusionary Techniques (Cut-off or Secant Walls):

- 1.7 Meet with City staff as needed (virtually/in person and/or field visits) to discuss initiation and completion of projects, equipment set-up and oversight, site observations and data collection and analysis.
- 1.8 Record and file drawdown levels at onsite monitoring locations daily during the initial two weeks.
- 1.9 Record and file drawdown levels at onsite monitoring locations weekly after the first two weeks.
- 1.10 Record and file flow meter data for the settling tank discharge daily during two-week warm-up period.
- 1.11 Record and file flow rate and drawdown data for each site on a bi-weekly basis after the two-week warm-up period.
- 1.12 File water quality test results provided by City staff on a weekly (or less frequent) basis for the duration of the dewatering activity. Prepare data to be uploaded to City website.
- 1.13 Provide additional support as needed.

For All Dewatering Sites:

- 1.14 Throughout the dewatering season, provide dewatering summary reports for all dewatering projects to City staff as requested and/or respond to public requests for information (per direction and/or approval from City staff). The reports will include, but are not limited to, start/stop date, discharge flow rate, volume pumped, volume reused, monitoring well readings, water quality results, and onsite worker activity.
- 1.15 CONSULTANT may be required to provide dewatering data to the public through a web-based interface.
- 1.16 CONSULTANT will be required to provide and prepare water quality data in a requested table form to City staff to be shared with the public via a City website.

- 1.17 CONSULTANT may be required to correspond with the public regarding dewatering inquiries.
- 1.18 Record the end date of each site's dewatering operation and determine total volume pumped and volume reused.

Task 2. Dewatering Season End Report

The Dewatering Season End Report will summarize the performance of the dewatering activities construction season (typically April through October but may extend into winter months). Field parameters and monitoring data will determine if dewatering activities were sufficiently planned to minimize the volume of groundwater pumped and if data collection methods resulted in quality control and accuracy.

- 2.1 CONSULTANT will prepare a Dewatering Season End Report for all sites. Report shall include:
 - (a) Site-specific information such as dewatering start/end dates, average flow rate, total volume pumped, amount reused, water quality, and any specific issues that may have occurred at the site (such as design revision, rain delay, power outage, etc.).
 - (b) Type of dewatering operation used at each site such as typical well-point dewatering or cutoff wall design.
 - (c) Report should contain a summary of what went right, what went wrong, and "lessons learned" with suggestions for revisions for improvement for the next dewatering season.

Task 3 – Review Geotechnical Study and Dewatering Plans

The CONSULTANT shall review geotechnical studies and dewatering plans to ensure site dewatering activities have been assessed for the most practical operational methodology, analytical data and procedures, and the impacts of groundwater extraction are performed with reference to the [City's Dewatering Policy and Plan Guidelines](#). This review will be performed by a licensed Geotechnical Engineer registered in the State of California.

- 3.1 CONSULTANT will verify method of technical analysis used in the geotechnical study.
- 3.2 CONSULTANT will verify calculations and assumptions
- 3.3 CONSULTANT will verify results of "reasonableness" of anticipated flowrate, drawdown, and the determination of potential impacts.

3.4 CONSULTANT will review revised geotechnical study, using points 3.1 through 3.3 above, in cases where the applicant had to stop work and perform a new study due to inconsistency between actual flow meter data in the field and anticipated flowrate state in the original geotechnical study.

3.5 CONSULTANT will provide the City with detailed review comments to bring the Geotechnical Engineering Report in compliance with City requirements.

3.6 CONSULTANT will review Dewatering Plans to ensure compliance with applicable geotechnical recommendations and City requirements.

DECONSTRUCTION

Task 4 - Deconstruction & Construction Materials Management Program Implementation

Implement the Deconstruction and Construction Material Management program in accordance with adopted local ordinance and regulations.

- 4.1 Attend meetings and provide education and outreach material to project applicants and contractors virtually and in person
- 4.2 Conduct inspections and site visits by ICC CALGreen Certified Inspectors at each job site.
- 4.3 Maintain and document communication records, project compliance, and inspection results.
- 4.4 Provide monthly and biannual progress reports and associated metrics.

Task 5 - Deconstruction and Construction Materials Management Program Support

Assist in the development and adoption of increased rigor of the local Deconstruction and Construction Materials Management regulations.

- 5.1 Perform technical policy research, develop written strategies, and develop a program phasing schedule for policy implementation.
- 5.2 Schedule, facilitate, and attend public engagement and coordination meetings with City staff before for policy implementation.
- 5.3 Develop educational and outreach material and execute a campaign to support community success of the policy implementation.

**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

CONSULTANT shall perform the Services according to the schedule set forth in each task order.

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

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 rate schedule attached as Exhibit C-1 up to the not to exceed budget amount for each task 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 PER YEAR
<u>Task 1:</u> Dewatering Site Inspection, Data Collection and Reporting (Staff Engineer)	\$42,000
<u>Task 2:</u> Prepare a Dewatering Season End Report (Principal Engineer)	\$7,560
<u>Task 3:</u> Review geotechnical Study and Dewatering Plans (Geotechnical Engineer)	\$23,600
<u>Task 4:</u> Deconstruction Program Implementation (Principal Engineer)	\$20,000
<u>Task 5:</u> Deconstruction Program Development Support (Project Manager)	\$20,000
Sub-total for Services (Not to Exceed Compensation)	\$113,160
Reimbursable Expenses (if any)	\$0
Total for Services and Reimbursable Expenses (Total Not to Exceed Compensation per Fiscal Year)	\$113,160
Total for Services and Reimbursable Expenses (Total Not to Exceed Compensation per Total Three Years)	\$339,480

Pricing above assumes the first fiscal year of work in 2023. Rates are subject to change based on anticipated union increases in July 2024 and July 2025. Basis of charges is outlined in C-1 Schedule of Rates.

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**.

EXHIBIT C-1 SCHEDULE OF RATES

CONSULTANT's schedule of rates is as follows:

2022 FEE SCHEDULE - P21593 4/28/2022 PERSONNEL FEES AND BASIS OF CHARGES INSPECTIONS, ENGINEERING & SPECIAL SERVICES

	Standard Rate/Hour	Discounted Rate/Hour
* FIELD INSPECTION AND LABORATORY SERVICE		
Steel Visual	\$230.00	
Nondestructive - UT, MT, PT	\$235.00	
Steel Visual/UT Combination	\$235.00	
Concrete ACI	\$230.00	
Concrete ICC	\$230.00	
Masonry	\$230.00	
Fireproofing	\$230.00	
Shear Wall Nailing/Framing/Hold Downs	\$230.00	
Soil Technician w/Nuclear Gauge and/or Sand Cone (portal-to-portal)	\$230.00	
Asphalt Technician (portal-to-portal)	\$230.00	
Shoring/Solder Piers	\$230.00	
Roofing & Waterproofing	\$230.00	
Multi-Disciplined Inspector	\$230.00	
Inspector Requiring G1 Pay Grade	\$280.00	
Specialty Inspector or Where Formal Certification is Required	\$230.00	
Field Inspector with Special Enhancement	\$230.00	
Safety Manager/Safety Inspector/JobSite Safety Accountability Supervisor (JSAS)	\$500.00	
Laboratory Technician	\$230.00	
Additional Sample Preparation Time	\$230.00	
Technician Typist	\$230.00	
**PROFESSIONAL ENGINEERING SERVICES		
Principal Engineer (Civil/Structural)	\$365.00	\$315.00
Geotechnical Engineer	\$230.00	\$295.00
Professional Geologist	\$305.00	
Consulting Engineer (Civil/Structural)	\$300.00	
Associate Engineer, Licensed	\$260.00	
Project Manager	\$295.00	\$195.00
Staff Engineer	\$230.00	\$175.00
Field Supervision	\$230.00	
ASNT Level III	\$280.00	
Drafting	\$165.00	
Quality Control Manager	QOR	
SPECIAL SERVICES		
Portable and Mobile Laboratories, NDT and Soils	QOR	
* Epoxy Bolt/Expansion Anchor - Installation Observation	\$230.00	
* Epoxy Bolt/Expansion Anchor Proof Load Testing (portal-to-portal)	\$230.00	
* Coring, 1 Person (including equipment) (portal-to-portal)	\$305.00	
* Coring, 2 Persons (including equipment) (portal-to-portal)	\$460.00	
* Asphalt Coring (portal-to-portal)	\$330.00	
Project Research	QOR	
Ultrasonic Testing for Non-Metallic Materials	QOR	
Pavement Rehabilitation Analysis Using Deflections	QOR	
Roof Moisture Survey	QOR	
Soil Drilling Equipment	QOR	
Geotechnical Site Investigations/Foundation Reports	QOR	
Estimating Concrete Strength by the Maturity Method - Equipment Fee \$125/kit	ASTM C1074 CT233	\$3,500.00
Gamma-Gamma Logging of CI/DH Piles (Daily Rate)	ASTM E1105, AAMA 501.2, 502 503	\$3,500.00
FGIA/AAMA Window and SkyLight Testing (Daily Rate)		
Pachometer, Schmidt Hammer, Windsor Probe, Skidmore - Equipment Fee \$115/Day (portal-to-portal)		\$305.00
Ultrasonic Pulse Velocity Testing - Equipment Fee \$250/Day (portal-to-portal)	ASTM C597	\$650.00
Impact Echo Testing - Equipment Fee \$250/Day (portal-to-portal)	ASTM C1383	\$305.00
Floor Flatness Testing FF/FL - Equipment Fee \$115/Day (portal-to-portal)	ASTM E1155	\$305.00
Surface Frictional Properties Using Pendulum Tester - Equipment Fee \$115/Day (portal-to-portal)	ASTM E303	\$305.00
Measuring Moisture Vapor Emission Rate (Calcium Chloride) - \$55/Kit (portal-to-portal)	ASTM F1869	\$305.00
Relative Humidity Testing - \$75/Kit (portal-to-portal)	ASTM F2170	\$305.00
Ferroscon - Equipment Fee \$115/day (portal-to-portal)		\$305.00
GPR - Equipment Fee \$115/day (portal-to-portal)		\$380.00
Administration, Secretarial, Special Projects, Notary, Certified Payroll		\$180.00
Concrete/Grout/Mortar Mix Design Review (less than 48 hours notice - \$500)		\$355.00
Welding Procedure Review (less than 48 hours notice - \$500)		\$355.00
Procedure Qualification Record (PQR) - Standard Procedure (document fee)		\$500.00
Welding Procedure Specification (WPS) - Standard Procedure (document fee)		\$500.00
Welder Qualification Test Record (WQTR) - Standard Procedure (document fee)		\$500.00
DSA Interim Reports		\$190.00
Geotechnical Pad Letter (less than 48 hours notice - \$550)		\$355.00
Final Letter (less than 48 hours notice - \$550)		\$355.00
EXPERT WITNESS TESTIMONY		
Court appearance, per day	\$2,550.00	
Court appearance, per half day	\$1,550.00	

* Field inspection and laboratory technician services will be billed in accordance with minimums shown on Basis of Charges.

**Professional engineering services will be billed in two hour increments.

BASIS OF CHARGES

GENERAL

Fees for tests and inspection include cost of technician, normal equipment and regular reports. Engineering services will be charged at applicable rates and will require travel and mileage charges for equipment transport and storage per code (portal to portal) from the nearest CTS laboratory. Soils testing with nuclear gauge and/or sand cone equipment and inspections requiring equipment will require applicable travel and mileage charges for equipment transport and storage per code (portal-to-portal) from the nearest CTS laboratory. Fees for special projects, services overseas, or elsewhere in the United States, will be quoted on request. With prior notification to Client; charges are subject to change at any time. Construction Testing Services reserves the right to adjust the rates quoted in this contract based upon any Union or prevailing wage increases and/or changes in any industry requirements.

MINIMUM HOURLY CHARGES – INSPECTION

Technician personnel and the following minimum charges are contractual commitment:

One-half day or less	4 Hours
Over one-half day	8 Hours
Show-up time (less than 2 hours notice = 4 hour charge)	2 Hours

WORKING HOURS AND PREMIUM TIME

Regular workday is the first 8 hours between 6:00 am and 6:00 pm Monday through Friday. Premium time is as follows:

Overtime, Weekdays and Saturdays (first 8 hours)	1.5 x quoted hourly rate
Overtime Saturdays (over 8 hours) and Sundays (first 8 hours)	2 x quoted hourly rate
Overtime Sundays (over 8 hours) and Holidays	3 x quoted hourly rate
Shift differential, swing and graveyard -	

(Work performed between 2:00 pm and 4:00 am) 12.5%/hour additional to base or quoted rate.

MISCELLANEOUS CHARGES - Only Where Applicable

Notary Services Fee	\$40.00/each
Facsimile Charges. Plus \$1.00/page (n/c for cover page)	\$7.00/minimum
Wireless Router/Data Card for Jobsite Internet	\$135.00/day
iPad Monthly Rental Fee	\$100.00/month
Electronic Reporting Fees/Subscriptions (PlanGrid, BIM, etc.)	At Cost
Parking Fees	At Cost
Air Travel	Cost Plus 10%
Outside Services	Cost Plus 20%
Subsistence (per Union contract)	\$130.00/day
Subsistence Premium: Meal Allowance (over 100 miles one way) (per Union contract)	\$30.00/day
Subsistence Premium: Meal Allowance (over 150 miles one way) (per Union contract)	\$85.00/day
Mileage	Standard Federal Rate
Sample Pickup	\$30.00/each
Sample Pickup Trip Charge	QOR
Weekend Sample Pickup	\$110.00/each
Project Administration	15% of Monthly Invoice
Samples Made by Others: Concrete Cylinders	\$130 + Test
Samples Made by Others: All Other Tests	\$55.00 + Test
Laboratory Sample Witness Fee	\$130.00
Laboratory Sample Storage Fee (per sample)	\$120.00
EZ Cure Boxes (Thermostatically Controlled Curing Boxes)	QOR
Returned Check Fee	\$150.00
Additional Sample Retention	QOR

TESTS

Testing fees shown include normal time for performing test. Samples requiring special preparation will be charged at the laboratory technician rate. Fees for tests not listed will be quoted upon request. There will be a minimum charge of \$100.00 for any engineering report. Please note some tests maybe tested by subconsultants. Samples delivered to the laboratory after 3:00pm or samples needing results within 24 hours will incur a 50% mark-up.

INSURANCE

The liability of Construction Testing Services (CTS) is limited to CTS's contract value.

PAYMENT

Invoices will be submitted monthly or bimonthly for services performed during the preceding month and are payable on receipt. Interest of 1.5% per month (but not exceeding the maximum rate allowable by law) will be payable on any amounts not paid within 30 days, payment thereafter to be applied first to accrued interest and then to the principle unpaid amount. Attorney's fees or other costs incurred in collecting any delinquent amount shall be paid by client. Visa, MasterCard and American Express payments are accepted however fees will apply. Visa and MasterCard payments require an additional 3% on top of the amount of the invoice being paid. American Express payments require an additional 4% on top of the amount of the invoice being paid.

CONCRETE AND MASONRY TESTS

		Standard Rate/Each
CONCRETE		
Compressive Strength of Cylindrical Concrete Specimens (6x12)	ASTM C39 and CTS21	\$90.00
Compressive Strength of Cylindrical Concrete Specimens (4x8)	ASTM C39 and CTS21	\$90.00
Compressive Strength of Cylindrical Concrete Specimens (Over 8000 PSI)	ASTM C39 and CTS21	\$165.00
Cylinder molds, 6" x 12" and 4" x 8"	ASTM C470	\$85.00
Compressive Strength of Lightweight Insulating Concrete	ASTM C495	\$105.00
Compressive Strength of Cylindrical Concrete Core and Sawed Beam Specimens	ASTM C42	\$140.00
Flexural Toughness of Fiber Reinforced Concrete (Round Panel)	ASTM C1550	\$650.00
Flexural Strength of Concrete (Using Simple Beam with Third-Point Loading)	ASTM C78	\$350.00
Flexural Strength of Concrete (Using Simple Beam with Third-Point Loading)	CTS23 and CTS24	\$350.00
Length Change of Hardened Hydraulic-Cement Mortar and Concrete (Shrinkage, 1 Sample)	ASTM C157	\$175.00
Shotcrete Nozzleman Qualification Letter (Per Nozzleman, Per Position)	ACI 506, ASTM C42 and C1140	\$500.00
Shotcrete Pre-Qualification Cores (Compression and Visual)	ACI 506, ASTM C42 and C1140	\$125.00
Shotcrete Production Cores	ASTM C1140	\$125.00
Coefficient of Thermal Expansion	AASHTO T336	\$575.00
Determining Density of Structural Lightweight Concrete (Cylinders)	ASTM C567	\$450.00
Standard Specification for Concrete Made by Volumetric Batching and Mixing	ASTM C685	\$1,000.00
Cement Quality Sampling	CBC 2010	\$700.00
Physical Testing of Gypsum, Gypsum Plasters and Gypsum Concrete	ASTM C472	\$65.00
Splitting Tensile Strength of Cylindrical Concrete Specimens	ASTM C496	\$270.00
Static Modulus of Elasticity and Poisson's Ratio of Concrete in Compression	ASTM C469	\$250.00
Grab Sample, Sealing and Storing in a Humidity and Temperature Controlled Room	CBC	\$160.00
Density of Hydraulic Cement	ASTM C188	\$220.00
Testing of Controlled Low Strength Material (CLSM) Test Cylinders	ASTM D4832	\$175.00
GFRC Pull Test	PCI	\$440.00
GFRC Flexural Test	PCI	\$440.00
Foaming Agents for Use in Producing Cellular Concrete Using Preformed Foam (Cell-Crete)	ASTM C796	\$600.00
MASONRY		
Compressive Testing of Grout (Masonry)	ASTM C1019	\$135.00
Compressive Strength of Hydraulic Cement Mortars Using 2" Cube Specimens	ASTM C109	\$135.00
Compressive Strength of Masonry Prisms	ASTM C1314	\$210.00
Testing Concrete Masonry Units and Related Units (Core Compression)	CBC 2105A.4	\$210.00
Compressive Strength of Molded Masonry Mortar Cylinders and Cubes (2" Sample)	ASTM C780 A7.6	\$135.00
Testing Concrete Masonry Units (CMU) and Related Units (Full Unit)	ASTM C140	\$210.00
Linear Drying Shrinkage of Concrete Masonry Units (Per Unit)	ASTM C426	\$315.00
Masonry Core Shear Testing	CBC 2105A.4	\$315.00
Testing Concrete Masonry Units (Absorption, Moisture Content, Unit Weight)	ASTM C140	\$390.00
Brick and Clay Tile (modulus of rupture, compression, saturation coefficient, suction rate, efflorescence)	ASTM C67	\$1,050.00
Mortar Molds, 2" x 4", Single Use		\$135.00
Mortar or Grout, Stored and Cured, Not Tested (Including Mold)		\$135.00
Veneer Bond Testing, does not include sample fabrication (Set of 5)	ASTM C482	\$525.00
AGGREGATES (CONCRETE AND SOILS)		
Sieve Analysis of Coarse Aggregates (Coarse Only 2" - No.4)(sample size over 2" QOR)	ASTM C136, CT202, and AASHTO T-27	\$245.00
Sieve Analysis of Fine Aggregates (Fine Only, Wash Included No.4 - No.200)	ASTM C136/C117, CT202, and AASHTO T-27/AASHTO T-11	\$315.00
Sieve Analysis of Combined Fine and Coarse Aggregates (Wash Included 2" - No.200) (sample size over 2" QOR)	ASTM C136/C117, CT202, and AASHTO T-27/AASHTO T-11	\$400.00
Materials Finer Than 75-µm (No. 200) Sieve in Mineral Aggregates by Washing (200 Wash)	ASTM C117, CT202, and AASHTO T-11	\$245.00
Evaluating Cleanliness of Coarse Aggregate	CT227	\$400.00
Soundness of Aggregates by Use of Sodium Sulfate or Magnesium Sulfate	ASTM C88, CT214, and AASHTO T-104	\$325.00
Bulk Density/Unit Weight of Aggregate	ASTM C29, CT212, and AASHTO T-19	\$225.00
Clay Lumps and Friable Particles in Aggregates	ASTM C142 and AASHTO T-19	\$250.00
Flat Particles, Elongated Particles or Flat and Elongated Particles in Coarse Aggregate	ASTM D4791 and CT235	\$415.00
Organic Impurities in Fine Aggregates for Concrete	ASTM C40 and CT213	\$415.00
Density, Relative Density(Specific Gravity), and Absorption of Coarse Aggregate	ASTM C127, CT206, and AASHTO T-85	\$415.00
Density, Relative Density(Specific Gravity), and Absorption of Fine Aggregate	ASTM C128, CT207, and AASHTO T-84	\$415.00
Resistance to Degradation of Small Size Coarse Aggregate by Abrasion and Impact in the Los Angeles Machine	ASTM C131, C211, and AASHTO T-96	\$565.00
Resistance to Degradation of Large Size Coarse Aggregate by Abrasion and Impact in the Los Angeles Machine	ASTM C535	\$565.00
Percentage of Crushed Particles/Standard Test Method for Determining the Percentage of Fractured Particles in Coarse Aggregate	ASTM D5821, CT205, and AASHTO T-335	\$450.00
Uncompacted Void Content of Fine Aggregate (as Influenced by Particle Shape, Surface Texture, and Grading)	ASTM C1252, CT234, and AASHTO T304A	\$450.00
Sand Equivalent Value of Soils and Fine Aggregate	ASTM D2419, CT217, and AASHTO T-176	\$315.00
Durability Index (Fine)	ASTM D3744, CT229, AASHTO T-210	\$450.00
Durability Index (Coarse)	ASTM D3744, CT229, AASHTO T-210	\$450.00
Durability Index (Fine and Coarse)	ASTM D3744, CT229, AASHTO T-210	\$450.00
Lightweight Particles in Aggregate	ASTM C123 and AASHTO T113	QOR
Resistance of Rock to Wetting and Drying	CRD-C169	\$625.00
Aggregate Moisture Content	ASTM C566	\$625.00

*Unusual sample preparation for brick specimen will be charged at the established hourly rate.

SOILS AND AGGREGATE SERVICES AND TESTS

SOILS		Standard Rate/Each
Moisture Content of Soil by Oven	ASTM D2216, CT226, and AASHTO T-265	\$170.00
Moisture Content of Soil by Microwave Oven	ASTM D4643	\$225.00
Density of Soil in Place by the Drive-Cylinder Method Including Moisture Content of Soil by Oven	D2937	\$255.00
Remold of Soil Samples	Varies	\$150.00
Hydraulic Conductivity of Saturated Porous Materials Using a Flexible Wall Permeameter (Permeability)	ASTM D5084	\$600.00
Permeability Additional Cell Time		\$600.00
Direct Shear Test of Soils Under Consolidated Drained Conditions (per point)	ASTM D3080	\$600.00
Consolidated Undrained Triaxial Compression Test for Cohesive Soils (three points)	ASTM D4767	\$1,100.00
Consolidated Undrained Triaxial Compression Test for Cohesive Soils (added points)	ASTM D4767	\$375.00
Consolidated Undrained Triaxial Compression Test for Cohesive Soils (single point)	ASTM D4767	\$375.00
Consolidated Undrained Triaxial Compression Test for Cohesive Soils (Includes 3 points)(Includes Pore Pressures)	ASTM D4767	\$1,950.00
Consolidated Undrained Triaxial Compression Test for Cohesive Soils (added points)(Includes Pore Pressures)	ASTM D4767	\$650.00
Consolidated Undrained Triaxial Compression Test for Cohesive Soils (single point)(Includes Pore Pressures)	ASTM D4767	\$650.00
Unconsolidated Undrained Triaxial Compression Test for Cohesive Soils (per point)	ASTM D2850	\$185.00
Unconsolidated Undrained Triaxial Compression Test for Cohesive Soils with added backpressure saturation (per point)	ASTM D2850	\$315.00
One-Dimensional Consolidation Properties of Soils Using Incremental Loading	ASTM D2435	\$575.00
Unconfined Compressive Strength of Cohesive Soil	ASTM D2166 and CT221	\$225.00
Compressive Strength of Molded Soil-Cement Cylinders	ASTM D1633	\$300.00
Particle-Size Analysis of Soils (with Hydrometer)	ASTM D422	\$660.00
Particle-Size Analysis of Soils (without Hydrometer)	ASTM D422	\$600.00
Particle-Size Distribution of Fine Grained Soils using Sedimentation Analysis	ASTM D7928 and ASTM D422	\$600.00
Particle-Size Distribution (Gradation) of Soils Using Sieve Analysis (2" - No.200) (sample size over 2" QOR)	ASTM D6913	\$385.00
Material Finer than No.200 by Washing (200 Wash)	ASTM D1140	\$235.00
Liquid Limit, Plastic Limit, and Plasticity Index of Soils	ASTM D4318 and CT204	\$600.00
Determination of Organic Soils Classification using Liquid Limit of Soils	ASTM D4318/D2487	\$775.00
Organic Content of Soils and Peat	ASTM D2974	\$330.00
Unified Soil Classification System (USCS) Test	ASTM D2487	\$350.00
Moisture-Density Relations of Soil Using Modified Effort (Modified Proctor)	ASTM D1557	\$350.00
Moisture-Density Relations of Soil Using Standard Effort (Standard Proctor)	ASTM D698	\$525.00
Moisture-Density Relations of Soil Using Modified DWR Method	DWR Modified	\$525.00
Moisture-Density Relations of Soil Using Rapid Compaction Method	ASTM D5080	\$525.00
Moisture-Density Relations of Soil-Cement Mixtures	ASTM D558	\$525.00
Moisture-Density Relations of Soil, 1 Point Check Point	ASTM D698	\$400.00
Moisture-Density Relations of Soil, 2 Point Check Point	ASTM D698	\$450.00
Moisture-Density Relations of Soil, 3 Point Check Point	ASTM D698	\$525.00
Moisture-Density Relations of Soil, 1 Point Check Point	ASTM D1557	\$350.00
Moisture-Density Relations of Soil, 2 Point Check Point	ASTM D1557	\$450.00
Moisture-Density Relations of Soil, 3 Point Check Point	ASTM D1557	\$525.00
Maximum Index Density and Unit Weight of Soils Using a Vibratory Table	ASTM D4253	\$550.00
Minimum Index Density and Unit Weight of Soils and Calculation of Relative Density	ASTM D4254	\$330.00
Maximum Dry Unit Weight of Granular Soils Using a Vibrating Hammer	ASTM D7382	\$500.00
Relative Compaction of Untreated and Treated Soils and Aggregates	CT216	\$600.00
Determining the Resistance "R" Value of Treated and Untreated Bases, Subbases, and Basement Soils by the Stabilometer	ASTM D2844 and CT301	\$650.00
Expansion Index of Soils	ASTM D4829	\$500.00
Standard Test Methods for Specific Gravity of Soil Solids by Water Pycnometer	ASTM D854	\$400.00
pH of Soils	ASTM D4972	\$550.00
Density of Hydraulic Cement	ASTM C188	\$375.00
Volatile Organic Content	EPA 8260B	QOR
Semi Volatile Organics by GC/MS (Basic Target List)	EPA 8270C	QOR
Total Organic Carbon	ASTM 2974/EPA 5310Bm	QOR
ICP Metals Concentration	EPA 6020 - CAM/CCR 17	QOR
Total Extractable Petroleum Hydrocarbons: TPH, MTBE, Benzene, Toluene, Ethylbenzene, Zylenes, %SS	EPA 8015B	QOR
ICP Metals Concentration	EPA 6020	QOR
pH	EPA 9045D	\$600.00
Sequential Batch Extraction of Waste with Acidic Extraction Fluid	ASTM D5284	QOR
Chromium Soluble	EPA 7196A	QOR
Caltrans Comsolivity Package		\$575.00
Determining Field and Laboratory Resistivity and pH Measurements for Soil and Water	CT543	QOR
Soils and Waters for Sulfate Content	CT417	QOR
Soils and Waters for Chloride Content	CT422	QOR
Pore Water Extraction and Determination of the Soluble Salt Content of Soils by Refractometer	ASTM D4542	\$700.00
California Bearing Ratio Test (does not include moisture density relations)	ASTM D1883	\$400.00
Bentonite Slurry Testing		QOR

* Unusual sample preparation (dried clays, saturated clays, etc.) and all other tests for treated or untreated soils, aggregate subbase and aggregate base will be charged at established rates for laboratory technician.

** Does not include sample preparation or sieve analysis

ASPHALTIC CONCRETE SERVICES AND TESTS

		Standard Rate/Each
ASPHALT		
Thickness/Height of Compacted Bituminous Paving Mixture Specimens Field Cores	ASTM D3549 and CT308	\$200.00
Bulk Specific Gravity of Compacted Bituminous Mixture (Individual field cores or lab compacted)	ASTM D1188, ASTM D2726, CT308,	\$315.00
Lab Compaction Only of Bituminous Mixture by Marshall Apparatus (Marshall) (Per Specimen)	ASTM D6926	\$315.00
Lab Compaction Only of Bituminous Mixture by CA Kneading Compactor (HVEEM) (Per Specimen)	ASTM D1561, CT304, and AASHTO T-247	\$315.00
Lab Compaction Only of Bituminous Mixture by Superpave Gyrotory (Superpave) (Per Specimen)	ASTM D6926, and AASHTO T-312	\$315.00
Laboratory Test Max Density (LTMD) (5 Specimen, Includes compaction of specimen and bulk specific gravity)	ASTM D1561(D1188 and D2726) and	\$1,150.00
Superpave Bulk specific gravity (includes gyrotory compaction of 3 specimen and bulk specific gravity)	AASHTO T-312/T-275/T-166	\$1,150.00
Marshall Lab Compacted Max Density (3 Specimen, Includes compaction of specimen and bulk specific gravity)	ASTM D6926(D1188 and D2726)	\$1,150.00
Theoretical Maximum Specific Gravity and Density (Rice)	ASTM D2041, CT309, and AASHTO T-209	\$500.00
Marshall Stability and Flow of Bituminous Mixtures (average Set of 3, Includes sample compaction)	ASTM D6926/ASTM D6927	\$1,150.00
Measuring the Permeability of Bituminous Pavements and Seal Coats	CT341	QOR
Swell of Bituminous Mixtures	CT305	\$440.00
Moisture Vapor Susceptibility of Bituminous Mixtures/Moisture or Volatile Distillates in Asphalt	ASTM D1461 and CT307	\$1,000.00
Stabilometer Value of field compacted cores (Per Specimen)	ASTM D1560, CT366, and AASHTO T-246	\$445.00
Stabilometer Value of Lab compacted samples (Average of 3 Specimen, Includes Sample Determination of Asphalt Content of Bituminous Paving Mixtures by the Ignition Method)	ASTM D1561/D1560, CT304/CT366, and	\$1,150.00
Determination of Asphalt Content of Bituminous Paving Mixtures by the Ignition Method	ASTM D6307, CT382, and AASHTO T-308	\$450.00
Determination of Correction Factor of Bituminous Paving Mixtures by the Ignition Method	ASTM D6307, CT382, and AASHTO T-308	\$450.00
Quantitative Extraction of Bitumen from Bituminous Paving Mixtures (Solvent)	ASTM D2172 and CT310	\$800.00
Mechanical Size Analysis (Coarse and Fine) of Extracted Aggregate (Afterburn Gradation)	ASTM D5444, CT202, and AASHTO T-30	\$450.00
Moisture Content of Bituminous Mixture	CT370 and AASHTO T-329	\$475.00
Effect of Water on Compressive Strength of Compacted Bituminous Mixtures (Set of 6)	ASTM D1075	\$3,700.00
Compressive Strength of Bituminous Mixtures	ASTM D1074	\$350.00
Hamburg Wheel Track (Includes compaction by gyrotory)(Includes 2 runs)	AASHTO T324	\$4,000.00
Tensile Strength Ratio (TSR) Moisture Susceptibility (Includes compaction of 6 Specimen)	ASTM D4867 and AASHTO T-283	\$4,000.00
Tensile Strength Ratio (TSR) Moisture Susceptibility (Includes compaction of 12 Specimen)	CT371	\$6,000.00
Indirect Tensile (IDT) Strength of Bituminous Mixtures	ASTM D6931	\$3,750.00
Air Voids Calculation of Compacted Bituminous Mixture	ASTM D3203, CT367, and AASHTO T-269	\$215.00
PG Verification (Determining Low Temperature Performance Grade (PG) of Asphalt Binders)	ASTM 6816	QOR

MECHANICAL TESTS AND FIREPROOFING

MATERIALS MECHANICAL TESTS

Mechanical Testing of Steel Products (General Tensile)	ASTM A370	\$550.00
Flillet Weld Break Test for Qualification (Welding)	AWS B4.0	\$250.00
Tension Testing of Metallic Materials, Tension Testing Wrought and Cast Aluminum and Magnesium	ASTM E8, B557 and AWS B4.0	\$550.00
Mechanical Testing of Steel Products (Couplers)	ASTM A370	\$550.00
Impact Testing of Miniaturized Charpy V-Notch Specimens, Notched Bar Impact Testing of Metallic Testing, Practices, and Terminology for Chemical Analysis of Steel Products	ASTM E2248 and ASTM E23	QOR
Mechanical Testing of Steel Products & Bend Testing of Material for Ductility; #3-#8	ASTM A751	\$375.00
Mechanical Testing of Steel Products & Bend Testing of Material for Ductility; #9-#11	ASTM A370 and E290	\$440.00
Mechanical Testing of Steel Products & Bend Testing of Material for Ductility; #14-	ASTM A370 and E290	\$500.00
Mechanical Testing of Steel Products, Standard Specification for Steel Wire, Plain, for Concrete	ASTM A370, A82 and A185	QOR
Guided Bend Test for Ductility of Welds, Mechanical Testing of Welds	ASTM E190 and AWS B4.0	\$500.00
Determining the Mechanical Properties of Externally and Internally Threaded Fasteners, Anchor Bolts	ASTM F307, F1554 and F606	\$350.00
Rockwell Hardness of Metallic Materials	ASTM E18	\$600.00
Proof Test for Carbon and Alloy Steel (Nuts Only)	ASTM A194 or A563	\$185.00
Radiographic Examination of Metallic Castings/Weldments	ASTM E94, E1030 and E1032	\$375.00
Macroetching Metals and Alloys	ASTM E340, E381 and AWS	QOR
Determining the Mechanical Properties of Externally and Internally Threaded Fasteners, Washers,	ASTM F606	\$375.00
Mechanical Testing of Steel Products (Terminators Tensile)	ASTM A370	\$425.00
Strength for Sewn or Bonded Seams of Geotextiles	ASTM D4884	\$375.00
Tearing Strength of Fabrics by the Tongue (Single Rip) Procedure	ASTM D2261	\$375.00
Breaking Strength and Elongation of Textile Fabrics (Grab Test)	ASTM D5034	\$375.00
Tensile Properties of Fiber Reinforced Polymer Matrix Composite Bars	ASTM D3039	\$325.00
Steel Strand, Uncoated Seven-Wire for Prestressed Concrete (Set of 2)	ASTM A416 and A1061	\$1,050.00

FIREPROOFING

Thickness and Density of Sprayed Fire-Resistive Material (SFRM)	ASTM E605	\$295.00
Cohesion/Adhesion of Sprayed Fire-Resistive Materials (Test Kit Only)	ASTM E736	\$85.00

CONTACT INFORMATION

Headquarters: 2118 Rheem Drive • Pleasanton, CA 94588 • P 925.462.5151 • F 925.462.5183
Peninsula: 44 Tehama, Suite 305 • San Francisco, CA 94105 • P 415.334.4747 • F 415.438.2357
Oakland: 246 30th Street, Suite 101 • Oakland, CA 94601 • P 510.444.4747 • F 510.835.1825
San Jose: 2033 Gateway Place, #500 • San Jose, CA 95110 • P 408.573.6992 • F 408.437.1201
Stockton: 343 East Main Street, #711 • Stockton, CA 95202 • P 209.507.7555 • F 209.507.7554
Rocklin: 4400 Yankee Hill Road • Rocklin, CA 95677 • P 916.419.4747 • F 916.419.4774
Las Vegas: 3842 E. Post Road • Las Vegas, NV 89120 • P 702.257.4747 • F 702.257.4718

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	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		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>

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

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 INSUREDS.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

EVIDENCE OF INSURANCE AND OTHER RELATED NOTICES ARE REQUIRED TO BE FILED WITH THE CITY OF PALO ALTO AT THE FOLLOWING URL:

<HTTPS://WWW.PLANETBIDS.COM/PORTAL/PORTAL.CFM?COMPANYID=25569>

OR

HTTP://WWW.CITYOFPALOALTO.ORG/GOV/DEPTS/ASD/PLANET_BIDS_HOW_TO.ASP

EXHIBIT E

DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS

This Exhibit shall apply only to a contract for public works construction, alteration, demolition, repair or maintenance work, CITY will not accept a bid proposal from or enter into this Agreement with CONSULTANT without proof that CONSULTANT and its listed subcontractors are registered with the California Department of Industrial Relations (“DIR”) to perform public work, subject to limited exceptions. City requires CONSULTANT and its listed subcontractors, if any, to comply with all applicable requirements of the California Labor Code including but not limited to Labor Code Sections 1720 through 1861, and all applicable related regulations, including but not limited to Subchapter 3, Title 8 of the California Code of Regulations Section 16000 et seq., as amended from time to time. This Exhibit E applies in addition to the provisions of Section 26 (Prevailing Wages and DIR Registration for Public Works Contracts) of the Agreement.

CITY provides notice to CONSULTANT of the requirements of California Labor Code Section 1771.1(a), which reads:

“A contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal, subject to the requirements of Section 4104 of the Public Contract Code, or engage in the performance of any contract for public work, as defined in this chapter, unless currently registered and qualified to perform public work pursuant to Section 1725.5. It is not a violation of this section for an unregistered contractor to submit a bid that is authorized by Section 7029.1 of the Business and Professions Code or Section 10164 or 20103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to Section 1725.5 at the time the contract is awarded.”

This Project is subject to compliance monitoring and enforcement by DIR. All contractors must be registered with DIR per Labor Code Section 1725.5 in order to submit a bid. All subcontractors must also be registered with DIR. No contractor or subcontractor may be awarded a contract for public work on a public works project unless registered with DIR. Additional information regarding public works and prevailing wage requirements is available on the DIR web site (see e.g. <http://www.dir.ca.gov>) as amended from time to time.

CITY gives notice to CONSULTANT and its listed subcontractors that CONSULTANT is required to post all job site notices prescribed by law or regulation.

CONSULTANT shall furnish certified payroll records directly to the Labor Commissioner (DIR) in accordance with Subchapter 3, Title 8 of the California Code of Regulations Section 16461 (8 CCR Section 16461).

CITY requires CONSULTANT and its listed subcontractors to comply with the requirements of Labor Code Section 1776, including but not limited to:

Keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by, respectively, CONSULTANT and its listed subcontractors, in connection with the Project.

The payroll records shall be verified as true and correct and shall be certified and made available for inspection at all reasonable hours at the principal office of CONSULTANT and its listed subcontractors, respectively.

At the request of CITY, acting by its Project Manager, CONSULTANT and its listed subcontractors shall make the certified payroll records available for inspection or furnished upon request to the CITY Project Manager within ten (10) days of receipt of CITY's request.

CITY requests CONSULTANT and its listed subcontractors to submit the certified payroll records to CITY's Project Manager at the end of each week during the Project.

If the certified payroll records are not provided as required within the 10-day period, then CONSULTANT and its listed subcontractors shall be subject to a penalty of one hundred dollars (\$100.00) per calendar day, or portion thereof, for each worker, and CITY shall withhold the sum total of penalties from the progress payment(s) then due and payable to CONSULTANT.

Inform CITY's Project Manager of the location of CONSULTANT's and its listed subcontractors' payroll records (street address, city and county) at the commencement of the Project, and also provide notice to CITY's Project Manager within five (5) business days of any change of location of those payroll records.

Eight (8) hours labor constitutes a legal day's work. CONSULTANT shall forfeit as a penalty to CITY, \$25.00 for each worker employed in the execution of the Agreement by CONSULTANT or any subcontractor for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one calendar day or forty (40) hours in any one calendar week in violation of the provisions of the Labor Code, and in particular, Sections 1810 through 1815 thereof, except that work performed by employees of CONSULTANT or any subcontractor in excess of eight (8) hours per day, or forty (40) hours during any one week, shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day, or forty (40) hours per week, at not less than one and one-half (1&1/2) times the basic rate of pay, as provided in Section 1815.

CONSULTANT shall secure the payment of workers' compensation to its employees as provided in Labor Code Sections 1860 and 3700 (Labor Code 1861). CONSULTANT shall sign and file with the CITY a statutorily prescribed statement acknowledging its obligation to secure the payment of workers' compensation to its employees before beginning work (Labor Code 1861). CONSULTANT shall post job site notices per regulation (Labor Code 1771.4(a)(2)).

CONSULTANT shall comply with the statutory requirements regarding employment of apprentices including without limitation Labor Code Section 1777.5. The statutory provisions will be enforced for penalties for failure to pay prevailing wages and for failure to comply with wage and hour laws.

EXHIBIT F
Claims for Public Contract Code Section 9204 Public Works Projects

The provisions of this Exhibit are provided in compliance with Public Contract Code Section 9204; they provide the exclusive procedures for any claims pursuant to Public Contract Code Section 9204 related to the Services performed under this Agreement.

1. Claim Definition. “Claim” means a separate demand by the Contractor sent by registered mail or certified mail with return receipt requested, for one or more of the following:

(A) A time extension, including, without limitation, for relief from damages or penalties for delay assessed by the City.

(B) Payment by the City of money or damages arising from the Services performed by, or on behalf of, the Contractor pursuant to the Agreement and payment for which is not otherwise expressly provided or to which the Contractor is not otherwise entitled.

(C) Payment of an amount that is disputed by the City.

2. Claim Process.

(A) Timing. Any Claim must be submitted to City in compliance with the requirements of this Exhibit no later than fourteen (14) days following the event or occurrence giving rise to the Claim. This time requirement is mandatory; failure to submit a Claim within fourteen (14) days will result in its being deemed waived.

(B) Submission. The Claim must be submitted to City in writing, clearly identified as a “Claim” submitted pursuant to this Exhibit, and must include reasonable documentation substantiating the Claim. The Claim must clearly identify and describe the dispute, including relevant references to applicable portions of the Agreement, and a chronology of relevant events. Any Claim for additional payment must include a complete, itemized breakdown of all labor, materials, taxes, insurance, and subcontract, or other costs. Substantiating documentation such as payroll records, receipts, invoices, or the like, must be submitted in support of each claimed cost. Any Claim for an extension of time or delay costs must be substantiated with schedule analysis and narrative depicting and explaining claimed time impacts.

(C) Review. Upon receipt of a Claim in compliance with this Exhibit, the City shall conduct a reasonable review of the Claim and, within a period not to exceed 45 days from receipt, shall provide the Contractor a written statement identifying what portion of the Claim is disputed and what portion is undisputed. Upon receipt of a Claim, the City and Contractor may, by mutual agreement, extend the time period provided in this paragraph 2.

(D) If City Council Approval Required. If the City needs approval from the City Council to provide the Contractor a written statement identifying the disputed portion and the undisputed portion of the Claim, and the City Council does not meet within the 45 days or within the mutually agreed to extension of time following receipt of a Claim sent by registered mail or certified mail, return receipt requested, the City shall have up to three days following the next duly publicly noticed meeting of the City Council after the 45-day period, or extension, expires to provide the Contractor a written statement identifying the disputed portion and the undisputed portion.

(E) Payment. Any payment due on an undisputed portion of the Claim shall be processed and made within 60 days after the City issues its written statement. If the City fails to issue a written statement, paragraph 3, below, shall apply.

3. Disputed Claims

(A) Meet and Confer. If the Contractor disputes the City's written response, or if the City fails to respond to a Claim submitted pursuant to this Exhibit within the time prescribed, the Contractor may demand in writing an informal conference to meet and confer for settlement of the issues in dispute. Upon receipt of a demand in writing sent by registered mail or certified mail, return receipt requested, the City shall schedule a meet and confer conference within 30 days for settlement of the dispute. Within 10 business days following the conclusion of the meet and confer conference, if the Claim or any portion of the Claim remains in dispute, the City shall provide the Contractor a written statement identifying the portion of the Claim that remains in dispute and the portion that is undisputed. Any payment due on an undisputed portion of the Claim shall be processed and made within 60 days after the City issues its written statement.

(B) Mediation. Any remaining disputed portion of the Claim, as identified by the Contractor in writing, shall be submitted to nonbinding mediation, with the City and the Contractor sharing the associated costs equally. The City and Contractor shall mutually agree to a mediator within 10 business days after the disputed portion of the Claim has been identified in writing by the Contractor. If the parties cannot agree upon a mediator, each party shall select a mediator and those mediators shall select a qualified neutral third party to mediate the disputed portion of the Claim. Each party shall bear the fees and costs charged by its respective mediator in connection with the selection of the neutral mediator. If mediation is unsuccessful, the parts of the Claim remaining in dispute shall be subject to any other remedies authorized by the Agreement and laws.

(i) For purposes of this paragraph 3.B, mediation includes any nonbinding process, including, but not limited to, neutral evaluation or a dispute review board, in which an independent third party or board assists the parties in dispute resolution through negotiation or by issuance of an evaluation. Any mediation utilized shall conform to the timeframes in this section.

(ii) Unless otherwise agreed to by the City and the Contractor in writing, the mediation conducted pursuant to this section shall excuse any further obligation, if any, under Public Contract Code Section 20104.4 to mediate after litigation has been commenced.

4. City's Failure to Respond. Failure by the City to respond to a Claim from the Contractor within the time periods described in this Exhibit or to otherwise meet the time requirements of this Exhibit shall result in the Claim being deemed rejected in its entirety. A Claim that is denied by reason of the City's failure to have responded to a Claim, or its failure to otherwise meet the time requirements of this Exhibit, shall not constitute an adverse finding with regard to the merits of the Claim or the responsibility or qualifications of the Contractor.

5. Interest. Amounts not paid in a timely manner as required by this section shall bear interest at seven (7) percent per annum.

6. Approved Subcontractor Claims. If an approved subcontractor or a lower tier subcontractor lacks legal standing to assert a Claim against the City because privity of contract

does not exist, the Contractor may present to the City a Claim on behalf of a subcontractor or lower tier subcontractor. A subcontractor may request in writing, either on his or her own behalf or on behalf of a lower tier subcontractor, that the Contractor present a Claim for work which was performed by the subcontractor or by a lower tier subcontractor on behalf of the subcontractor. The subcontractor requesting that the Claim be presented to the City shall furnish reasonable documentation to support the Claim. Within 45 days of receipt of this written request, the Contractor shall notify the subcontractor in writing as to whether the Contractor presented the claim to the City and, if the Contractor did not present the claim, provide the subcontractor with a statement of the reasons for not having done so.

7. Waiver of Provisions. A waiver of the rights granted by Public Contract Code Section 9204 is void and contrary to public policy, provided, however, that (1) upon receipt of a Claim, the parties may mutually agree to waive, in writing, mediation and proceed directly to the commencement of a civil action or binding arbitration, as applicable; and (2) the City may prescribe reasonable change order, claim, and dispute resolution procedures and requirements in addition to the provisions of Public Contract Code Section 9204, so long as the contractual provisions do not conflict with or otherwise impair the timeframes and procedures set forth in this section.



City of Palo Alto City Council Staff Report

(ID # 14416)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Contract No. C22184848 with Salas O'Brien Engineers, Inc., for a Total Amount Not to Exceed \$110,212, for Engineering Design Services for the Municipal Service Center Lighting, Mechanical, and Electrical Improvements Project Capital Improvement Program Project (PF-16006)

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council approve and authorize the City Manager or their designee to execute [Contract No. C22184848](#) with Salas O'Brien Engineers, Inc., for a not-to-exceed amount of \$110,212 to provide design revision services for the Municipal Service Center (MSC) Lighting, Mechanical, and Electrical Improvements Project (PF-16006). The amount includes \$100,212 for basic services and \$10,000 for additional services as needed, assigned by City-approved task order as detailed in the contract.

Background

The Municipal Service Center (MSC) is located at 3201 East Bayshore Road in Palo Alto and is occupied by numerous City departments and workgroups including Utilities (Water, Gas, Wastewater Operations and Electric Operations), Public Works Public Services (Facilities, Operations, Urban Forestry, Traffic, and Fleet), Public Works Environmental Services (Zero Waste), ASD (Warehouse), and Community Services (Parks).

The MSC site is on the bay side of East Bayshore Road and consists of three main buildings, Building A, Building B, and Building C, all of which were constructed in 1966. The buildings are low, one-and two-story tilt-up concrete structures with concrete roof framing. Building A is approximately 15,730 square feet, Building B is 23,935 square feet, and Building C is 32,720 square feet. Seismic bracing was installed on all three buildings in 1998.

Competitive Solicitation

The City and Salas O'Brien had originally entered into contract C17165053 for professional services on October 4, 2016. The award was based on competitive solicitation (RFP165053, [Staff Report #7237](#)) and services were completed to City staff expectations in 2019. The original scope of the Salas O'Brien contract included design services for: (1) upgrades to the mechanical and electrical systems and their components servicing all three buildings that have reached the

end of their useful life expectancy, while addressing design proficiency, energy savings, code compliance, and aesthetics; (2) renovation of the City's Zero Waste group offices; and (3) design of structural upgrades associated with the proposed mechanical system, electrical system, and office renovation.

Following completion of their design in 2018, the project was formally solicited for bids and received only one bid that exceeded the construction estimate. In 2019, Council began drafting the goals and key actions for the [Sustainability/Climate Action Plan \(S/CAP\)](#) to initiate all projects towards net carbon zero with future installations of equipment to be electrified rather than natural gas fueled. There was an attempt made to amend the Salas O'Brien contract to revise their design towards electrification, but due to scope questions and staffing shortages, along with the COVID-19 pandemic, the amendment to the original contract never came to fruition and the term for the contract ended.

Discussion

Following completion of the original lighting, mechanical, and electrical improvements design by Salas O'Brien, it was determined that there would be a considerable future electrical load demand required at the MSC to accommodate the City's Sustainability and Climate Action Plan (S/CAP) proposed goals to electrify City facilities. To meet these goals, the remaining gas-fired mechanical equipment will need to be replaced with electrically powered equipment. This future anticipated electrical demand will be accounted for as part of this agreement. In parallel with electrification of City facilities, the City fleet will also move towards Electric Vehicles (EVs), requiring additional EV chargers and capacity at the MSC. These considerable electrical load demands require a re-evaluation of the overall electrical capacity for the facility. A redesign of the main switch gear will also be required to meet the new demands.

The most practical way to proceed and meet the City's electrification goals is to revise the original design to include substitution of equipment from fossil fuel to electric and re-evaluation of electrical loads to the system. Salas O'Brien has agreed to honor their pricing that was originally proposed prior to the COVID-19 pandemic. Staff recommends utilizing the original Consultant's design and drawings to modify the equipment. Award of a sole source contract to Salas O'Brien will result in the most efficient and cost-effective means for design completion, as approved by the City Manager pursuant to Palo Alto Municipal Code section 2.30.360(b)(2) wherein competitive solicitation would be impracticable, unavailing or impossible, or would not be useful or produce any operational or financial advantage for the City (and given that this work was originally competitively solicited in 2016 as noted above). Alternatively, staff could complete a new competitive solicitation for these additional services. However, this would lead to delays in beginning the additional design work of at least six months and likely increased costs because Salas O'Brien has agreed to honor their rates from before the pandemic, and any other consultant would be expected to require significant effort to revisit the original design parameters and work. Staff does not recommend this option.

This contract is on the City's professional services template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include termination due to non-appropriation of funds or amending the contract to reduce the cost, for example, by reducing the scope of work. The contract may also be temporarily suspended by written notice of the City Manager.

Timeline

The design revision is expected to be complete by fall 2023. Construction is expected to begin in early 2024.

Resource Impact

Funding for the contract recommended in this report is available in the Fiscal Year 2022 Adopted Capital Budget in the Municipal Service Center Lighting, Mechanical, and Electrical Improvements project (PF-16006).

Policy Implications

The proposed action is consistent with City policies.

Stakeholder Engagement

MSC staff provided input with regards to the future needs of the facility encompassing both electrification of gas-fired mechanical equipment and fleet replacement with EVs. Facility staff also provided input regarding the reliability and expansion limitations of the electrical distribution system to accommodate the aforementioned needs.

Environmental Review

This project is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15302 of the CEQA Guidelines as "Replacement or Reconstruction of Existing Structures" and no further Environmental review is necessary.



City of Palo Alto City Council Staff Report

(ID # 14419)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approve Contract C22184489 with Martina Entriken Not to Exceed \$330,000 for a Term of Three Years to Provide a Preschool/Toddler Program

From: City Manager

Lead Department: Community Services

Recommendation

Staff recommends that the City Council approve and authorize the City Manager to execute a contract between the City of Palo Alto and Martina Entriken in an amount not to exceed \$330,000 for a preschool and toddler program offered through the City's Recreation program for a three-year period. (Attachment A: Preschool & Toddler Program C22184489)

Background

The Community Services Department (CSD) hosts youth programs through the yearlong recreation program. CSD strives to offer a variety of programs and services that are high quality, exciting, dynamic and inclusive to all. The classes are available through the City's ENJOY! Catalog, as well as on the City's website on www.cityofpaloalto.org/enjoyonline where customers can register for the classes. A preschool and toddler program has been a long-standing offering through the ENJOY! Catalog. The program is taught by an approved contractor through a three-year contract to instruct children ages 1 ½ - 4 years old. At the end of each three-year term, a competitive bid solicitation is conducted. The term of the existing contract will expire at the end of Fiscal Year 2022.

Discussion

The Request for Proposals (RFP) for the project was posted in PlanetBids, the City's eProcurement platform. Staff performed outreach prior to the solicitation because, historically, educational services and providers are lacking within this age group. Two hundred and twenty-nine (229) vendors were notified, and the solicitation was posted for 14 days, closing on April 28, 2022. One vendor responded to the RFP, which is consistent with the procurement process completed three years ago when only one response was received. Staff is unsure of the reason for the low number of responses, however; it may be that preschools are not resourced sufficiently to spend the time to complete a thorough response for a formal solicitation.

Summary of Request for Proposal	
<i>Proposal Description</i>	Preschool/Toddler Program RFP184489
<i>Proposed Length of Project</i>	3-year term
<i>Number of Vendors Notified</i>	229
<i>Number of Proposal Packages Downloaded</i>	7
<i>Total Days to Respond to Proposal</i>	14
<i>Pre-Proposal Meeting</i>	No
<i>Pre-Proposal Meeting Date</i>	None
<i>Number of Proposals Received</i>	1
<i>Proposal Price Range</i>	\$299, 970
<i>Public Link to Solicitation</i>	https://pbsystem.planetbids.com/portal/25569/bo/bo-detail/93139

The proposal was evaluated and determined to be responsive to the criteria identified in the RFP. It maintained the same past revenue split of 60% to the contractor and 40% to the City for the three-year term of the agreement with a not to exceed amount of \$330,000. The evaluation committee also felt that Martina Enriken's written proposal made it clear that she has the extensive experience, knowledge and the background desired for the work. Martina Enriken has been a consistent, dependable contractor working for the City of Palo Alto for over 15 years. She does provide a highly sought program that incorporates all the elements required for instruction: dramatic and sensory play, art, science, math, music and literacy. Martina also incorporates field trips to nature, community, and cultural locations. Class sizes are small with 15 children enrolled and the program requires parent participation to create a nurturing environment and culture of learning for both the children and the adults.

Resource Impact

The Community Services Department Fiscal Year 2023 proposed budget includes funding to award the first twelve months of this contract. Funding for future years is subject to City Council approval through the annual budget process.

Stakeholder Engagement

The RFP was sent to 229 educational service providers serving the target age group.

Environmental Review

This program is not considered a Project as defined by the California Environmental Quality Act (CEQA).

Attachments:

- **Attachment19.a:** Attachment A: Martina Enriken, Preschool & Toddler Program; Contract C22184489

CITY OF PALO ALTO CONTRACT NO. C22184489**AGREEMENT FOR PROFESSIONAL SERVICES****BETWEEN THE CITY OF PALO ALTO AND MARTINA ENTRIKEN**

This Agreement for Professional Services (this “Agreement”) is entered into as of the 1st day of June, 2022 (the “Effective Date”), by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and MARTINA ENTRIKEN, a sole proprietor, located at 302 College Avenue, Palo Alto, CA 94306 (“CONSULTANT”).

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

RECITALS

A. CITY intends to offer preschool/toddler programs through the City’s Community Services Department (the “Project”) and desires to engage a consultant to provide creative adventure and exploration classes 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 the date of its full execution through June 30, 2025 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. 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 **Three Hundred Thousand Dollars (\$300,000.00)**. 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.

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 **Thirty Thousand Dollars (\$30,000.00)** 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 **Three Hundred Thirty Thousand Dollars (\$330,000.00)**, 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.

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. 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. 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 Martina Entriken 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 Margie Cain, Community Services Department, Recreation Division, 1305 Middlefield Road, Palo Alto, CA, 94301, Telephone: (650) 463-4919. 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.

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 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.

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. 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 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 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 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.

CONTRACT No. C22184489 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

CONSULTANT

City Manager

DocuSigned by:
Officer 1
By: *Martina Entriken*
Name: ~~Martina Entriken~~
Title: Teacher

APPROVED AS TO FORM:

City Attorney or designee

EXHIBIT A SCOPE OF SERVICES

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

The CONSULTANT to facilitate a developmental program for toddlers and preschoolers. The program should be designed to encourage children’s innate sense of curiosity about the natural world, their community, the arts and culture. The program’s curriculum will include sensory play, art, science, math, music, early age literacy and a field trip component. The program is designed for ages 1 ½ years to 4 years and parent participation is required.

CONSULTANT agrees to:

COURSE CONTENT:

- Be responsible for curriculum and course content; including providing course materials.
- Provide a consistent instructor, with as little substitution as possible.
- Conduct the program in a safe manner.
- City shall have the right to observe Consultant instruct in order to determine whether Consultant is in compliance with the terms and conditions of this Agreement.
- Class and camp information must be submitted approximately six months prior to the start of each class and camp session.

QUALITY OF PROGRAM:

Maintain a quality program which includes, but is not limited to:

- Consultants are knowledgeable and experienced in the subject being taught and with the age group.
- Consultants are reliable and punctual.
- Consultants are organized and prepared to teach at the start of each class.
- Consultants to maintain strong working relationships with City staff and customers.
- Consultants provide good customer service.
- Consultants and their employees can effectively resolve issues.

SET UP & CLEAN UP:

- Be responsible for all set up and clean up of the room and equipment.
- All set up must be completed prior to the start of class.

EMPLOYEES:

- Provide employees who are at least 18 years old
- All employees and/or volunteers must complete Fingerprint background check and must pass background prior to providing services, provide negative TB test results within the last two years (for anyone working with minors), provide proof of auto Insurance in accordance with City guidelines (for anyone driving to the City of Palo Alto facility).
- All Consultants, as well as their employees and volunteers, are strongly recommended to obtain certification in CPR/First Aid.

PUBLICITY:

- May not publicize Consultant's business to class participants during class hours without prior authorization from Department Director.
- Must obtain prior approval from Recreation Coordinator or designee for publicity containing City classes.
- Follow timelines for submitting and proofing quarterly class proposals to be included in the Enjoy catalog. Note: Classes included in proposal are not guaranteed to be offered.

PUNCTUALITY:

- Consultant and their employees shall arrive at least 15 minutes prior to the starting time of the class or at least 30 minutes for set-up.
- Ensures that all classes start and end on time
- Notifies the Community Center or Recreation Coordinator prior to the class if Consultant is running late or unable to attend
- If a class is missed, a make up class is required to be provided by Consultant.
- Consultant agrees to stay with all children until they are picked up by parents, released on their own if approval is noted or transferred to City staff.

RECORD KEEPING:

- Must take attendance at each class. All attendance records shall be submitted at the end of each session.

COMMUNICATION:

- Immediately communicate problems and issues with the class(es) or customers to the Recreation Coordinator or City Staff.
- Inform City staff of participant injuries, illness (Covid exposures) and complete necessary accident reports within 24 hours.

ADHERENCE TO CITY POLICY:

- Responsible for knowing the City's policies and procedures with regard to special interest classes (i.e. waiting lists, cancellation, refund, satisfaction, etc.)
- Responsible for verifying that only registered participants with a signed City liability form on file with the City are permitted to participate in City's special interest classes.

PRIVACY:

- Agrees that any personal information that Consultant receives regarding customers may not be used for other than City business.
- Ensures that customer information will be stored in a secure location.

City AGREES to:

- Process all registrations for classes (Consultants not allowed to register participants)
- Provide Consultant with attendance sheets
- Provide facility for scheduled classes.
- Include Consultant classes in publicity materials

RATE:

Consultant will not be compensated for classes offered and canceled. Consultant will be compensated for only registered participants listed on the attendance records. City and Consultant shall mutually agree upon the date and time and number of courses offered by Consultant.

PAYMENT:

For registration-based classes, at the conclusion of each session, Consultant will invoice the City for payment. In addition, the Consultant's invoice must include class name, class number, number of registered participants, rate of pay, total amount due for each class and grand total of all classes included on invoice.

WORK PLAN / CLASS SCHEDULE:

This work plan is organized by tasks comprising the twelve (12) sessions occurring quarterly for three (3) years, beginning in June 2022. Each Task (or quarterly session) consists of two 2-day classes per week, per session (1 local field trip; 1 school day) and of one 1-day class per week (1 school day). Not shown in the table is an option for One 1 day a week afternoon session, with the specifics to be arranged with the city at a later date. Detailed schedule is identified in Exhibit B – Schedule of Performance.

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.

Milestones	Completion Number of Days/Weeks (as specified below) from NTP
1. Summer 2022 Session	Jul – Sep 2022
2. Fall 2022 Session	Oct – Dec 2022
3. Winter 2022-23 Session	Jan – Mar 2023
4. Spring 2023 Session	Apr – Jun 2023
5. Summer 2023 Session	Jul – Sep 2023
6. Fall 2023 Session	Oct – Dec 2023
7. Winter 2023-24 Session	Jan – Mar 2024
8. Spring 2024 Session	Apr – Jun 2024
9. Summer 2024 Session	Jul – Sep 2024
10. Fall 2024 Session	Oct – Dec 2024
11. Winter 2024-25 Session	Jan – Mar 2025
12. Spring 2025 Session	Apr – Jun 2025

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 rate schedule attached as Exhibit C-1 up to the not to exceed budget amount for each task 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	ESTIMATED (No. of Students X No. of Weeks X No. of Days per Week)	NOT TO EXCEED AMOUNT
1) Summer 2022 Session	15 x 7 x 6 = 630	\$15,120
2) Fall 2022 Session	15 x 16 x 6 = 1440	\$36,000
3) Winter 2022-23 Session	15 x 9 x 6 = 810	\$20,250
4) Spring 2023 Session	15 x 11 x 6 = 990	\$24,750
5) Summer 2023 Session	15 x 7 x 6 = 630	\$15,750
6) Fall 2023 Session	15 x 16 x 6 = 1440	\$37,440
7) Winter 2023-24 Session	15 x 9 x 6 = 810	\$21,060
8) Spring 2024 Session	15 x 11 x 6 = 990	\$25,740
9) Summer 2024 Session	15 x 7 x 6 = 630	\$16,380
10) Fall 2024 Session	15 x 16 x 6 = 1440	\$38,880
11) Winter 2024-25 Session	15 x 9 x 6 = 810	\$21,870
12) Spring 2025 Session	15 x 11 x 6 = 990	\$26,760
Reimbursable Expenses (if any)		\$0.00
Total for Services and Reimbursable Expenses		\$300,000
Additional Services (if any, per Section 4)		\$30,000
Maximum Total Compensation		\$330,000

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**

**EXHIBIT C-1
SCHEDULE OF RATES**

CONSULTANT's schedule of rates is as follows:

Rates Per Session	Hourly Rate
1) Summer 2022 Session	\$24
2) Fall 2022 Session	\$25
3) Winter 2022-23 Session	\$25
4) Spring 2023 Session	\$25
5) Summer 2023 Session	\$25
6) Fall 2023 Session	\$26
7) Winter 2023-24 Session	\$26
8) Spring 2024 Session	\$26
9) Summer 2024 Session	\$26
10) Fall 2024 Session	\$27
11) Winter 2024-25 Session	\$27
12) Spring 2025 Session	\$27

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	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		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>

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

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 INSUREDS.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

EVIDENCE OF INSURANCE AND OTHER RELATED NOTICES ARE REQUIRED TO BE FILED WITH THE CITY OF PALO ALTO.



City of Palo Alto City Council Staff Report

(ID # 14442)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Adoption of a Resolution Proposing the Appropriations Limit for Fiscal Year 2023

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that Council adopt the attached Resolution determining the Proposition 4 (GANN) Appropriations Limit for Fiscal Year 2023 (Attachment A). The City's Fiscal Year 2023 appropriations are estimated to be \$64.91 million under the limit based on the Fiscal Year 2023 Budget, as recommended to the City Council for review and adoption on June 20, 2022.

Background

California voters approved an initiative on November 6, 1979 that added Article XIII B to the State Constitution, as amended by Proposition 98 in 1988 and Proposition 111 in 1990. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriation Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors. The original legislation implementing the provisions of Article XIII B became effective January 1, 1981. In accordance with that legislation, the governing body of each government jurisdiction must, by resolution, establish its annual Appropriation Limit for the coming year (prior to July 1) at a regularly scheduled meeting or noticed special meeting. Based on Article XIII B, the City of Palo Alto can use the larger of two measurements of population growth, (county or city population growth) in the Appropriations Limit calculation. For Fiscal Year 2023, the City is using the 2021-2022 percent change in population growth of Palo Alto in the calculation. The City typically uses the highest factor in order to provide maximum appropriation flexibility.

Discussion

The Appropriations Limit is adjusted annually on the basis of population and per capita income changes provided annually by the California Department of Finance. This updated information is received from the California Department of Finance in May, after the City's proposed budget has been submitted to Council. Attached is the final

Appropriations Limit calculation, based on the updated information as well as allowable appropriation limit adjustment factors such as voter-approved debt and capital outlay expenditures. The Appropriations Limit for Fiscal Year 2023 is \$203.30 million for funds subject to the appropriation limits. The City's Fiscal Year 2023 budgeted appropriations are estimated to be \$64.91 million under the limit. As required by State law, documentation used to compute the Appropriations Limit has been made available to the public at least fifteen days prior to the Council meeting at which the Appropriations Limit is being adopted, and notice was published of the availability of these materials.

Resource Impact

The adoption of the Fiscal Year 2023 Appropriations Limit has no impact on City resources.

Stakeholder Engagement

A public notice was provided on June 3, 2022 stating the availability of the calculation materials on the City's website, and that the Appropriations Limit is being adopted on June 20, 2022.

Policy Implications

This recommendation is consistent with existing City policies.

Environmental Review

This is not a project under section 21065 of the California Environmental Quality Act.

Attachments:

- **Attachment20.a:** Attachment A: GANN Resolution FY 2023
- **Attachment20.b:** Attachment B: Exhibit 1 GANN Notice FY 2023

NOT YET APPROVED**ATTACHMENT A**

Resolution No. _____

Resolution of the Council of the City of Palo Alto Determining the Calculation of the Appropriations Limit for Fiscal Year 2023

R E C I T A L S

- A. Under Article XIII B of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and
- B. Since fiscal year 1991, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and
- C. Pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for Fiscal Year 2023, which was adopted by ordinance of the Council on June 20, 2022; and
- D. Pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 7.55% percent change in California per capita income and a 0.07% percent change in the population growth for the City of Palo Alto; and
- E. The documentation used in the determination of the Limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and
- F. According to the final calculation, the City's net appropriations subject to limitation are approximately \$138.39 million.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for Fiscal Year 2023, the final calculation of the Appropriations Limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City's appropriations subject to limitation are under the Limit by approximately \$64.91 million.

NOT YET APPROVED

ATTACHMENT A

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for Fiscal Year 2023, a copy of which is attached hereto as Exhibit 1.

SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager


City Attorney

Administrative Services Director

Exhibit 1

APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION FOR FISCAL YEAR 2023 ADOPTED BUDGET

(\$ IN MILLIONS)

Total Budgeted Appropriations	General Fund	Capital Projects Funds	Special Revenue Funds	Debt Service Fund	Combined Funds
FY 2023 Adopted Budget	\$ 247.55	\$ 96.50	\$ 24.36	\$ 8.79	\$ 377.21
Less:					
Interfund Transfers	\$ (25.36)	\$ (3.84)	\$ (19.20)	\$ -	\$ (48.40)
Allocated Charges	\$ (22.72)	\$ (0.38)	\$ (0.33)	\$ -	\$ (23.42)
Non-Proceeds	\$ (58.79)	\$ (92.52)	\$ (6.92)	\$ (8.77)	\$ (167.00)
Net Appropriations Subject to Limit	\$ 140.68	\$ (0.23)	\$ (2.08)	\$ 0.02	\$ 138.39
 CITY OF PALO ALTO	FY 2023 Per Capita Income Change (CA Department of Finance)				7.55%
	<i>Factor A</i>				1.075500
	FY 2023 Population Change (City of Palo Alto)				0.07%
	<i>Factor B</i>				1.000007
	FY 2022 Adopted Appropriations Limit				\$ 189.03
	Factor A x Factor B				1.075508
	FY 2023 Adopted Appropriations Limit				\$ 203.30
	Net Appropriations Subject to Limit				\$ 138.39
	Amount Under the Limit				\$ 64.91

The City of Palo Alto remains well within its appropriations limit in FY 2023. Future year limit trends can be made based on the average change in regional population and income growth. The appropriations subject to limitation includes proceeds of taxes from the General Fund, Capital Projects Fund, and Special Revenue Funds.

Fiscal Year	Per Capita Income Factor	Population Change Factor	Total Adjustment Factor	Appropriations Limit	Appropriations Subject to Limit	Amount Under the Limit
2022	1.0573	0.9999	1.0572	\$ 189.03	\$ 127.09	\$ 63.07
2021	1.0373	1.0037	1.0411	\$ 179.86	\$ 113.06	\$ 66.81
2020	1.0385	1.0033	1.0419	\$ 171.74	\$ 127.42	\$ 45.34
2019	1.0367	1.0040	1.0408	\$ 164.83	\$ 114.94	\$ 50.87
2018	1.0369	1.0082	1.0454	\$ 158.36	\$ 131.49	\$ 26.88
2017	1.0537	1.0130	1.0674	\$ 151.48	\$ 109.51	\$ 41.97
2016	1.0382	1.0113	1.0499	\$ 141.92	\$ 100.60	\$ 41.31
2015	0.9977	1.0150	1.0127	\$ 135.17	\$ 82.93	\$ 52.24
2014	1.0512	1.0157	1.0677	\$ 133.48	\$ 90.28	\$ 43.20
2013	1.0377	1.0124	1.0506	\$ 125.01	\$ 96.73	\$ 28.28
2012	1.0251	1.0089	1.0342	\$ 119.00	\$ 89.00	\$ 30.00

On November 6, 1979, California voters approved Proposition 4, an initiative that added Article XIII B to the state Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriations Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors.



City of Palo Alto City Council Staff Report

(ID # 14456)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of Lease Agreement between Palo Alto Unified School District (Landlord) and City of Palo Alto (Tenant) for Extended Day Care Sites for 12 months, Rent Not to Exceed \$707,676 per Year

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the City Council authorize the City Manager to execute the Lease Agreement contained in Attachment A between Palo Alto Unified School District (PAUSD) and the City of Palo Alto (City) for the Extended Day Care premises. The lease is for a 12-month term ending June 30, 2023 at a base annual rent of \$707,676.

Background

On June 15, 2020, the City Council approved a lease for elementary school sites from PAUSD to sublease to providers of afterschool care ([CMR: 11386](#)). The current lease is scheduled to expire on June 30, 2022. A new lease for the Extended Day Care sites has been negotiated to extend the existing term through the 2022 – 2023 school year, ending on June 30, 2023.

The agreement with PAUSD to provide space for extended day care at elementary school sites began in 1989 as a component of the parties' lease agreement that also included a lease on the former 35-acre Cubberley High School site and a Covenant Not to Develop five neighborhood elementary school sites. The original agreement was amended several times before the current standalone agreement for the 12 extended day care sites was executed on July 1, 2020. The current agreement is scheduled to expire on June 30, 2022 and the parties desire to extend the terms of the agreement to continue City-operated extended day child care services provided by [Palo Alto Community Child Care \(PACCC\)](#) and [Kid's Choice](#).

Discussion

Staff has negotiated a new lease agreement with PAUSD for the Extended Day Care Sites under the same general terms as the current agreement. PAUSD is accepting a one-year extension at this time due to their need to evaluate the childcare providers and their respective programs and determine if they are meeting the needs of families. Offering a one-year lease gives PAUSD the flexibility to make any changes in service provision for the 2023-24 school year. The new agreement extends the expiration date by one year to June 30, 2023 and tentatively replaces

the Palo Verde Elementary School site, while it is being renovated, with the Greendell campus for the 2022 – 2023 school year. Otherwise, the terms remain the same. The base rent will remain \$58,973 per month and the City will continue to be responsible for minor maintenance and utilities, estimated at approximately \$4,000 per month.

Timeline

On June 7, 2022, the lease agreement was approved by PAUSD’s Board as part of their approval of the consent calendar. The lease will be presented to the PAUSD board again on June 21, 2022 for action consistent with the PAUSD “two meeting rule”. The new lease will commence on July 1, 2022. After the lease with PAUSD for the Extended Day Care Sites (Attachment A) is fully executed, staff will extend the City’s sublease to PACCC and Kid’s Choice for the 2022 – 2023 school year, which does not require Council approval. PAUSD has informed the City that the District believes it will be able to discuss a longer-term agreement with the City for the Extended Day Care Sites around February 2023.

Resource Impact

The base rent for the new Extended Day Care lease will remain at \$58,973 per month or \$707,676 per year. The current base rent collected from PACCC and Kid’s Choice for the Extended Day Care Sites total \$6,957 per month or \$83,484 per year, which will remain the same for the lease term through June 30, 2023.

Policy Implications

Continuing to lease the Extended Day Care Sites from PAUSD is consistent with policies and programs in the Comprehensive Plan promoting City-PAUSD collaboration and the effective provision of community services.

Stakeholder Engagement

The City and PAUSD collaborated on development of the new agreement to extend the terms of the existing agreement through the 2022 – 2023 school year.

Environmental Review

This does not constitute a project for purposes of the California Environmental Quality Act (CEQA).

Attachments:

- **Attachment21.a:** Attachment A: Extended Day Care Lease

**LEASE AGREEMENT
BY AND BETWEEN THE PALO ALTO UNIFIED SCHOOL DISTRICT (LANDLORD)
AND THE CITY OF PALO ALTO (TENANT)
FOR EXTENDED DAY CARE SPACES**

This Lease ("Lease") dated July 1, 2022, for reference purposes only, is made and entered into by and between the Palo Alto Unified School District ("District") and the City of Palo Alto ("City"), a municipal corporation.

1.0 DEFINITIONS AND PREVIOUS AGREEMENTS

1.1 Definitions

1.1.1 City. The term "City" means the City of Palo Alto, a charter city and municipal corporation duly organized and existing pursuant to the Constitution and laws of the State of California.

1.1.2 District. The term "District" means the Palo Alto Unified School District, a unified school district organized and existing pursuant to the laws of the State of California.

1.1.3 District Purposes. The term "District purposes" means that District's using a Site for any District purpose, including but not limited to classrooms, administrative offices, and training centers for District personnel, but not for the purpose, either direct or indirect, of selling the Site or any other District school site or leasing that Site or any other District school site for non-district uses.

1.1.4 Reserved

1.1.5 Reserved

1.1.6 Reserved

1.1.7 Reserved

1.1.8 Reserved

1.1.9 Reserved

1.1.10 Reserved

1.1.11 Reserved

1.1.12 Reserved

1.1.13 Extended Day Care. Extended Day Care means 1) childcare services provided during the school year to grade school students for the periods a) 6:30 am and the

scheduled start of school and b) the earliest scheduled end of school and 6:30 pm Monday through Friday. 2) childcare services provided on non-school days from 6:30 am to 6:30 pm Monday through Friday, or as City deems appropriate.

1.1.14 Extended Day Care Spaces. Extended Day Care Spaces means those spaces identified in Exhibit A where Extended Day Care is intended to occur as detailed in this Lease.

1.2 Reserved

1.2.1 Reserved

1.2.2 Reserved

2.0 PAYMENT

2.1 Reserved

2.2 Reserved

2.3 Payment for Extended Day Care Spaces. As consideration for use of the Extended Day Care Spaces, City shall pay monthly to District the rent and utilities amounts listed in Exhibit A. All payments to District by City shall be made in twelve (12) equal installments payable monthly, by the last day of the month, commencing on July 1, 2022.

2.4 Covenant to Budget and Appropriate. Subject to Section 6.5.1(a), City covenants to take such action as may be necessary to include Lease payments due hereunder in its annual budget and annually to appropriate an amount necessary to make such Lease payments.

2.5 Manner of Payment. Payment shall be payable in lawful money of the United States to the order of the District at 25 Churchill Avenue, Palo Alto, CA 94306, Attention: Chief Business Officer, or such other place as the City and the District shall mutually agree. City's obligation to make payments for any partial month shall be prorated on the basis of a thirty (30) day month.

2.6 Late Payment Charge. If any installment of payment or any other sum due from City is not received by District within fifteen (15) days after the due date, City shall pay to District an additional sum equal to a half percent (1/2%) of the amount overdue for each month the payment is delinquent.

2.7 Reserved

2.7.1 Reserved

2.7.2 Reserved

2.7.3 Reserved

2.7.4 Reserved

2.7.5 Reserved

3.0 Cubberley Lease - Reserved

3.1 Reserved

3.1.1 Reserved 3.1.1 – 3.1.6

3.2 Reserved

3.2.1 Reserved

3.3 Toxic Materials

3.3.1 "Toxic Materials" for the purposes of this Lease are defined as any hazardous, toxic, or radioactive materials, including, but not limited to those materials identified in Sections 66680 and 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30, as amended from time to time.

3.3.2 Reserved

3.3.3 In the event of an emergency, City may act without District approval to cure or eliminate any dangerous condition which may give rise to a claim against the City. An emergency shall be defined as an unforeseen combination of circumstances or resulting state that calls for immediate action.

3.3.4 Reserved

3.3.5 Reserved

3.3.6 In the event that money has become available from the State of California for the cleanup of asbestos, District shall attempt in good faith to obtain a share of such funds to be applied to necessary cleanup work at the Extended Day Care Spaces.

3.4 Reserved

3.4.1 Reserved

3.4.2 Reserved

3.4.3 Reserved

3.4.4 Reserved

3.5 Reserved

3.5.1 Reserved

3.5.2 Reserved

3.5.3 Reserved

3.5.4 Reserved

3.6 Reserved

3.7 Reserved

3.7.1 Reserved

- 3.7.2 Reserved
- 3.7.3 Reserved
- 3.8 Reserved
 - 3.8.1 Reserved
 - 3.8.2 Reserved
- 3.9 Reserved
 - 3.9.1 Reserved
 - 3.9.2 Reserved
- 3.10 Reserved
- 3.11 Reserved
 - 3.11.1 Reserved
 - 3.11.2 Reserved
- 3.12 Reserved
 - 3.12.1 Reserved
 - 3.12.2 Reserved
 - 3.12.3 Reserved
 - 3.12.4 Reserved
- 3.13 Reserved
- 3.14 Reserved
 - 3.14.1 Reserved
 - 3.14.2 Reserved
- 4.0 Reserved
 - 4.1 Reserved
 - 4.2 Reserved

5.0 EXTENDED DAY CARE SPACES

5.1 Space Provided

5.1.1 During the term of this agreement, District agrees to provide and City agrees to accept twelve (12) spaces at various elementary school sites to be used for the purpose of providing City-operated extended day child care services. Said sites are listed on Exhibit A.

Additional child care spaces may be added in the event District opens additional elementary school sites.

5.1.2 District may, with the agreement of City, consolidate two child care spaces at one site. In no event shall more than three such consolidations occur.

It is understood the District shall bear the cost of transporting students in the event of such consolidation of spaces and City shall still compensate District for each and every space pursuant to Sections 2.3 and 5.1.1.

5.1.3 District may, with the agreement of City, substitute a portable for conventional classroom space.

5.1.4 In the event City and District cannot agree on the issue of consolidation contained in Section 5.1.2 or on the issue of substitution contained in Section 5.1.3 the matter shall be resolved by a three member arbitration panel. City and District shall each promptly appoint their representative to the panel and the two representatives shall select the third panel member. The decision of the panel shall be final and binding on both parties.

5.1.5 The space provided shall include appropriate access to designated rest rooms and other ancillary facilities such as playground equipment where appropriate, and shall be available to City 24 hours a day, 7 days a week.

5.1.6 The space provided shall meet appropriate State standards for at least twenty-five students and shall have all utility connections in place except for telephone. Specifically, the rooms shall have shelving and closets in place, however no furniture, toys or other equipment shall be provided by District.

5.1.7 Portables and conventional classroom space provided shall also conform to State standards for toxic materials as defined in Section 3.3.1. District shall be responsible for compliance with the Asbestos Hazard Emergency Response Act and any other State or Federal regulations, existing or subsequently enacted, relating to asbestos conditions for the extended day care space provided.

5.2 City Responsibilities

5.2.1 If City determines, at its sole discretion, to operate an extended day child care program in the spaces provided by District, it shall be the sole responsibility of the City to provide such services in the District designated spaces to persons desiring such services. The hours for such services shall be as set forth in Section 1.1.13.

5.2.2 City shall bear cost of utilities to the space including telephone. Unless separate meters are provided, the cost shall be prorated on a square footage basis (square footage of City space to total square footage of buildings on entire Site).

5.2.3 City shall, at City's own expense, provide for minor maintenance to the space including but not necessarily limited to: electrical (ex. ballasts and switches), plumbing fixtures (ex. leaky faucets and pipes), wall and floor coverings and windows.

5.2.4 City shall, at City's own expense, provide for custodial services.

5.2.5 City shall be responsible for security of the leased space at all times and security of the rest rooms outside the customary hours of school operation. Security shall mean locking all windows and doors and turning off lights.

5.3 District Responsibilities

5.3.1 District shall maintain fire and extended coverage insurance on the structures housing the child care programs with limits of full replacement value. In the event of

damage or destruction to the premises, District shall promptly restore the premises to their pre-existing condition.

5.3.2 District, at District's own expense, shall be responsible for major maintenance to the child care premises including roof, sewer and electrical hook-ups, heating, and air-conditioning and removal of toxic material where applicable.

5.4 Delay in Delivery of Possession

If the District, for any reason whatsoever, cannot deliver possession of twelve spaces to City on the commencement date, this agreement shall not be void or voidable, nor shall District be liable to City for any loss or damage resulting therefrom. In such event, City shall be relieved of its obligation to pay for a child care space in the amount equivalent to the unit value of each space not delivered. The unit value of one child care space is as listed in Exhibit A.

5.5 Hold Harmless

5.5.1 District shall indemnify and hold City harmless from any and all costs, claims, judgments, losses, demands, causes of action, proceedings or hearings, including City's attorneys' fees and court costs, relating to the storage, placement or use of Toxic Materials by District on or about the space or spaces for extended day care, whether or not the parties are aware of the existence of or any such use of Toxic Materials. District shall pro rata reduce rent and/or reimburse City for all costs of clean-up required by law or other alterations to the spaces necessitated by District's use, storage or disposal of Toxic Materials. If not required by law to so clean up a space or spaces, City shall have the right to terminate the Lease as to the specific space or spaces upon thirty (30) days' notice and the Lease payment shall be adjusted accordingly. The obligations of District under this Section 5.5.1 shall survive the expiration of the Lease term. "Toxic Materials" shall have the same meaning as in Section 3.3.1 of this Lease.

5.5.2 City shall indemnify and hold District harmless from any and all costs, claims, judgments, losses, demands, causes of action, proceedings or hearings, including District's attorneys' fees and court costs, relating to the storage, placement or use of Toxic Materials by City on or about the space or spaces for extended day care, whether or not the parties are aware of the existence of or any such use of Toxic Materials. City shall reimburse District for (i) all costs of cleanup or other alterations to the space or spaces for extended day care necessitated by City's use, storage, or disposal of Toxic Materials; and (ii) any diminution in the fair market value of the space or spaces for extended day care caused by City's use, storage, or disposal of Toxic Materials. The obligations of City under this Section 5.5.2 shall survive the expiration of the Lease term.

5.5.3 City shall indemnify, defend and hold District harmless from any liability or expense on account of suits, verdicts, judgments, costs or claims of any nature or kind arising out of, or in any way connected with City's and any sublessees', or assignees' operations on, possession, use, management, improvement, alteration or control of the Extended Day Care Spaces except for any claims or liability, or portions thereof, arising from the sole negligence of District, its officers, employees or agents, and except for the liability borne by District as set forth in Section 5.5.1.

5.5.4 In addition to the liability borne by District as set forth in Section 5.5.1, District shall indemnify and hold City harmless from any liability or expense on account of suits, verdicts, judgments, costs or claims of any nature or kind arising out of, or in any way connected with, District's and/or any sublessees' or assignees' other than City, operations on, possession, use, management, improvement, alteration or control of the Extended Day Care Spaces except for any claims or liability, or portions thereof, arising from the sole negligence of City, its officers, employees, agents, sublessees or assignees.

5.6 Assignment and Sublease

The City, with the written consent of the District may at any time and from time to time pledge, assign, or otherwise transfer this Lease or any interest of the City herein. City with the written consent of the District may at any time and from time to time sublease the Extended Day Care Spaces or any improvements thereon any part thereof. District hereby consents to allow City to sublease Extended Day Care Spaces to Palo Alto Community Child Care and Kids Choice. The City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed hereunder notwithstanding any such assigning, transferring or subletting which may be made. Any sublease, assignment or transfer shall be coterminous in every aspect with this lease. Any transfer, assignment or encumbrance of this Lease or the Extended Day Care Spaces, in whole or in part, which is contrary to or not provided for in this Section 5.6 is void.

6.0 GENERAL CONDITIONS

6.1 Term

6.1.1 The term of this Lease shall commence on July 1, 2022 (the "Commencement Date") and end on June 30, 2023 (the "Expiration Date"), unless sooner terminated or extended pursuant to the provisions hereof.

6.1.2 Reserved

6.1.3 Reserved

6.1.4 Reserved

6.2 Breach

6.2.1 If the City shall fail to pay any payment payable hereunder when the same becomes due and payable, or the City shall fail to keep or perform any other material term covenant or condition contained herein to be kept or performed by the City for a period of 25 days after written notice thereof from the District, the City shall be deemed to be in default hereunder and the District, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(a) To terminate this Lease in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Extended Day Care space as hereinafter provided for in subparagraph (b) hereof, and to re-enter the Extended Day Care space and remove all persons in possession thereof and all personal property whatsoever

situated upon the Extended Day Care space. In the event of such termination, the City agrees to surrender immediately possession of the Extended Day Care space, without hindrance, and to pay the District all damages recoverable by law that the District may incur by reason of default by the City.

(b) Without terminating this lease, (i) to collect each installment of payment as it becomes due and enforce any other material term, covenant or condition contained herein to be kept or performed by the City which failure to keep or perform by the City would have a material adverse effect on the interests of the District under this Lease or (ii) to exercise any and all rights of entry and re-entry upon the Extended Day Care space. In the event the District does not elect to terminate this lease in the manner provided for in subparagraph (a) hereof, the City shall remain liable and agrees to keep or perform all terms, covenants and conditions herein contained to be kept or performed by the City and, if the Extended Day Care space is not re-let, to pay the full amount of the payment to the end of the term of this Lease or, in the event that the Extended Day Care space is re-let, to pay any deficiency in payment that results therefrom; and further agrees to make said payment and/or payment deficiency punctually at the same time and in the same manner as hereinabove provided, and if the District receives payments therefrom in any payment period in excess of the payment provided for in Section 2.0 hereof for such period, the District shall pay such excess (after expenses incurred in connection with such re-letting) to the City on the last day of said payment period. Should the District elect to re-enter as herein provided, the City hereby irrevocably appoints the District as the agent and attorney-in-fact of the City to re-let Extended Day Care space, or any part thereof, from time to time, either in the District's name or otherwise, upon such terms and conditions and for such use and period as the District may deem advisable and remove all persons in possession thereof and all personal property whatsoever situated upon the Extended Day Care space. The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the District to re-let the Extended Day Care space in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the District in effecting such re-letting shall constitute a surrender or termination of this Lease irrespective of the use of the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City, the right to terminate this Lease shall vest in the District to be effected in the sole and exclusive manner provided for in subparagraph (a) hereof.

Each and all of the remedies given to the District hereunder or by any law now existing or hereafter enacted are cumulative, and the exercise of any one right or remedy shall not impair the right of the District to any or all other remedies.

6.2.2 In the event that City shall default in the performance of any of the agreements, conditions, covenants or terms herein contained, which event of default remains uncured after notice given as herein provided, District may immediately, or at any time thereafter, perform the same for the account of the City, and any amount paid, or any expense or liability incurred, but the District in the performance of the same shall be repaid to the District, in addition to base payments by the City within 30 days after demand hereunder together with interest from the date, the cost of expenses incurred at an amount equal to the lesser of 12 percent per annum or the maximum lawful rate of interest then in effect under the laws of the State of California; and the District shall have the right to enter (by force or otherwise) the Extended Day Care space for

the purpose of correcting or remedying such default and to remain therein until the same shall have been corrected or remedied.

No performance by the District of any of the obligations on City's part to be performed hereunder shall be, or be deemed to be, a waiver of the City's default in or failure to perform the same, nor shall the performance thereof by District release or relieve City from any obligations on its part to the performed under this Lease.

6.2.3 If the District shall fail to keep or perform any obligation, covenant, agreement or provision contained herein to be observed or performed by the District for a period of 25 days after written notice thereof from the City, the District shall be deemed to be in default hereunder, and the City may take whatever action, at law or in equity, may appear necessary or desirable to enforce the observance or performance of any such obligation, covenant, agreement or provision including termination of this Lease.

6.2.4 In the event of a breach, or threatened breach, by either party of any of the agreements, conditions, covenants, or terms herein, the other party shall have the right of injunction to restrain the same, and the right to invoke any remedy allowed by law, or inequity, as if specific remedies, indemnity or reimbursements were not herein provided for. All rights and remedies herein given to either party shall be cumulative to each other and to any other legal or equitable remedy or right which the party might otherwise have in the event of any breach by the other party.

6.3 Surrender and Title to Property

6.3.1 On the last day of the term of this Lease, or any sooner termination, City shall surrender the Extended Day Care space to the district, in reasonably the same condition as City received the Extended Day Care space, ordinary wear and tear and any permitted approved and lawful changes, alterations, additions and improvements thereto excepted, except as otherwise required by Section 3.5.2. City, upon the expiration or sooner termination of this Lease, shall repair any damage to the Extended Day Care space occasioned by the removal of City's fixtures, furnishings, equipment and other personal property. All of City's property which is removable pursuant to the provisions on this Lease shall be removed by City on or before the last day of the term of the earlier termination of this Lease, and all property not so removed shall be deemed abandoned by City, and District shall have the right either to require City to remove said property from the land or dispose of the property pursuant to Section 6.5.3 as set forth below.

6.3.2 Title to the Extended Day Care space shall remain the District during the term of this Lease. All improvements placed upon the Extended Day Care space by City at City's expense shall be and remain the property of City for and during the term of this Lease. Upon expiration or sooner termination of this Lease, such improvements shall belong to and become the property of District, free from any rights, claims and liens of City or a person, agency, political subdivision, firm or corporation claiming under City, without any compensation therefore from District to City or to any other person, agency, political subdivision, firm or corporation, unless otherwise agreed to by the parties at the time the improvement is made. At the expiration or sooner termination of this Lease, such improvements shall be surrendered to District, excepting that movable furniture, personal property and trade fixtures may be removed by City at or before the

expiration or sooner termination of this Lease, provided, however, that the removal of any of the property so excepted will not structurally injure the improvements or necessitate any changes or alterations in the improvements or render the improvements or any part thereof unfit for use and occupancy. City shall pay the cost of restoration of, or repairing any damage to, the Extended Day Care space arising from the removal of the property so excepted.

6.4 Naylor Bill Allocations. Nothing in this lease shall be deemed to expand, diminish, waive or otherwise limit the applicability of the Naylor Bill to applicable portions of the Extended Day Care Spaces, if any, including the obligation of the City to maintain the property, for recreational open space purposes and the right of the District to re-acquire said property pursuant to Education Code Section 39398 or its successor legislation. In the event the provisions of the Naylor Bill terminate, the applicability of “Naylor” to portions of the applicable spaces, if any, ceases.

6.5 Termination. In addition to the rights of termination for breach found in Section 6.2, this Lease may be terminated as set forth in Sections 6.5.1 and 6.5.2.

6.5.1 City Termination

(a) Debt Limitation. In the event the Council of the City does not appropriate funds for payment of the payments due under this Lease in any year, this Lease shall terminate upon 90 days written notice.

(b) Gann Limit. The City may terminate this Lease in any fiscal year in which the City is not authorized by the Palo Alto electorate to exceed the expenditure limitation imposed by the California Constitution and any other State or Federal legislative act. In that event, the City may terminate this Lease upon six (6) months written notice which must be given within 30 days of an unsuccessful election seeking such authorization.

(c) Restriction on Taxing Power. If State or Federal law is enacted, an initiative measure passed or a court decision rendered which reduces the City’s general fund revenue or restricts the City’s authority to collect or levy general fund taxes which the City has the right to collect or levy as of the Commencement Date of this lease, the City may terminate this Lease, in whole or in part as hereafter set forth, by giving six (6) months written notice to District, after such law, measure or decision becomes effective; provided, however, there shall be no right of termination unless the effect of such law, measure or decision is to reduce the City’s general fund revenue or taxing authority by \$1,500,000 in comparison with the previous fiscal year.

The amount set forth in this Section shall be adjusted annually by the Consumer Price Index on the commencement anniversary date of the Lease in the manner set forth in Section 2.7 hereof.

6.5.2 District Termination. The District may terminate this Lease in part on the following conditions:

(a) Reserved.

(b) Reserved.

(c) Reduction in Payment. If the District partially terminates this lease with regard to an Extended Day Care Space under Section 6.5.3, the Payment Due under this lease shall be reduced according to the proportion of payment allocated to such space as set forth in Exhibit A.

6.5.3 Surrender Upon Termination. Upon occurrence of any termination event, this Lease will terminate, or partially terminate as set forth herein, and all City’s rights, title and interest in the Extended Day Care Spaces shall terminate. City shall surrender and vacate the said spaces in reasonably the same condition as City received them, reasonable wear and tear excepted,. District shall have the right to re-enter and take possession of said spaces and remove all persons therefrom and remove City’s property and place that property in storage in a public warehouse, or store the same elsewhere, all at the expense of City, or sell the same as provided by law for the purpose of recovering any money due and unpaid hereunder by City to District, including District’s storage costs. Upon termination of this Lease, District shall have the right to recover from City all damages caused by any breach hereof by City, together with any payment due hereunder and unpaid, including all reasonable attorneys’ fees and court costs which may be incurred in recovering possession of said spaces and in collecting such damages or such payments.

6.5.4 Future Development. Upon the expiration or earlier termination of this Lease, the District shall be free to sell, lease, or otherwise dispose of the spaces which are the subject of this Lease. However, it is understood by the parties that (a) the District shall have all the same rights and obligations with respect to the development of the spaces as any other developer, and (b) the City shall have the same rights and responsibilities as it would normally have in reviewing and considering any development project that would come before it.

6.5.5 Inconsistencies with Other Agreements. If any provision regarding termination set forth in Section 6.5 hereof is inconsistent with any provision regarding termination set forth in any other agreement between City and District regarding spaces subject to this Lease, the provision in this Lease shall prevail.

6.6 Notices. Any demand or notice which either party shall be required, or may desire, to make upon or give to the other, shall be in writing and shall be delivered personally upon the other, or sent by prepaid registered or certified mail addressed to the respective parties as follows:

DISTRICT: Palo Alto Unified School District
25 Churchill Avenue
Palo Alto, CA 94306
Attention: Superintendent of Schools

CITY: City Clerk
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301
Attention: Manager, Real Property

Notice sent by registered or certified mail in accordance with this Section shall be deemed delivered 72 hours from the date of mailing.

6.7 Attorneys' Fees. If any action or proceeding at law in equity, or an arbitration proceeding, shall be brought to enforce or interpret any of the terms, covenants or conditions of this Lease, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees. "Prevailing party" within the meaning of this paragraph shall include, without limitation, a party who brings an action against the other after the other is in breach or default, if such an action is dismissed upon the other's payment of the sums allegedly due for performance of the covenants allegedly breached, or if the party commencing such action or proceeding obtains substantially the relief sought by it in such action, whether or not such action proceeds to a final judgment or determination.

6.8 Holding Over. This Lease shall terminate without further notice at the expiration of the Lease term. Any holding over on the Extended Day Care Spaces after expiration of the Lease term, with the express written consent of District, shall be construed to be a tenancy from month to month, at a monthly rental of the last applicable base payment, and shall otherwise be on the terms and conditions herein specified.

6.9 Validity and Severability. If for any reason any portion of this Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the District or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City or District hereunder, including the covenant to make payments hereunder, is unenforceable for the full term hereof, then and in such event, this Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Extended Day Care space, and all other terms, provision and conditions of this Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

6.10 Waiver. The waiver by either party hereto of any breach by the other party of any agreement, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other agreement, covenant or condition hereof. The receipt by District of any payments with knowledge of any default on the part of City in the observance or performance of any of the provisions of this Lease shall not be deemed to be a waiver of the provisions of this Lease.

6.11 Successors and Assigns. This lease shall inure to the benefit of and shall be binding upon the District, the City and their respective successors and assigns, subject to the provisions of Section 5.6.

6.12 Agreement Represents Complete Agreement. This Lease represents the entire contract between the parties and supersedes and cancels any and all previous leases, negotiations, arrangements, representations, agreements and understandings between the District and the City concerning the Sites and matters covered hereby.

6.13 Law Governing. This lease shall be construed and interpreted in accordance with the laws of the State of California.

6.14 Changes in State Law. In the event that changes in state law occur whereby the district is not permitted, in whole or in part, to retain payments due it from any source, other than the City, because of provisions of this lease, District shall promptly notify City, and District and City agree to renegotiate terms of this Lease. Such negotiations shall be directed to assuring that payments due under this Lease will not directly or indirectly replace, or stand in lieu of, payments due District from any other source.

6.15 Amendment. No amendment to this Lease shall be made except in writing and executed by both the District and the City.

6.16 Reserved.

In witness whereof, the District and the City have caused this Lease to be executed by their respective officers as of the day and year first above written.

ATTEST:

CITY OF PALO ALTO, Lessee:

City Clerk

Mayor

APPROVED AS TO FORM:

PALO ALTO UNIFIED SCHOOL DISTRICT, Lessor:

City Attorney or Designee

President, Board of Education

APPROVED:

APPROVED:

City Manager

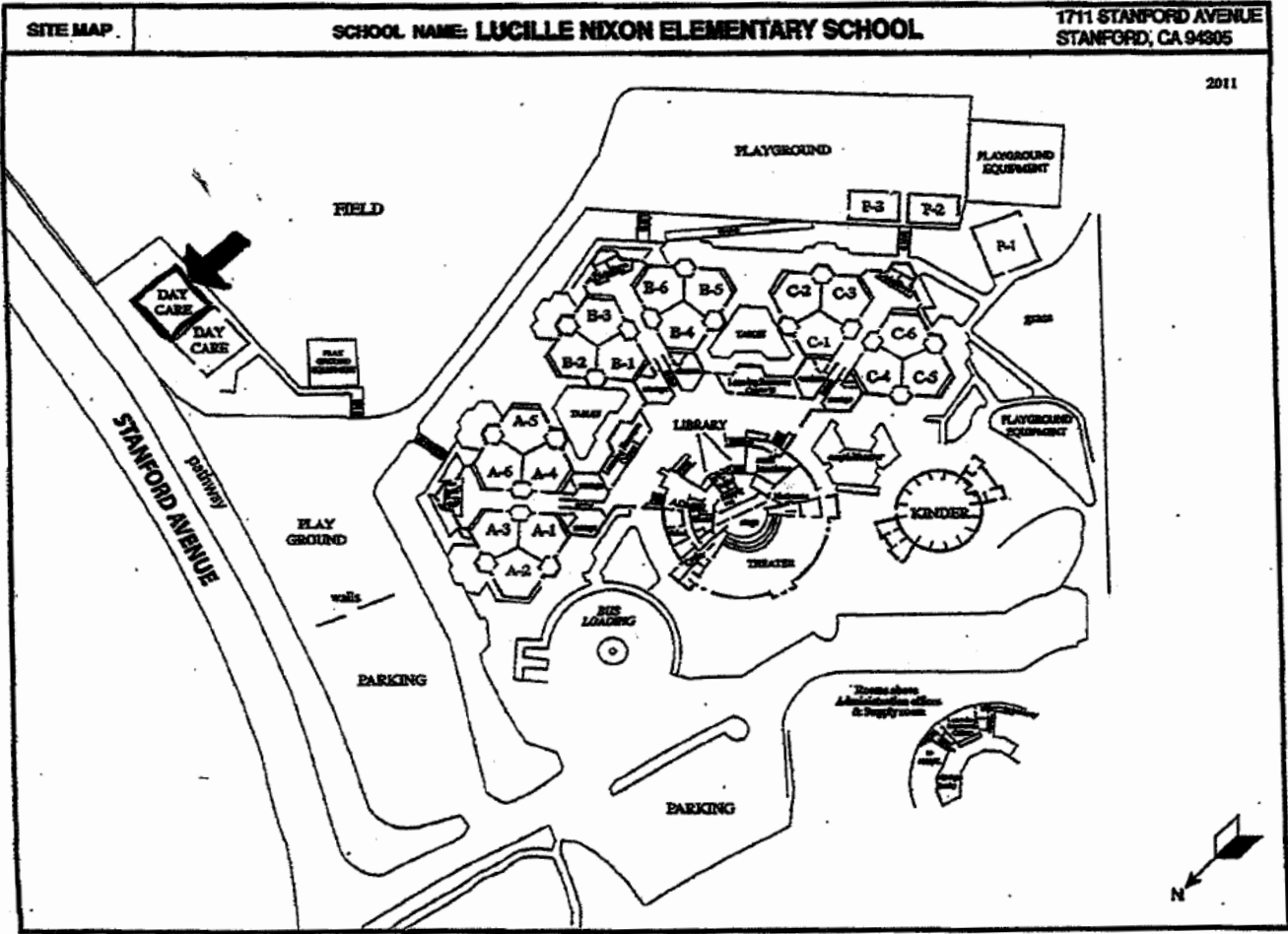
Superintendent of Schools

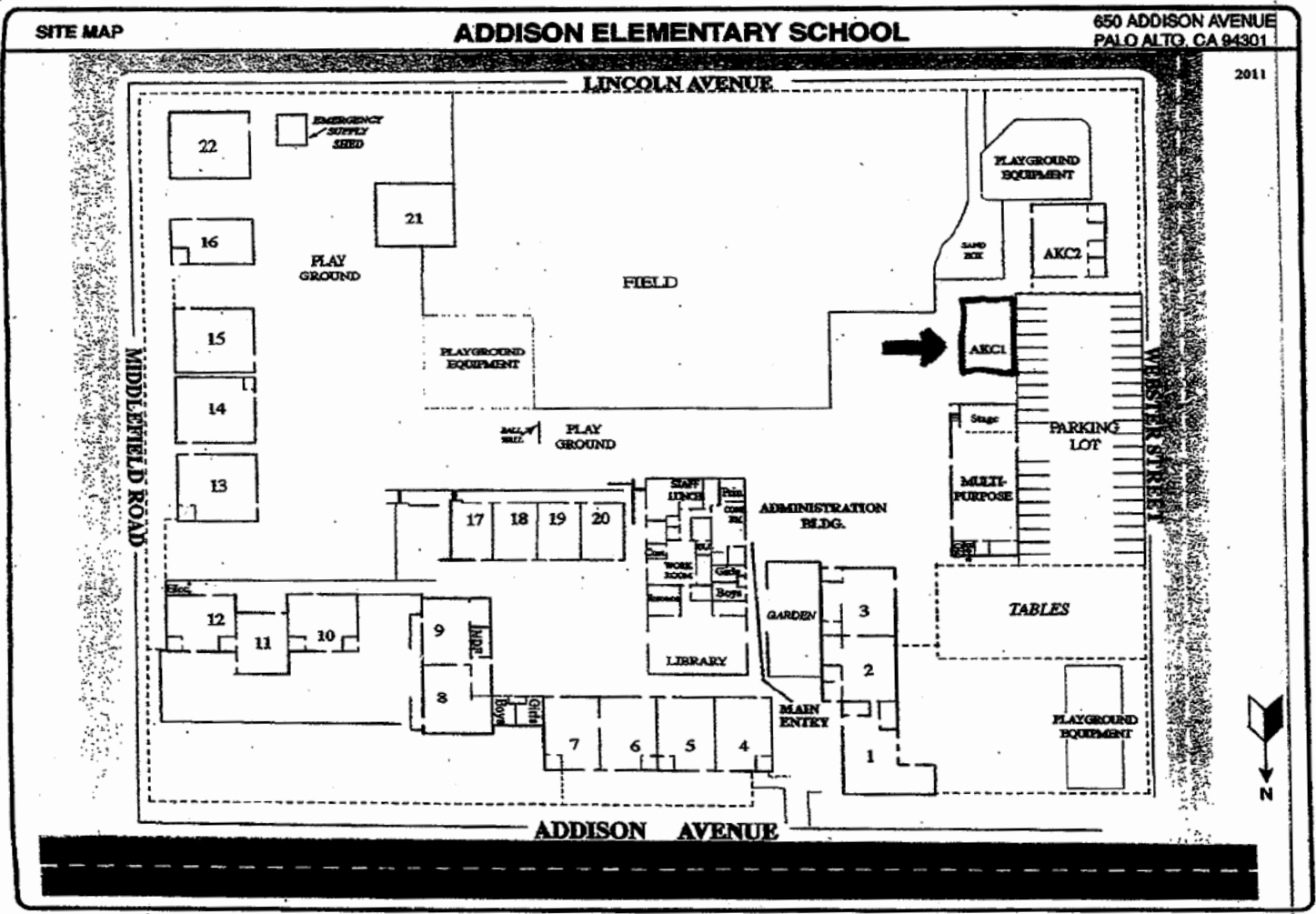
Extended Day Care Spaces and Monthly Rent and Utilities Amounts

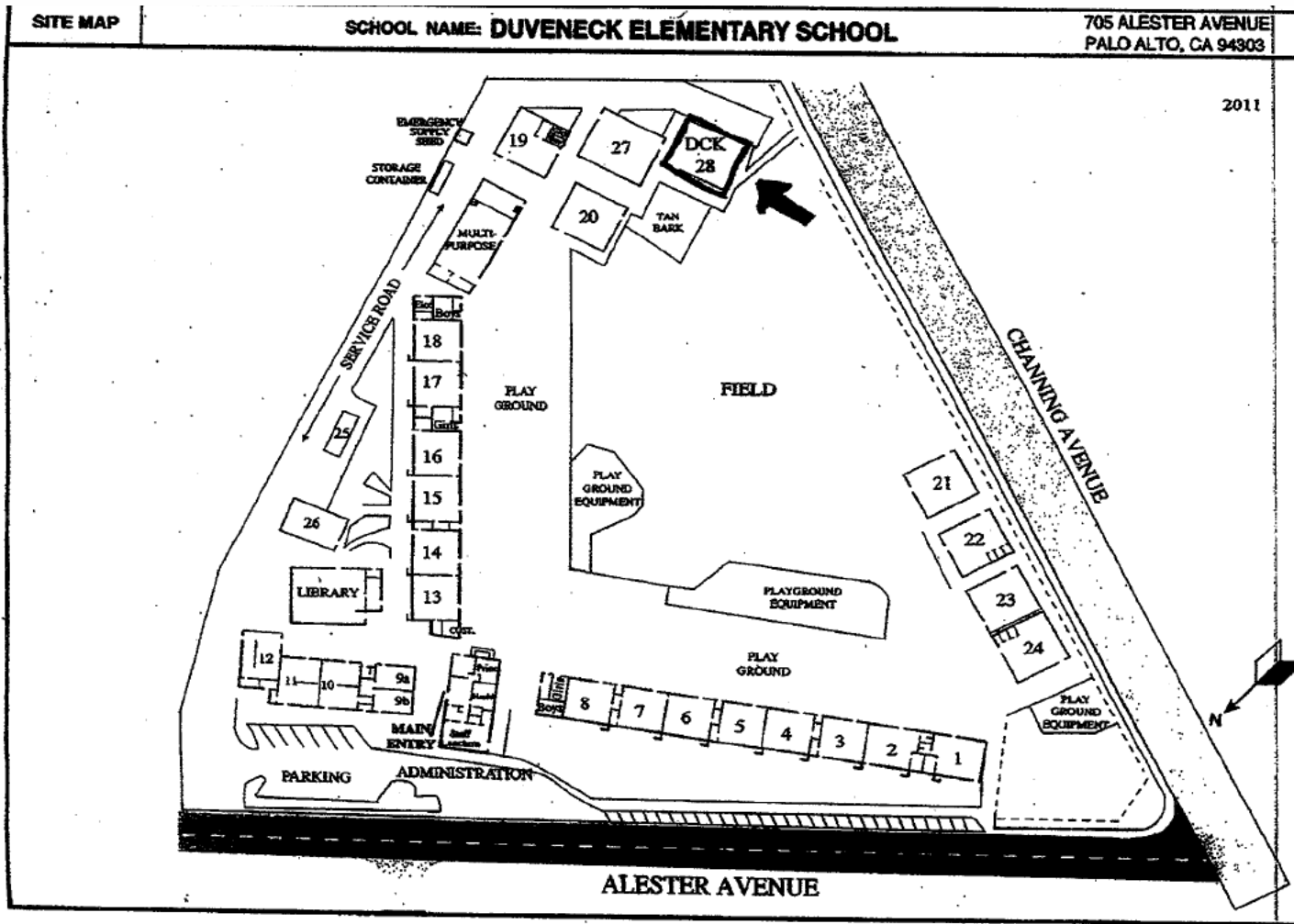
<u>Space Name</u>	<u>Trailer # or ID</u>	<u>RENT</u> <u>(per month)</u>	<u>RENT</u> <u>(annual)</u>	<u>SQ. FT.</u>	<u>Utilities Rate</u> <u>(per sq. ft.)</u>	<u>UTILITIES</u> <u>(per month)</u>	<u>UTILITIES</u> <u>(annual)</u>
Addison	AKC1	\$ 4,914.42	\$ 58,973.00	960	\$ 0.24	\$ 230.40	\$ 2,764.80
Duvenec	DCK28	\$ 4,914.42	\$ 58,973.00	1920	\$ 0.24	\$ 460.80	\$ 5,529.60
El Carmelo	1/2 Daycare	\$ 4,914.42	\$ 58,973.00	1320	\$ 0.24	\$ 316.80	\$ 3,801.60
Escondido	Kids Club	\$ 4,914.42	\$ 58,973.00	1440	\$ 0.24	\$ 345.60	\$ 4,147.20
Hays	1/2 Kids Club	\$ 4,914.42	\$ 58,973.00	1440	\$ 0.24	\$ 345.60	\$ 4,147.20
Hoover	Childcare	\$ 4,914.42	\$ 58,973.00	1440	\$ 0.24	\$ 345.60	\$ 4,147.20
Barron Park	Unmarked space	\$ 4,914.42	\$ 58,973.00	1440	\$ 0.24	\$ 345.60	\$ 4,147.20
Ohlone	24	\$ 4,914.42	\$ 58,973.00	960	\$ 0.24	\$ 230.40	\$ 2,764.80
Palo Verde*	Kids Club	\$ 4,914.42	\$ 58,973.00	960	\$ 0.24	\$ 230.40	\$ 2,764.80
Juana Briones	PACCC	\$ 4,914.42	\$ 58,973.00	1920	\$ 0.24	\$ 460.80	\$ 5,529.60
Fairmeadow	BBKC3	\$ 4,914.42	\$ 58,973.00	1440	\$ 0.24	\$ 345.60	\$ 4,147.20
Nixon		\$ 4,914.42	\$ 58,973.00	1440	\$ 0.24	\$ 345.60	\$ 4,147.20
Total:		\$ 58,973.00	\$ 707,676.00			\$ 4,003.20	\$ 48,038.40

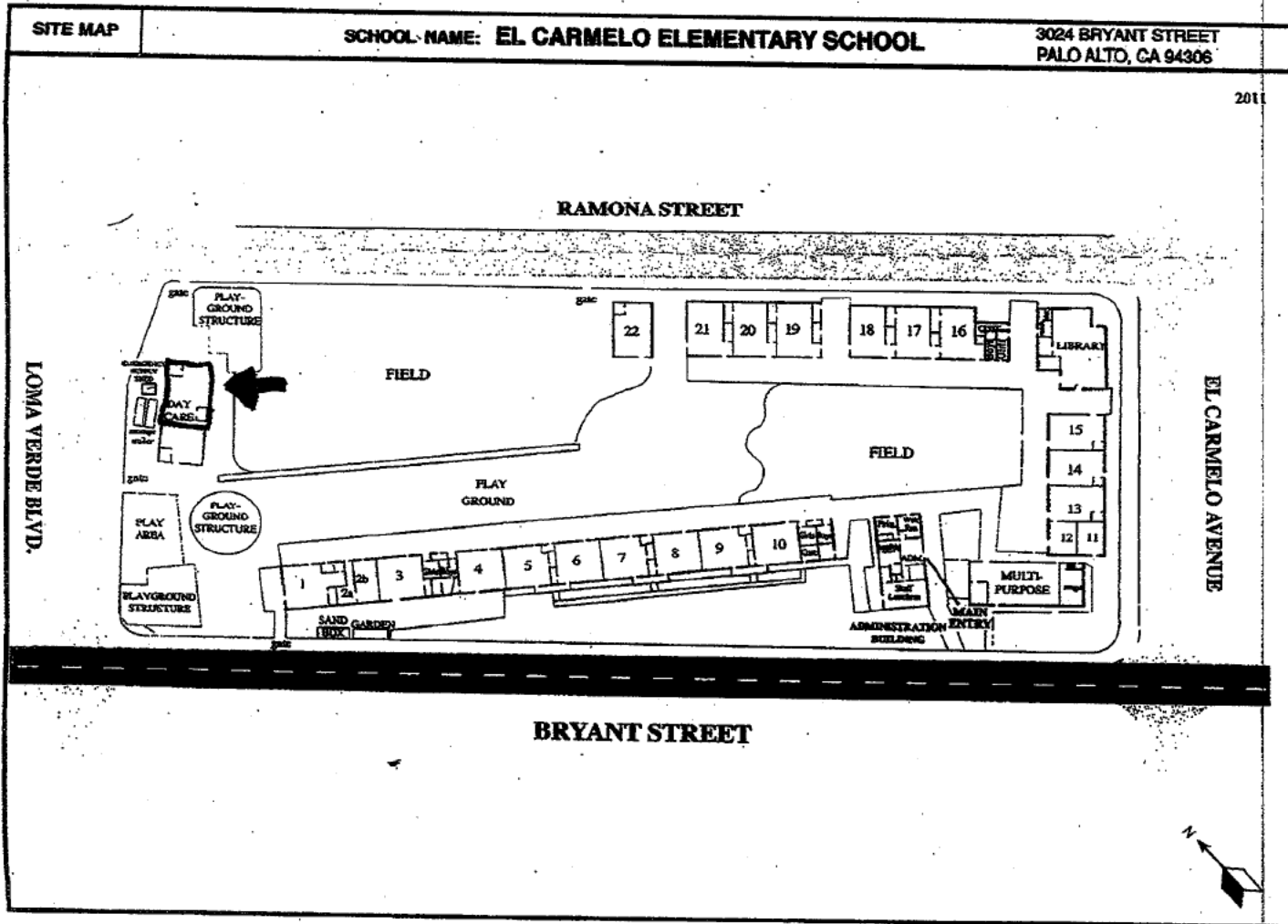
*The Palo Verde space will be located on the Greendell Temporary Campus for 2022-23.

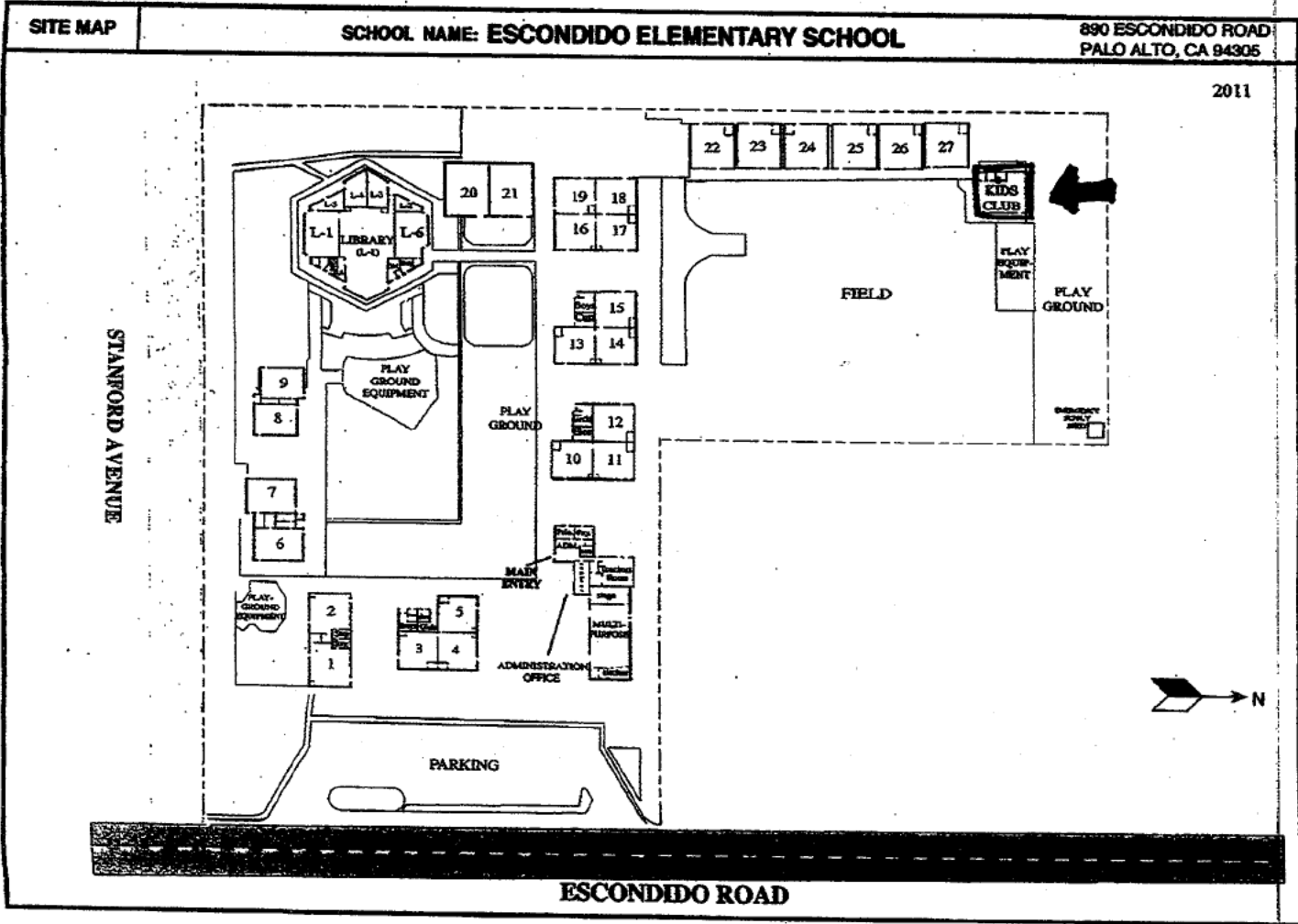
Exhibit A Extended Day Care Spaces At Sites

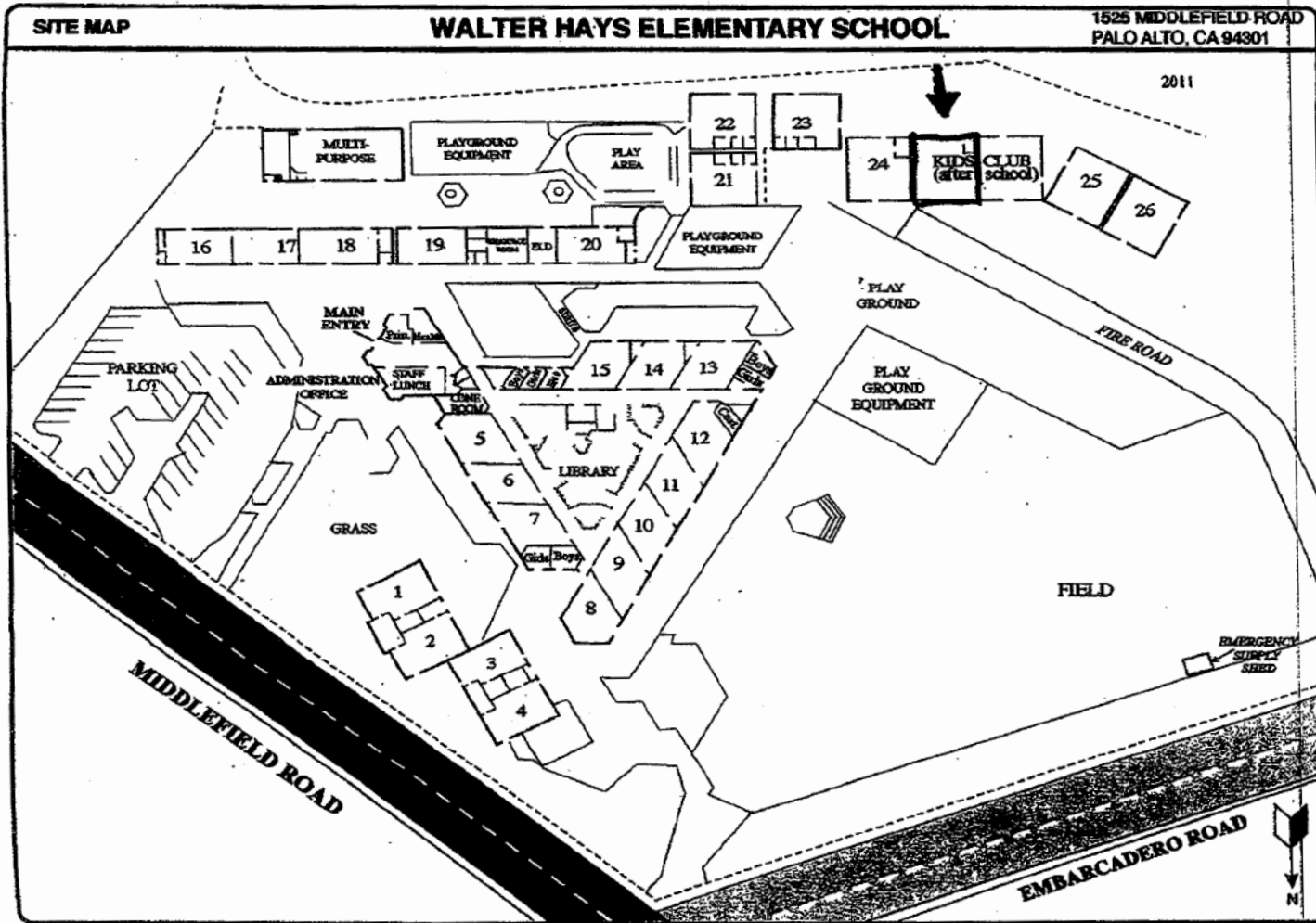


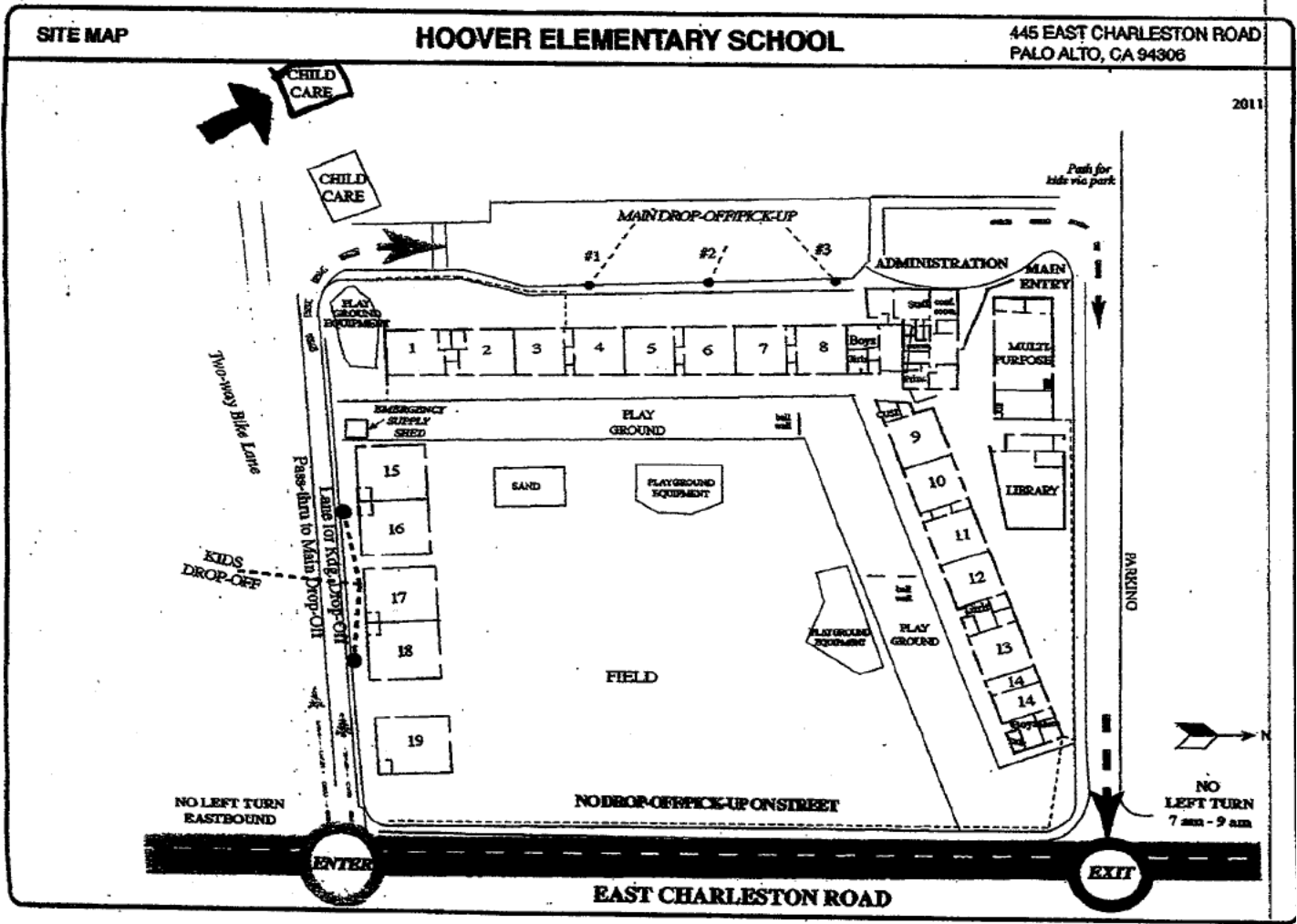


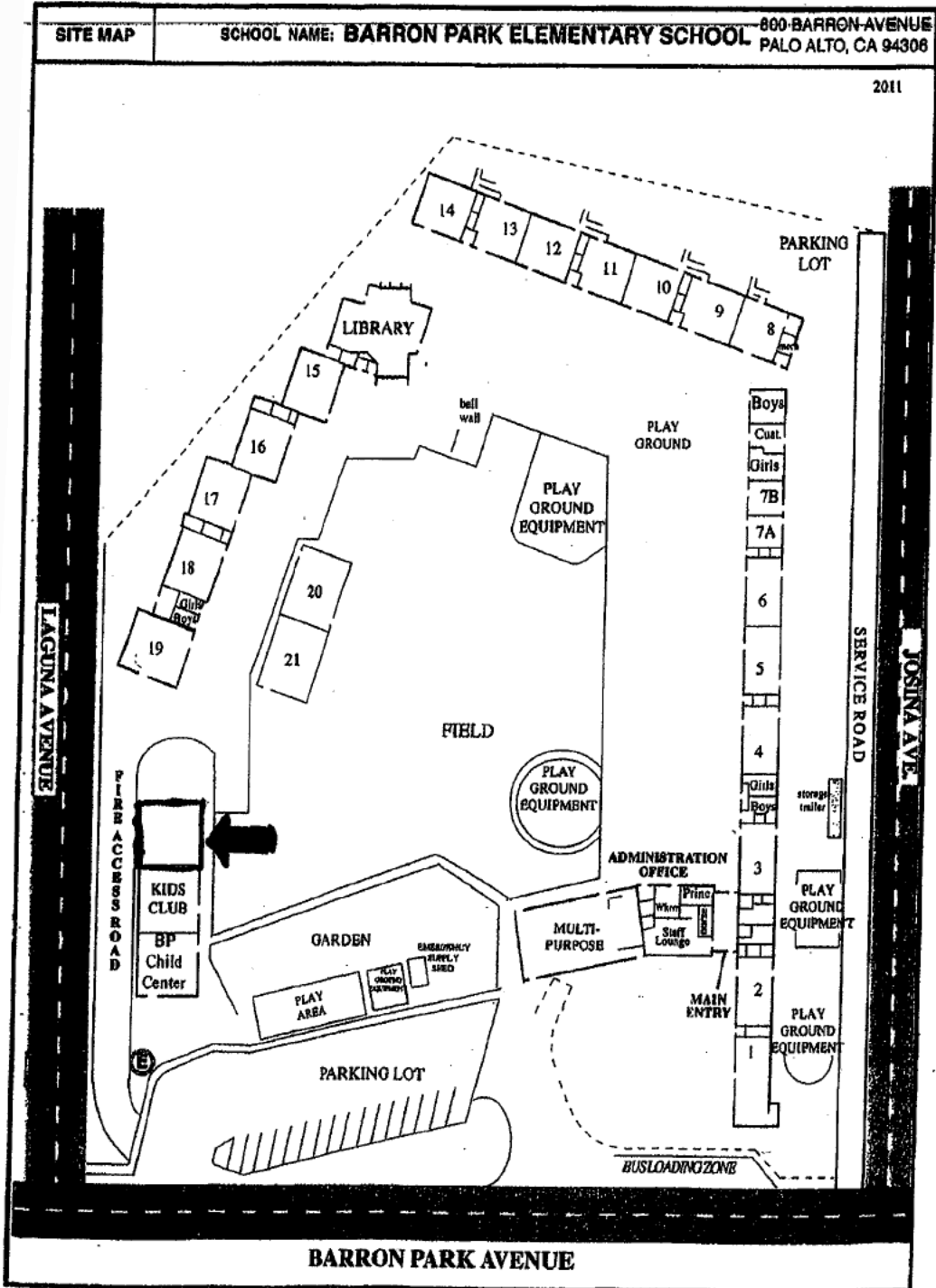


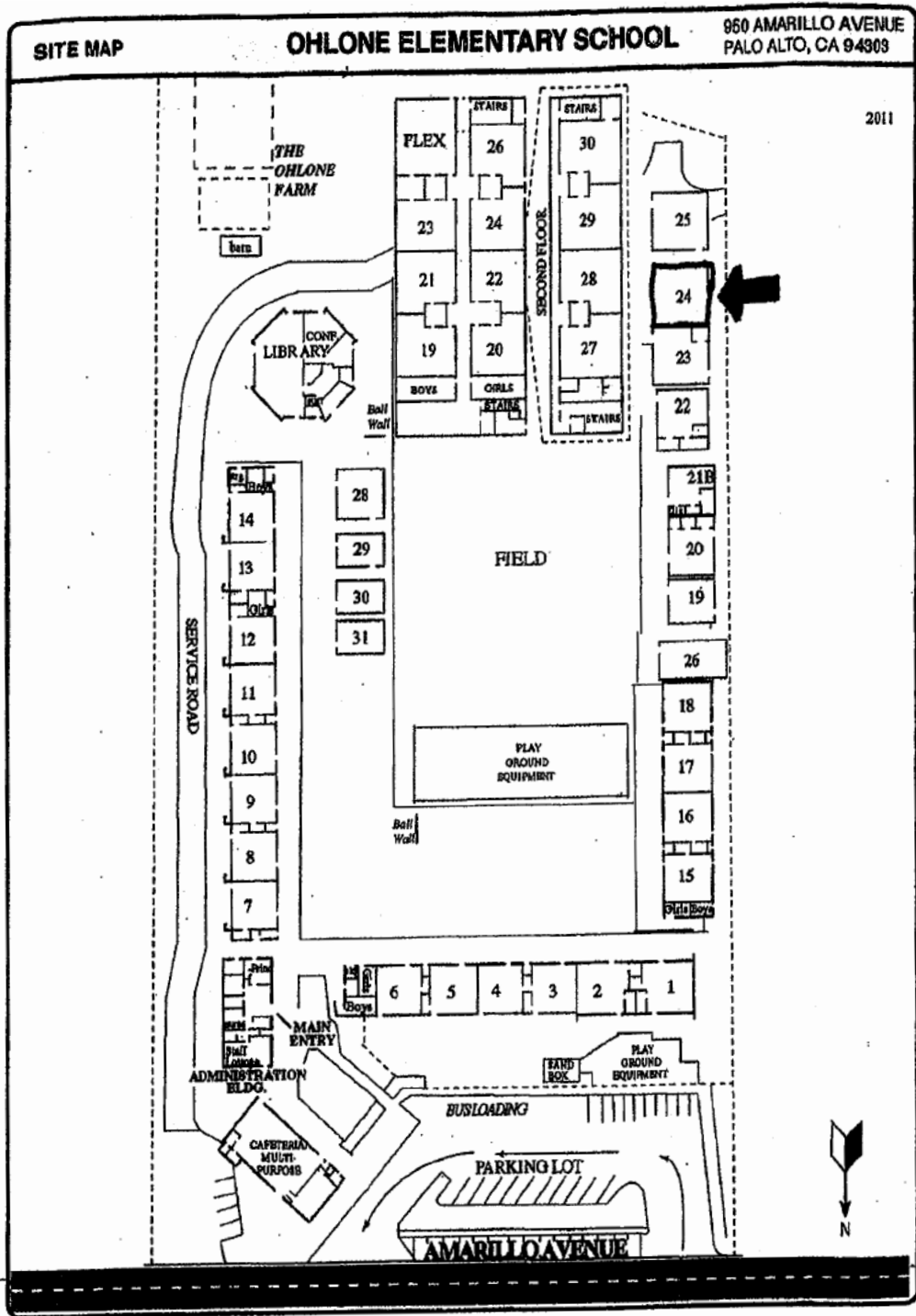






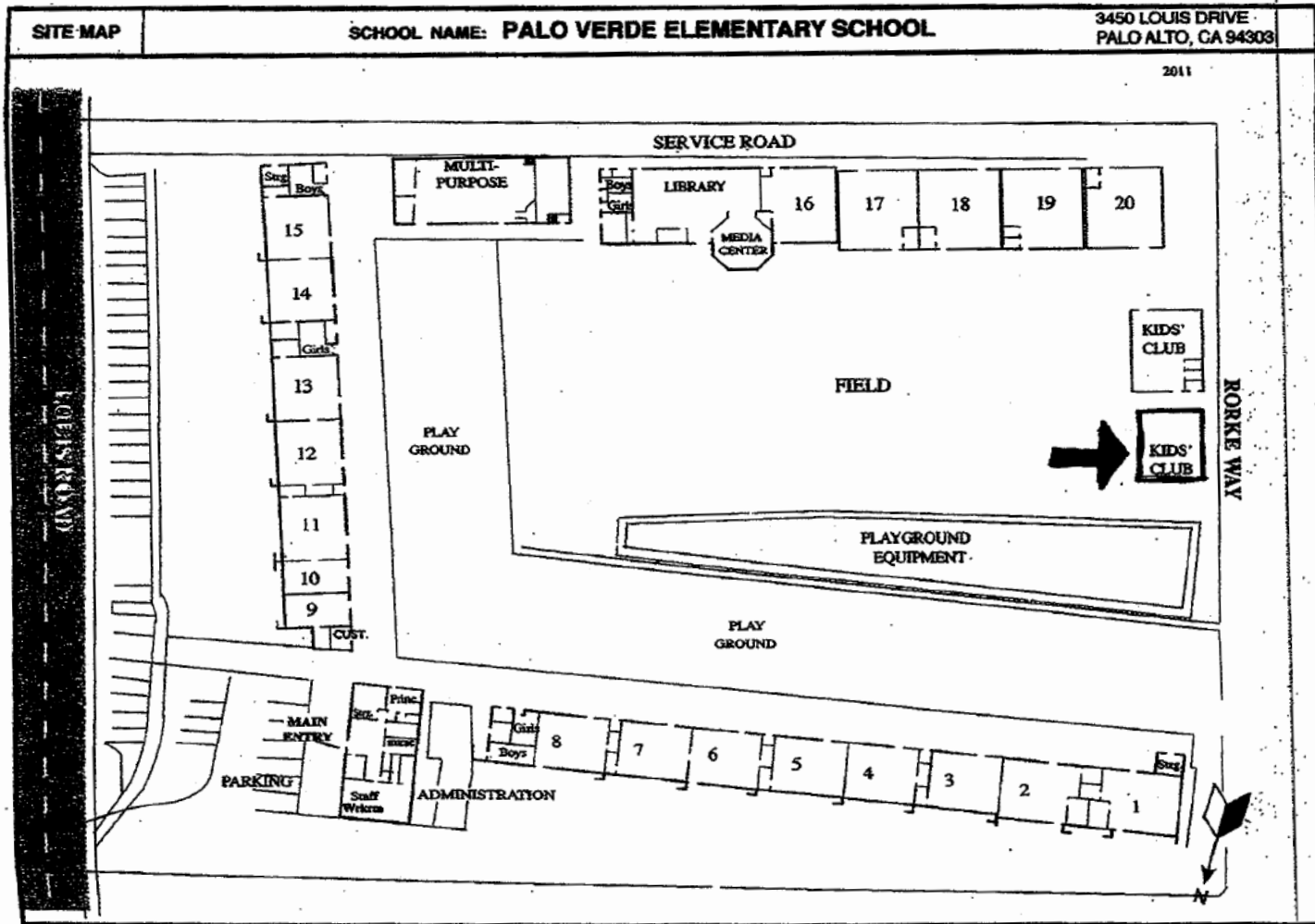


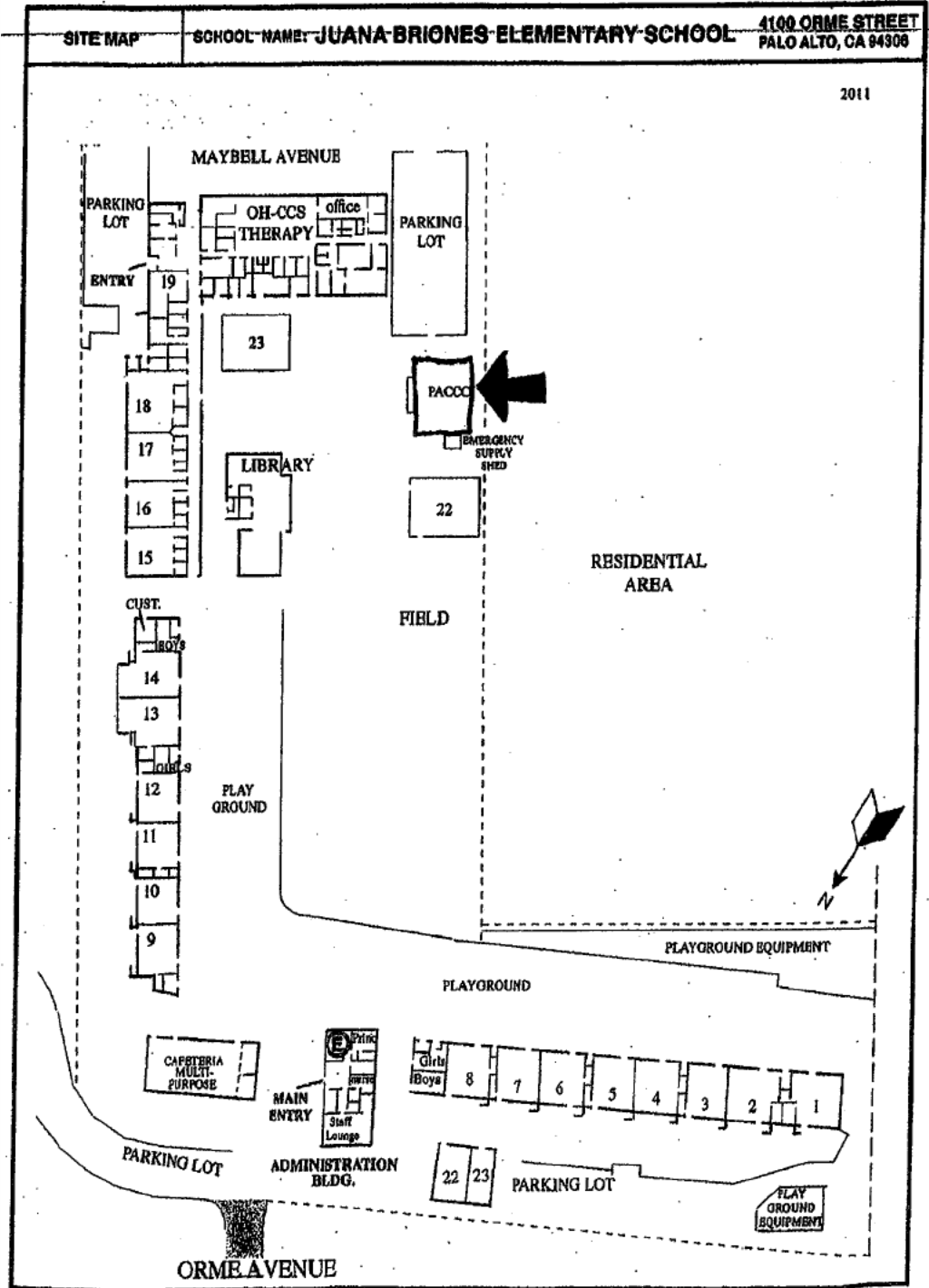




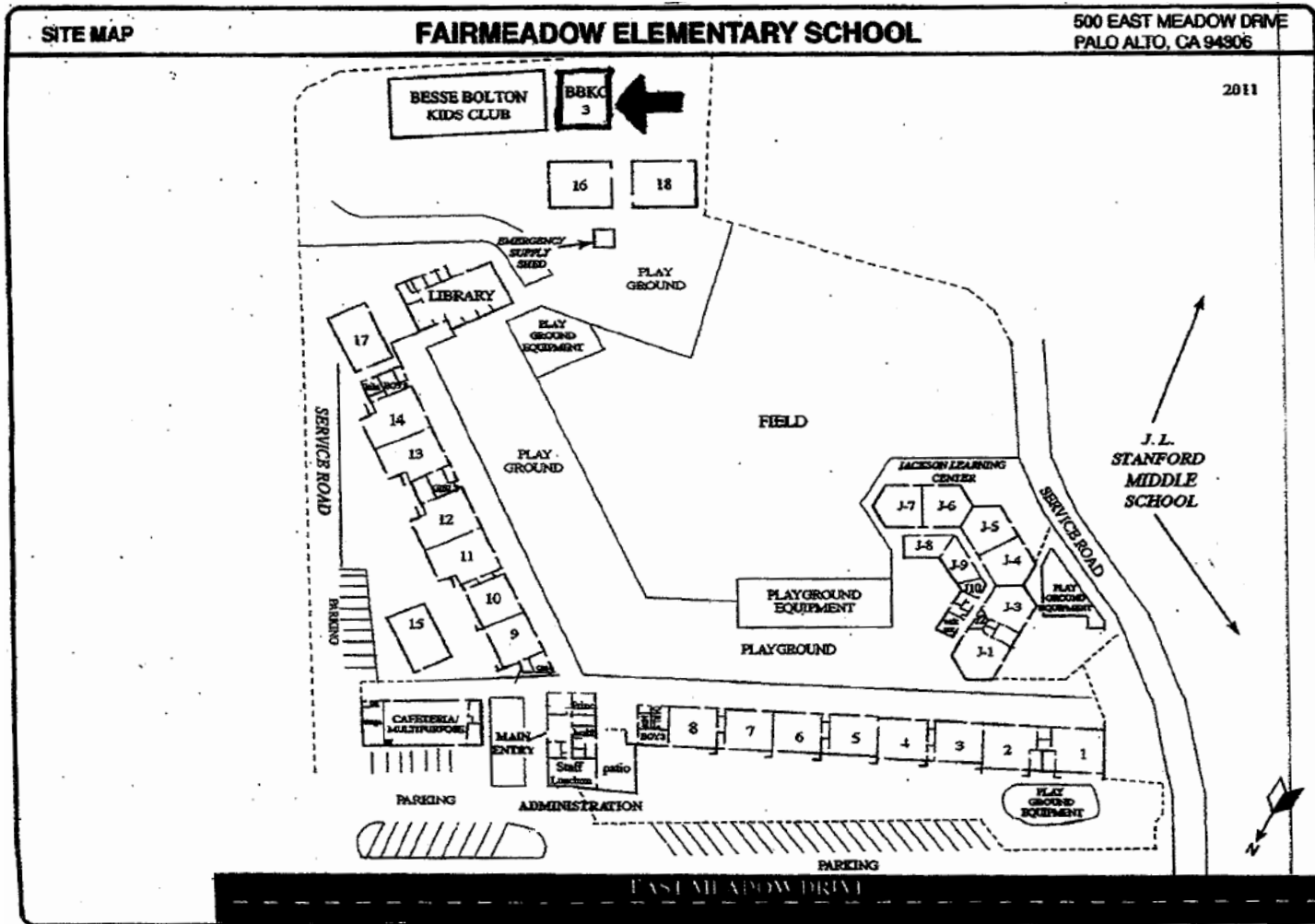
A.10

*The Palo Verde space will be located on the Greendell Temporary Campus for 2022-23.





A.12





City of Palo Alto

City Council Staff Report

(ID # 14498)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Policy and Services Committee Recommendations that the City Council Support a Pending State Bill Regarding Orderly Meeting Conduct (Senate Bill 1100) and Support with Amendments a Bill Regarding Children’s Camp Regulations (Assembly Bill 1737)

From: City Manager

Lead Department: City Manager

Recommendation

The Policy & Services Committee recommends that the City Council approve support of a pending state bill regarding conducting orderly meetings (Senate Bill 1100) and to support with amendments a bill regarding children’s camp regulations (Assembly Bill 1737).

Background

The Policy and Services Committee received updates on federal and state legislation on March 8, 2022 ([CMR 14117](#); [Minutes](#)) and May 10, 2022 ([CMR 14379](#); [Minutes](#)). The motions passed were as follows:

March 8, 2022 Motion:

Consider supporting Senate Bill 1100 to conduct orderly meetings.
(3-0, passed unanimously)

- ❖ Support and encourage legislation for all participants to participate in remote meetings even during non-emergencies.
(Passed, 2-1)

May 10, 2022 Motion:

- ❖ Support Assembly Bill 1944, Assembly Bill 2449, and Assembly Bill 2647 that allow virtual meetings, remote participation, and encourage adoption of technology.
(Passed, 2-1)
- ❖ C. Support Assembly Bill 2181 Santa Clara Valley Transportation Authority: board of directions.
(Passed, 2-1)

B. Support with amendments Assembly Bill 1737 Children’s camps: local registration and inspections.

(3-0, passed unanimously)

The items with a ‘❖’ denote those motions that passed 2-1 and are the subject of the City Council discussion on June 13, 2022 (Action Item; [CMR #14477](#)). This current staff report is focused on the pending State legislation that the Policy and Services Committee unanimously recommended the Council support (SB 1100 and AB 1737).

Discussion

As mentioned above, the bills for City Council support through this Consent item as a follow up to the Policy and Services Committee meetings are:

- Senate Bill 1100 regarding orderly meeting conduct
- Assembly Bill 1737 regarding children’s camps: local registration and inspections

The Policy and Services Committee recommended support for SB 1100 and recommended support with amendments for AB 1737. The reason for “support with amendments” on AB 1737 is ensure that the legislation does not impact Palo Alto’s current practices.

The Committee votes were unanimous for the positions described above. A description of each bill, status, and timeline is included in **Attachment A**.

Timeline and Resource Impact

Staff would submit the letters on behalf of the City upon direction from the City Council on these bills. As mentioned in **Attachment A**, the bills will be heard by various committees/on the floor in the coming weeks. No resource impact anticipated.

Attachments:

- **Attachment22.a:** Attachment A-Updated Memo CPA Summary of Priority Legislation

MEMO

To: Ed Shikada, City Manager
 Chantal Cotton Gaines, Deputy City Manager

From: Christopher Townsend, President, Townsend Public Affairs, Inc.
 Niccolo De Luca, Vice President
 Andres Ramirez, Senior Associate
 Carly Shelby, Legislative Associate

Date: June 8, 2022

Subject: **UPDATED: State Legislative Update/Various Legislative Proposals**

SUMMARY

Townsend Public Affairs, Inc. (TPA) has prepared this report for the City of Palo Alto as we move forward in the 2022 Legislative session. As discussed with the Policy and Services Committee, we are highlighting a handful of bills and providing a summary to give a point in time analysis. The City can take a position of support, oppose, or watch. The analysis below is based off text of the legislation, committee analysis, discussions with Members, and others.

Senate Bill 1100 (Cortese) Open Meetings; orderly conduct

Last amended: June 6, 2022

Status: The bill has moved through the Senate and will have its first policy committee hearing in the Assembly on June 15, specifically in the Assembly Local government Committee.

Focus of the legislation: This bill would authorize the presiding member of the legislative body conducting a meeting to remove an individual for disrupting the meeting. The legislation requires removal to be preceded by a warning to the individual by the presiding member of the legislative body or their designee that the individual's behavior is disrupting the meeting and that the individual's failure to cease their behavior may result in their removal. The bill would authorize the presiding member or their designee to then remove the individual if the individual does not promptly cease their disruptive behavior.

Argument in Support: According to the author, "It has become increasingly clear that the mechanisms provided by the Brown Act to deal with disruptions during public meetings are insufficient. Across California, public officials and public attendees continue to deal with disorderly conduct during meetings at such a high magnitude that critical business and the legislative process has become impaired. As we have undoubtedly seen, many troubling incidents across the state, including those involving harassment and threats of violence, have demonstrated the need to protect public safety and public meeting access by modernizing the Brown Act so that it provides clearer standards around when removal of a meeting participant is warranted and what authority members of a legislative body can exercise."

Argument in Opposition: The bill is opposed by Californians for Good Governance, Stand UP, and two individuals. Educate Advocate also expressed concerns with the current language in the



bill. The opposition feels that the language in the bill is either vague or does not give enough guidance to local governing bodies about what behavior can and should warrant removal. They argue that disturbing, disrupting, and impeding is too subjective and worry about how locals will apply the law. The opposition arguments do not account for the fact that the language in the bill says *disrupts*, disturbs, impedes, or renders infeasible *the orderly conduct of the meeting* (emphasis added). Furthermore, the bills findings make it clear the intent of the bill is for its provisions to be interpreted and applied consistently with the holding in *Acosta v. City of Costa Mesa*. It is impossible to state that all local governing bodies will apply the law consistently with the First Amendment. These scenarios would be as applied challenges to the law under First Amendment jurisprudence and would be highly fact specific. The bill on its face, as described above, is in line with current Ninth Circuit case law on this matter and the proposed amendments provide additional protections for members of the public in exercising their right to access public meetings.

Assembly Bill 1737 (Holden) Children’s camps: local registration and inspections

Last amended: May 19, 2022

Status: The bill has moved through the Assembly and is now in the Senate. Its first Senate policy committee hearing has not yet been set.

Focus of the legislation: Requires specified employees and volunteers of children’s camps to undergo background checks and to complete training in child abuse and neglect reporting. This bill would redefine “organized camps” to include children’s camps. A children’s camp would be defined as a camp that offers daytime or overnight experiences administered by adults who provide social, cultural, educational, recreational, or artistic programming to more than five children between 3 and 17 years of age for 5 days or longer during at least one season.

Argument in Support: According to the *American Academy of Pediatrics, California*, “We are aware of children suffering abuse and injuries at camps, including Roxie Forbes who was killed at an unlicensed camp without proper training, certifications, operational plans, or any county safety oversight. Roxie’s parents established a foundation with a mission to protect kids, not destroy camps. To that end, they have advocated for the need of long, overdue changes reflected in this bill.

Argument in Opposition: According to the *California State Association of Counties*, “We commend the author’s goal to create an oversight and enforcement structure for children’s camps that ensures their safety and the well-being of children in their care. However, we believe AB 1737 falls short of that goal by placing this responsibility with local health departments that exist to protect communities from public health threats, including but not limited to infectious diseases, climate-related illness, and chronic diseases.





City of Palo Alto
City Council Staff Report

(ID # 14503)

Report Type: Consent Calendar

Meeting Date: 6/20/2022

Summary Title: SECOND READING: Downtown Parking In-Lieu Temporary Ban

Title: SECOND READING: Adoption of an Ordinance Amending Palo Alto Municipal Code Section 18.52.070 (Parking Regulations for CD Assessment District) to Continue a Temporary Ban on Eligibility of Commercial Office Uses Above the Ground Floor to Participate in the Downtown Parking In-Lieu Program and Making Clerical Amendments to PAMC Section 16.57.010 (Applicability) in Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District) (FIRST READING: June 6, 2022: PASSED: 6-1, Tanaka No)

From: City Manager

Lead Department: Planning and Development Services

This was heard by the City Council on June 6, 2022 for a first reading and was approved 6-1, Tanaka no. No changes were made to the Ordinance; it is now before you for a second reading.

Attachments:

Attachment23.a: Attachment A: Draft Ordinance Amendments - Temporary Ban Alternative (PDF)

Attachment23.b: Attachment B: Draft Ordinance Amendments - Permanent Ineligibility Alternative (PDF) [This attachment was removed.](#)

NOT YET APPROVED

Ordinance No. __

Ordinance of the Council of the City of Palo Alto Amending Palo Alto Municipal Code Section 18.52.070 (Parking Regulations for CD Assessment District) in Chapter 18.52 (Parking and Loading Requirements) in Title 18 (Zoning) to Temporarily Extend Ineligibility of Certain Uses to Participate in the University Avenue In-Lieu Parking Program and Making Clerical Amendments to PAMC Section 16.57.010 (Applicability) of Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District).

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

SECTION 1. Findings and declarations. The City Council finds and declares as follows:

- A. The City of Palo Alto (City) is a job center with among the highest housing prices and greatest jobs to housing imbalances in the Bay Area, resulting in a housing shortage that threatens the city's prosperity, diversity, stability, environment, quality of life, and community character.
- B. A variety of policies result in incentives for office development over housing, including the availability of the University Avenue In-Lieu Parking Program.
- C. On April 1, 2019, the Palo Alto City Council adopted Ordinance 5460, which included a temporary ban on eligibility to participate in the University Avenue Parking In-Lieu Program for certain uses, pending further study and recommendation from the Planning and Transportation Commission (PTC).
- D. The prolonged nature of the COVID-19 pandemic has precluded the collection of data and further study of parking strategies in the University Avenue downtown area, requiring several extensions of the temporary ban.
- E. On May 11, 2020 the City Council introduced, and on October 5, 2020 adopted, Ordinance 5506 to extend the temporary ban until February 1, 2021.
- F. On December 7, 2020 the City Council introduced, and on January 11, 2021 adopted, Ordinance 5513 to extend the temporary ban until August 1, 2022.
- G. On April 27, 2022, the PTC recommended that the City Council approve clerical code amendments and continue the existing temporary ban for three years on the eligibility of commercial office uses above the ground floor to participate in the existing University Avenue In-Lieu Parking Program to maintain the status quo pending further study by

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City Staff and the PTC.

- H. On June 6, 2022, the City Council approved clerical code amendments and continued the existing temporary ban for three years on the eligibility of commercial office uses above the ground floor to participate in the existing University Avenue In-Lieu Parking Program to maintain the status quo pending further study by City Staff and the PTC.

SECTION 2. Section 16.57.010 (Applicability) of Palo Alto Municipal Code Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District) in Title 16 (Building Regulations) is hereby amended to read as follows:

16.57.010 Applicability.

The in-lieu parking fee regulations set forth in this chapter shall apply only to nonresidential development within the University Avenue parking assessment district which meets the eligibility criteria set forth in subsection (d) of Section 18.52.070 of this code. ~~Section 18.18.090 of this code.~~ In accordance with Section 18.52.070 subsection (a) of Section 18.18.090 of this code, provision of a parking space or payment of the fee established by this chapter shall be a condition of the approval of or permit for any new development, any addition or enlargement of existing development, or any use of any floor area that has never been assessed under any Bond Plan G financing pursuant to Title 13 of this code.

[. . .]

SECTION 3. Subdivision (d) of Section 18.52.070 (Parking Regulations for CD Assessment District) of Chapter 18.52 (Parking and Loading Requirements) of Title 18 (Zoning) is hereby amended to read as follows:

18.52.070 Parking Regulations for CD Assessment District

[. . .]

- (d) In-lieu Parking Provisions

In connection with any expansion of the supply of public parking spaces within the CD commercial downtown district, the city shall allocate a number of spaces for use as "in- lieu parking" spaces to allow development to occur on sites which would otherwise be precluded from development due to parking constraints imposed by this chapter. Off- site parking on such sites may be provided by payment of an in-lieu monetary contribution to the city to defray the cost of providing such parking. Contributions for each required parking space shall equal the incremental cost of providing a net new parking space in an assessment district project plus cost for the

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administration of the program, all as determined pursuant to Chapter 16.57 of Title 16 of this code, by the director, whose decision shall be final. Only sites satisfying one or more of the following criteria, as determined by the director, shall be eligible to participate in the in-lieu parking program:

- (1) Construction of on-site parking would necessitate destruction or substantial demolition of a designated historic structure;
- (2) The site area is less than ten thousand square feet and it would not be physically feasible to provide the required on-site parking;
- (3) The site is greater than 10,000 square feet, but of such an unusual configuration that it would not be physically feasible to provide the required on-site parking;
- (4) The site is located in an area where city policy precludes curb cuts or otherwise prevents use of the site for on-site parking; or
- (5) The site has other physical constraints, such as a high groundwater table, which preclude provision of on-site parking without extraordinary expense.

Office uses above the ground floor shall not be eligible to participate in the in-lieu parking program ~~for one year from the effective date of Ordinance No. 5460 through August 1, 2025. from the effective date of Ordinance No. 5460 through August 1, 2022.~~

[. . .]

SECTION 4. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

SECTION 5. The Council finds that the potential environmental impacts related to the Housing Workplan Ordinance, including the amendments enacted herein were analyzed in the Final EIR for the Comprehensive Plan Update, which was certified and adopted by the Council by Resolution No. 9720 on November 13, 2017. This Ordinance is consistent with and simply continues the implementation of the program evaluated in the EIR.

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SECTION 6. This Ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Planning & Development
Services

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City of Palo Alto
City Council Staff Report

(ID # 14505)

Report Type: Consent Calendar

Meeting Date: 6/20/2022

Summary Title: SECOND READING: Council Review of Objective Standards

Title: SECOND READING: Adoption of Two Ordinances Implementing the Objective Standards Project, Including: 1) New Chapter 18.24, Contextual Design Criteria and Objective Design Standards; 2) Modifications to Affordable Housing (AH) Overlay District to Eliminate the Legislative Process; 3) Changes to Remove Inconsistencies and Redundancies, and Streamline Project Review Throughout Title 18 (FIRST READING: June 1, 2022: PASSED: 5-1, Cormack No)

From: City Manager

Lead Department: Planning and Development Services

This item was heard by the City Council on June 1, 2022 for a first reading and was approved 5-1, Cormack no.

Minor changes were made to the Objective Design Standards Ordinance (Chapter 18.24), based on direction from the City Council and clarifications by the City Attorney's Office. These changes are shown in redline/strikeout in Attachment A.

No changes were made to the other Title 18 updates in Attachment B.

Attachments:

Attachment24.a: Attachment A: Ordinance Adding Chapter 18.24 (Contextual Design Criteria and Objective Design Standards) (PDF)

Attachment24.b: Attachment B: Ordinance Amending Title 18 (Zoning) to Implement Objective Standards, Streamline Process for Housing Development Projects, and Other Clarifications (PDF)

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Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Adding Chapter 18.24 of Title 18 (Zoning) of the Palo Alto Municipal Code to Adopt Contextual Design Criteria and Objective Design Standards

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Chapter 18.24 (Contextual Design Criteria and Objective Design Standards) of Title 18 (Zoning) of the Palo Alto Municipal Code is added as follows:

Sections:

- 18.24.010 Purpose and Applicability**
- 18.24.020 Public Realm/Sidewalk Character**
- 18.24.030 Site Access**
- 18.24.040 Building Orientation and Setbacks**
- 18.24.050 Building Massing**
- 18.24.060 Façade Design**
- 18.24.070 Residential Entries**
- 18.24.080 Open Space**
- 18.24.090 Materials**
- 18.24.100 Sustainability and Green Building Design**

18.24.010 Purpose and Applicability

(a) Purpose

The purpose of this Chapter is to provide guidance for good design in the form of “contextual design criteria” which establish design intent, and objective design standards that facilitate streamlined review. Diagrams are provided for illustrative purposes only and are not intended to convey required architectural style. Rather, the objective design standards aim to accommodate a variety of styles, construction types (e.g., wood frame, modular) and housing types including townhomes, apartments, condos, and mixed-use buildings.

(b) Applicability of Regulations

These regulations apply to Housing Development Projects (as defined in Gov. Code 65589.5), both new construction and renovations, within the following zones and combining districts:

- (1) Chapter 18.13: RM-20, RM-30, RM-40
- (2) Chapter 18.16: CN, CC, CC(2), CS
- (3) Chapter 18.18: CD-C, CD-S, CD-N
- (4) Chapter 18.20: MOR, ROLM, ROLM(E), RP, RP(5), GM
- (5) Chapter 18.28: PF
- (6) Chapter 18.34: PTOD combining district

Housing Development Projects include multifamily housing with three or more units (“multiple-family use” as defined in 18.04.030), supportive and transitional housing, and residential mixed-

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use projects with at least two-thirds residential square footage shall meet the objective design standards.

(C) Process and Alternative Compliance

Each section of this chapter includes two components:

- (1) Contextual design criteria establish design intent for more detailed standards and are intended to give guidance for all applicable projects, regardless of use.
- (2) Objective design standards provide detailed measurable standards or options for compliance. Projects meeting objective standards are automatically assumed to meet contextual design criteria.

Housing Development Projects are required to comply with objective standards in order to take advantage of streamlined review pursuant to Section 18.77.073. However, applicants may choose to forgo one or more objective standards, in which case the housing project no longer ~~meets the definition of a Housing Development Project~~ qualifies for streamlined review and will be evaluated based on Context-Based Design Criteria for the zoning district, if relevant, and be subject to architectural review as set forth in Sections 18.76.020 and 18.77.070.

Non-Housing Development Projects and non-residential projects shall adhere to the Context-Based Design Criteria for the zoning district, if relevant, and be subject to architectural review as set forth in Section 18.76.020 and 18.77.070.

(d) Definitions

In addition to definitions provided in Chapter 18.04, the following definitions are specific to this Chapter.

- (1) “Primary Building Frontage” means the front lot line or ~~frontage lot line~~ along the public right-of-way. In the case of a through-lot or corner lot, the primary building frontage could be on either public right-of-way.
- (2) “Primary Building Entry” means the entrance leading to a lobby and accessed from the primary building frontage.
- (3) “Pedestrian Walkway” means a sidewalk or path that is publicly-accessible and connects from a public right-of-way or private street to another public right-of-way, private street, or publicly accessible open space.
- (4) “Façade Modulation” means a change in building plane, either a recess or a projection, that changes the shape of the exterior massing of the building.

18.24.020 Public Realm/Sidewalk Character

(a) Contextual Design Criteria

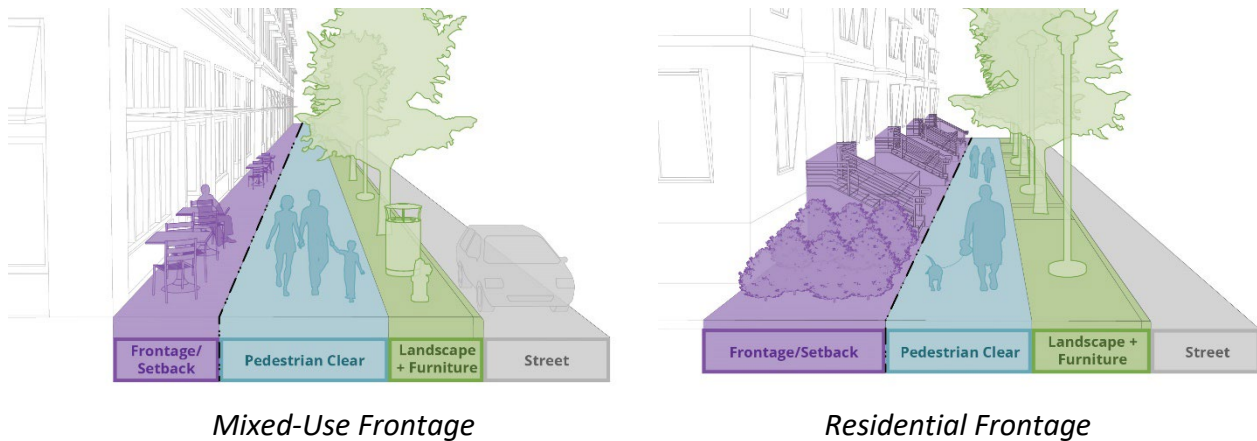
To create an attractive and safe public realm and sidewalk space for pedestrians and cyclists through the implementation of design, landscaping, and infrastructure. Publicly accessible spaces and sidewalks should:

- (1) Design the transition between the public and private realm through the coordination of amenities and materials, such as accent paving, tree wells, lighting and street furniture (e.g., benches, bicycle racks, trash receptacles, news racks).
- (2) Complement or match accent paving to existing designs in the Downtown and California Avenue business district.

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- (3) Provide sidewalk widths that accommodate landscaping, street trees, furniture, and pedestrian amenities; create a pleasant, desirable place to walk; provide shade; and enable comfortable pedestrian passage.
 - (4) Provide amenities, such as parking and repair equipment, for micromobility, such as bicycles and scooters.
 - (5) Utilize street parking for visitor or customer parking and to enhance traffic calming.
- (b) Objective Design Standards
- (1) Sidewalk Widths
 - (A) Public sidewalks abutting a development parcel in any commercial mixed-use district (CN, CS, CC, CC(2), CD-C, CD-S, CD-N, PTOD) shall have a minimum sidewalk width (curb to back of walk) of at least 10 feet. This standard may be met with a combination of pedestrian clear path and landscape and furniture strip (see Figure 1), as long as the pedestrian clear path is no less than 8 feet. If the existing public sidewalk does not meet the minimum standard, a publicly accessible extension of the sidewalk, with corresponding public access easement, shall be provided. Notwithstanding the total dimensions required herein, the following streets/locations shall have a minimum sidewalk width as noted:
 - (i) El Camino Real: 12 ft
 - (ii) San Antonio Road, from Middlefield Road to East Charleston Road: 12 ft
 - (B) Publicly accessible sidewalks or walkways, with landscape strips, connecting through a development parcel (e.g., on a through lot) shall have a minimum six-foot width.
 - (C) Pedestrian walkways that are designed to provide access to bicycles shall have a minimum width of eight feet, with two feet of clear space on either side.

Figure 1: Illustrative Sidewalk Section and Description of Zones



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Table 1: Allowed features by sidewalk zone				
Frontage		Sidewalk		Street
Building Setback	Frontage Area	Pedestrian Clear Zone	Landscape/Furniture Zone	Vehicles/Bike Lanes
<i>Mixed-Use</i> <ul style="list-style-type: none"> • Sidewalk Dining • Outdoor Displays • Public Art • Seating • Trees/Planting 		<ul style="list-style-type: none"> • Sidewalk 	<ul style="list-style-type: none"> • Street Trees/Planting • Street Lighting • Seating • Bike Parking • Public Art • Outdoor Dining • Bus Shelters • Utilities (e.g., hydrants) 	<ul style="list-style-type: none"> • Street Parking • Bike Lanes • Drop-off Zones • Parklets • Bus Stops
<i>Residential</i> <ul style="list-style-type: none"> • Stoops • Porches • Front Yards • Trees/Planting 				

(2) Street Trees

Sidewalks shall include at least one street tree, within six feet of the sidewalk, for every 30 feet of linear feet of sidewalk length. Rights of way under control of the County of Santa Clara or State of California, supersede this requirement if they have conflicting regulations.

(3) Accent Paving

On University and California Avenues, new construction projects shall install accent paving along the project frontage(s) (e.g., at intersections, sidewalks and/or other publicly-accessible areas), as indicated in the table below.

Table 2: Accent Paving

Street Segment	Paving Material
University Avenue from Alma Street to Webster Street	Brick at corners Brick trim at mid-block
California Avenue from El Camino Real to Park Boulevard	Decorative Glass <u>throughout sidewalk</u>

(4) Mobility Infrastructure

(A) Where provided or required, a micromobility infrastructure, such as locations to lock bicycles and scooters, shall be located within 30 feet of the primary building entry and/or a path leading to the primary building entry. This standard may be satisfied by existing infrastructure already located within 50 feet of the project site and located in the public right-of-way.

(B) Primary building entries shall provide at least one exterior seating area or bench within 30 feet of building entry and/or path leading to building entry. This standard may be satisfied by existing seating area or benches located in public right-of-way within 50 feet of the building entry. On arterials—except Downtown—seating areas

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or benches shall not be located between the sidewalk and curb. Arterial roadways are identified in Map T-5 of the Comprehensive Plan and do not include residential arterials.

18.24.030 Site Access

(a) Contextual Design Criteria

To provide facilities and accommodations for pedestrians, vehicles, cyclists, and transit users to safely and efficiently access and circulate both within individual sites and in the site's surrounding context. Site access should include the following elements:

- (1) Site circulation and access that presents a clear hierarchy and connectivity pattern both within a project and to adjacent sidewalks and transit stops. This hierarchy should prioritize pedestrians, bikes, vehicles, and utility/loading access in the order listed. This hierarchy may provide separate access for vehicles and other modes, or demonstrate how all modes are accommodated in shared access points.
- (2) Connections to side streets, open spaces, mews, alleys, and paseos
- (3) Vehicle, loading and service access that is integrated into building and landscape design and located to prevent conflicts with pedestrians and cyclists, while also provided convenient access to building entries.
- (4) Shared access agreements among property owners, where feasible, to reduce the number and widths of curb cuts and driveways.

(b) Objective Design Standards

(1) Through-Lot Connections.

Through lots located more than 300 feet from an intersecting street or pedestrian walkway shall provide a publicly accessible sidewalk or pedestrian walkway connecting the two streets.

(2) Building Entries.

Primary Building Entries shall be located from a public right-of-way. ~~or, if there is no public right-of-way adjacent to the building, if not possible, entries shall be located from a private street or publicly accessible~~ Pedestrian Walkway.

(3) Vehicle Access.

(A) Vehicle access shall be located on alleys or side streets when they abut the property where available.

(B) Except for driveway access and short-term loading spaces, off-street parking, off-street vehicle loading, and vehicular circulation areas are prohibited between the building and the primary building frontage.

(4) Loading Docks and Service Areas.

Loading and service areas shall be integrated into building and landscape design and located to minimize impact on the pedestrian experience as follows:

(A) Loading docks and service areas shall be located on facades that do not face other than the primary building frontage: on alleys, from parking areas, and/or at the rear or side of building if building includes these frontages. ~~When only primary building frontage is available, loading docks and service areas shall be recessed a minimum five feet from the primary façade and shall be screened by a solid fence or wall or dense landscaping, in accordance with Chapter 18.23.050.~~

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- (B) Loading dock and service areas located within setback areas shall be screened ~~in accordance with Chapter 18.23.050~~ by a solid fence, or wall, or dense landscaping and separated from pedestrian access to the primary building entry to avoid impeding pedestrian movement and safety.

18.24.040 Building Orientation and Setbacks

(a) Contextual Design Criteria

To create a coherent and active interface between private development and the public realm that contributes to the sense of place and structure of the neighborhood and enhances the public's experience. Site design that responds to the orientation of adjacent uses and creates opportunities for landscaping and usable open space. Buildings and site design should meet the following criteria:

- (1) Buildings that create a street frontage that are compatible with nearby buildings and land uses.
- (2) Placement and orientation of doorways, windows, stoops, and landscape elements to create a direct relationship with the street.
- (3) Ground floor residential units that have direct entry and presence on the street, and maintain privacy.
- (4) Transitional spaces and buffer areas between buildings, parcels, and sites through building setbacks that distinguish private and public spaces.
- (5) Buildings that provide side and rear setbacks and/or upper story step backs to create a compatible relationship with abutting lower density residential development.
- (6) Landscaped or usable areas that contain a balance between landscape and hardscape.
- (7) Optimized building orientation for thermal comfort, shading, daylighting, and natural ventilation and other forms of passive design.

(b) Objective Design Standards

(1) Treatment of Corner Buildings (less than 40 feet)

Corner buildings less than 40 feet in height and end units of townhouses or other attached housing products that face the street shall include the following features on their secondary building frontage:

- (A) A height to width ratio greater than 1.2:1
- (B) A minimum of 15 percent fenestration area.
- (C) At least one facade modulation with a minimum depth of 18 inches and a minimum width of two feet. Examples: Wrap around front porch, bay window.

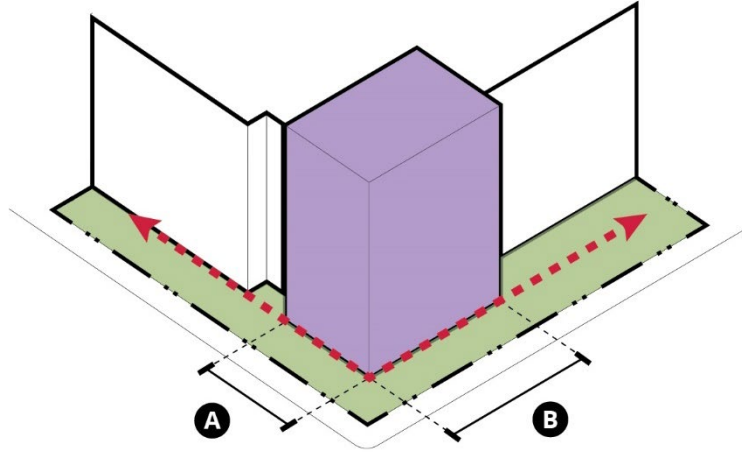
(2) Treatment of Corner Buildings (40 feet and higher)

Corner buildings 40 feet or taller in height shall include at least one of the following special features:

- (A) Street wall shall be located at the minimum front yard setback or build-to line for a minimum aggregated length of 40 feet in length on both facades meeting at the corner and shall include one or more of the following building features:

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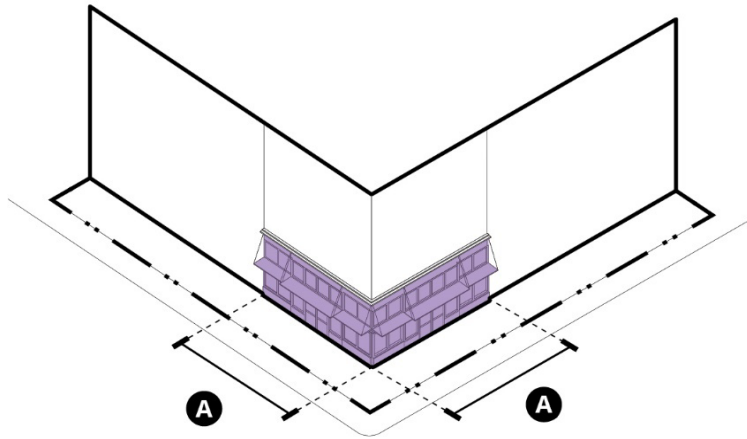
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- A** Length 1 of corner element Front yard setback area
- B** Length 2 of corner element Build to line

where: **A** + **B** = aggregate length

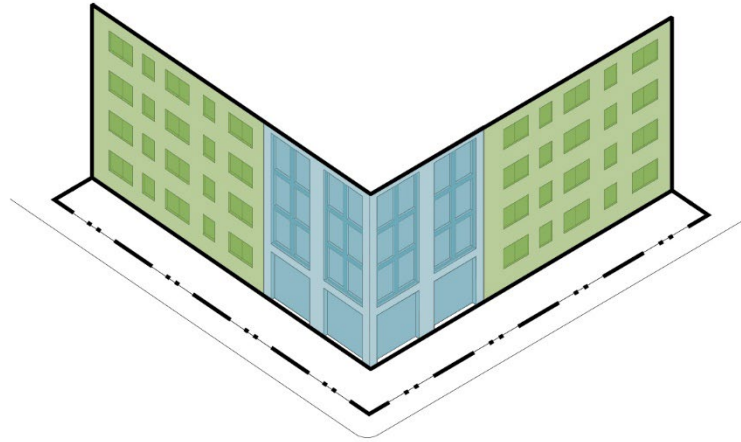
(i) An entry to ground floor retail or primary building entrance located within 25 feet of the corner of the building



- Corner entry to ground floor retail or primary building entrance
- A** 25' maximum distance from corner

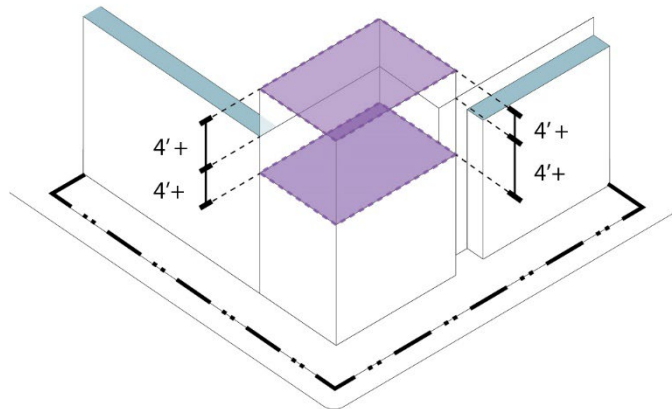
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- (ii) A different material application and/or fenestration pattern from the rest of the façade.



- Corner element material or fenestration pattern
- Remaining facade building material or fenestration pattern

- (iii) A change in height of at least 4 feet greater or less than the height of the ~~abutting~~ adjacent primary façade.

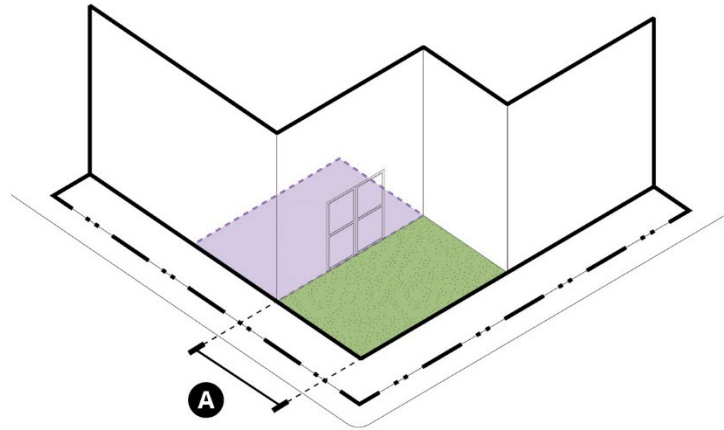


- Corner element height $\leq 4'$ **or** $\geq 4'$ than abutting height
- Building height of abutting facade

- (B) An open space with a minimum dimension of 20 feet and minimum area of 450 square feet. The open space shall be at least one of the following:
- (i) A publicly accessible open space/plaza
 - (ii) A space used for outdoor seating for public dining

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- (iii) A residential Common Open Space adjacent to a common interior space and less than two feet above adjacent sidewalk grade. Fences and railing shall be a minimum 50% open/transparent.



- Common open space

 Adjacent lobby, retail, or indoor common space
- A Minimum dimension \geq 20'

(3) Primary Building Entry

The primary building entry shall meet at least one of the following standards:

- (A) Face a public right-of-way.
- (B) Face a publicly accessible pedestrian walkway.
- (C) Be visible from a public right-of-way through a forecourt or front porch that meets the following standards:
 - (i) For residential buildings with fewer than seven units, building entry forecourts or front porches shall be a minimum area of 36 square feet and minimum dimension of six feet.
 - (ii) For commercial buildings or residential buildings with seven or more units, building entry forecourts or front porches shall be a minimum of 100 square feet and a minimum width of 8 feet.

(4) Ground Floor Residential Units

- (A) The finished floor of ground floor residential units, when adjacent to a public right-of-way, shall be within the minimum and maximum heights according to setback distance from back of walk identified in Figure 2. On sites with a cross slope greater than 2% along a building facade, the average height of the finished floor and back of walk shall be used. In flood zones, the minimum floor height shall be defined by the Federal Emergency Management Agency (FEMA) flood zone elevation.
- (B) Ground floor units with a setback greater than 15 feet shall have at minimum an average of one tree per 40 linear feet of façade located in the building set back.

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- (C) Ground floor residential unit entries shall be setback a minimum of 10 feet from the back of sidewalk.
- (D) Where no minimum building set back is required, all residential units shall be set back a minimum 5 feet from back of walk.
- (E) A minimum of 80% of the ground floor residential units that face a public right-of-way or publicly accessible path, or open space shall have a unit entry with direct access to the sidewalk, path, or open space. (Senior units or other deed-restricted units for special populations are exempt)

Figure 2a: Finished Floor heights for ground floor residential units, calculation.

$$\text{Formula: } y = \left(-\frac{4}{15}\right)(x) + \frac{16}{3}$$

where y = ground floor finished floor height, in feet
 and x = setback distance from back of walk, in feet

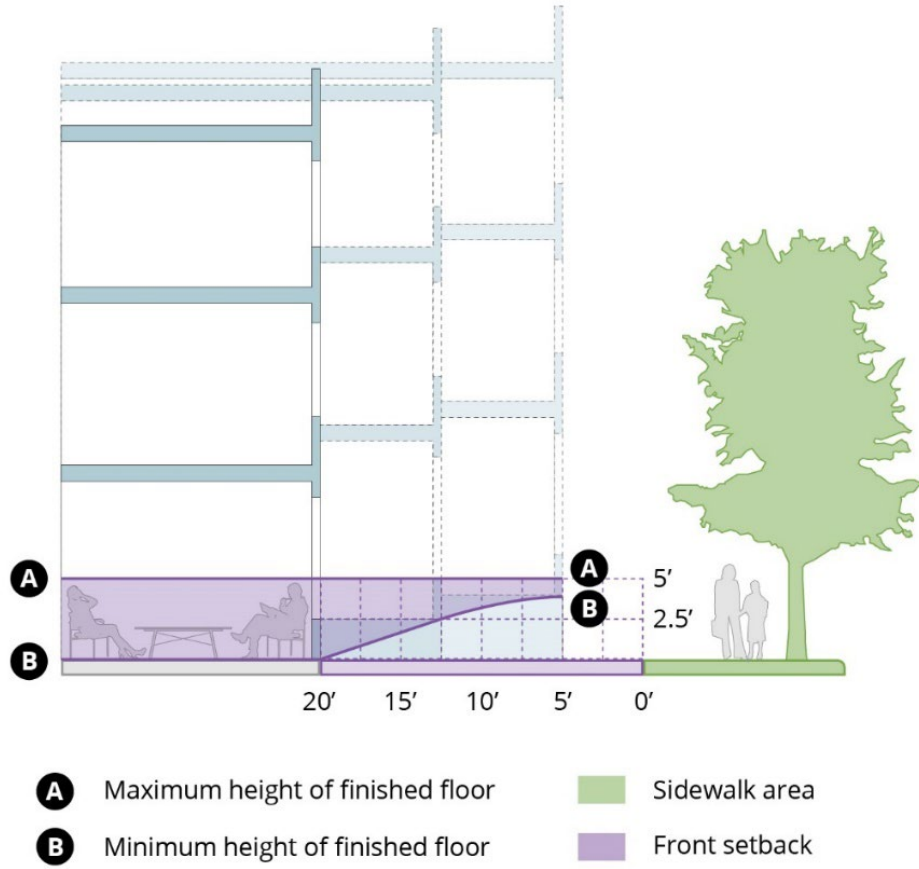
Setback Length	Ground Floor Finished Floor Height (minimum)
5 ft*	4 ft
7.5 ft	3 ft 4 in
10 ft	2 ft 8 in
12.5 ft	2 ft
15 ft	1 ft 4 in
17.5 ft	8 in
20 ft	0 ft (grade)

**Per 18.24.040.(b)(4)(D), ground-floor residential units shall be set back a minimum 5 feet from back of walk.*

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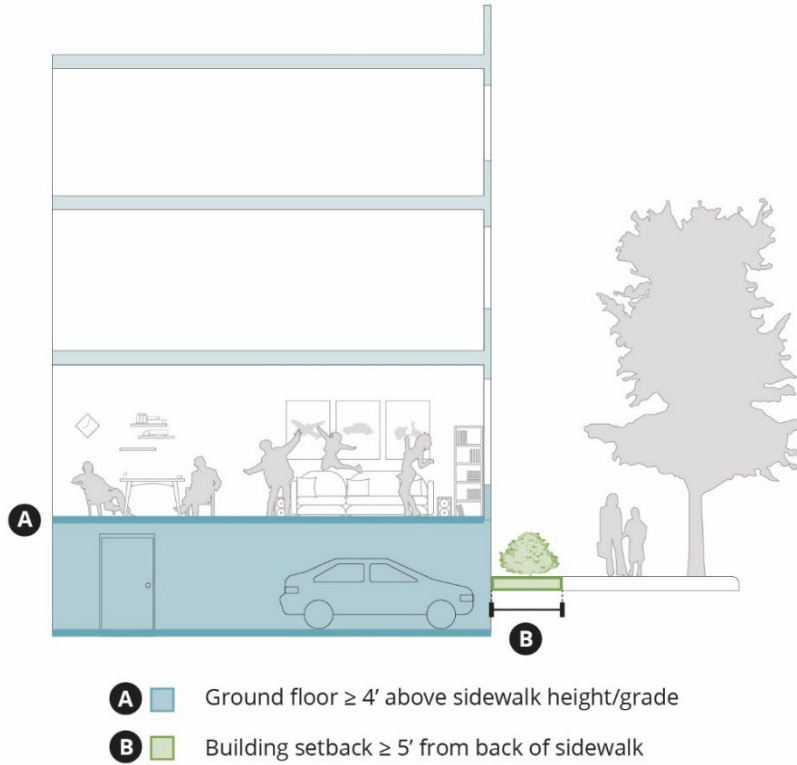
Figure 2b: Finished Floor range for ground floor residential units.



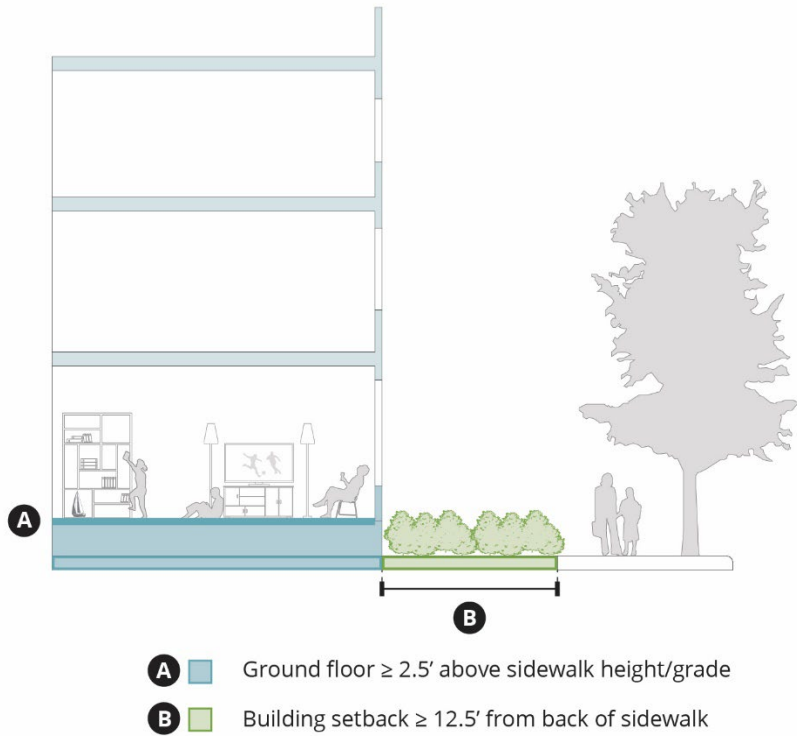
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Example 1: Finished floor height greater than 4 feet above sidewalk grade with minimum 5 feet setback.

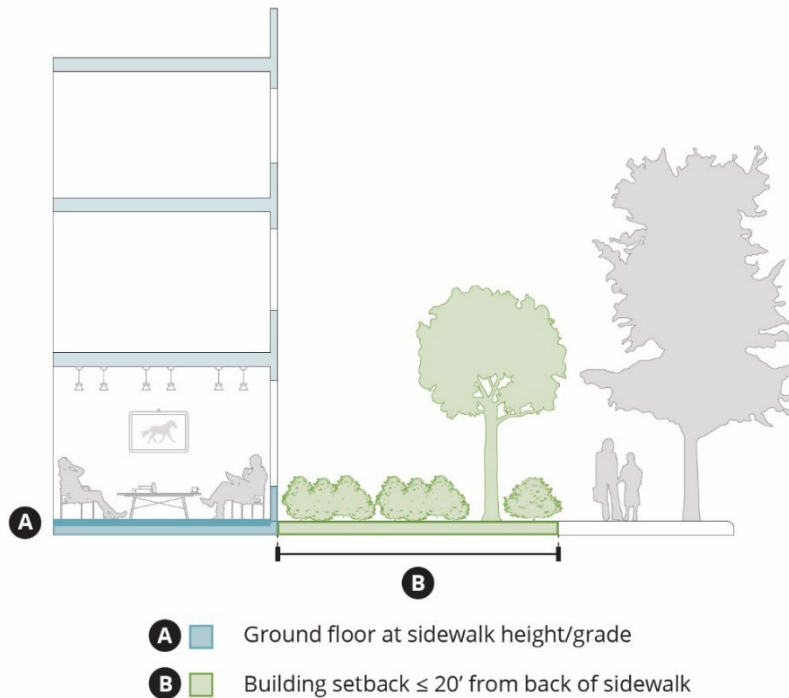


Example 2: Finished floor height in the middle of the range.



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Example 3: Finished floor height at sidewalk grade.



(5) Front Yard Setback Character

Required setbacks shall provide a hardscape and/or landscaped area to create a transition between public and private space. The following standards apply, based on intended use and exclusive of areas devoted to outdoor seating, front porches, door swing of building entries, and publicly accessible open space:

- (A) Ground-floor retail or retail-like uses shall have a minimum of 10% of the required setback as landscaped area or planters.
- (B) Ground-floor residential uses shall have a minimum of 60% landscaped area in the required setback area.

(6) Side Yard Setback Character

- (A) Each detached dwelling unit shall have at least one usable side yard, at least 6 feet wide, between the house and fence or other structure, to provide outdoor passage between the front and rear yards.

18.24.050 Building Massing

(a) Contextual Design Criteria

To create buildings that are compatible with and enhance the surrounding area through the consideration of building scale, massing, and bulk. Massing should create a human-scale environment that is of high aesthetic quality and accommodates a variety of uses and design features. Building massing should include elements that:

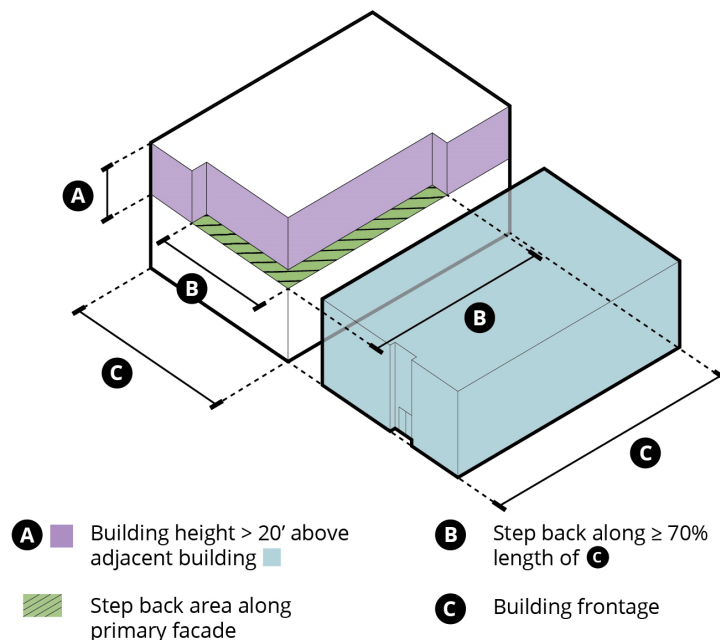
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- (1) Break down large building facades and massing to create a human-scaled building that enhances the context of the site
- (2) Are consistent in scale, mass and character to adjacent land uses and land use designations
- (3) Reinforce the definition and importance of the street
- (4) Provide rooflines and massing that emphasize and accentuate significant elements of the building such as entries, bays, and balconies, and shading elements where appropriate.
- (5) Provide harmonious transitions between abutting properties
- (6) Maintain privacy of residential uses through design strategies such as offset windows, reduced glazing, landscape screening, and site planning that extends setbacks to residential uses.

(b) Objective Design Standards

(1) Upper Floor Step Backs & Daylight Planes

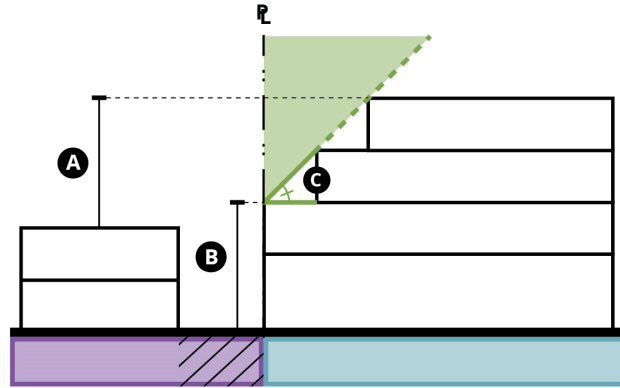
- (A) When the height of the subject building is more than 20 feet above the average height (i.e., average of low and high roof elevations) of an adjacent building, an upper floor step back shall start within 2 vertical feet of the height of the adjacent building. The step back shall be a minimum depth of 6 feet along both the façade on the primary building frontage and the facing façade of the adjacent building, and the step shall occur for a minimum of 70% of each façade length.
- (B) Notwithstanding, subsection (a), when abutting adjacent to a single-story building, the upper floor step back shall occur between 33 and 37 feet in height.



- (C) If a project meets the following criteria, a daylight plane with an initial height of 25 feet above grade at the property line and a 45-degree angle shall be required. No setback is required unless otherwise required by the zoning district. This daylight plane is required if all of these criteria are met:

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- (i) The project is not subject to a daylight plane requirement, pursuant to district regulations in Title 18; and
- (ii) The project proposes a building which is more than 20 feet above the average height (i.e., average of low and high roof elevations) of an adjacent building; and
- (iii) The project abuts residential units in the side or rear yard.



- A** New building is more than 20' taller than abutting building
- Interior setback area
- Property Line
- Proposed building
- Adjacent property
- Daylight Plane
- No-build area
- B** Initial Height: 25'
- C** Angle: 45°

(2) Privacy and Transitions to Residential Uses

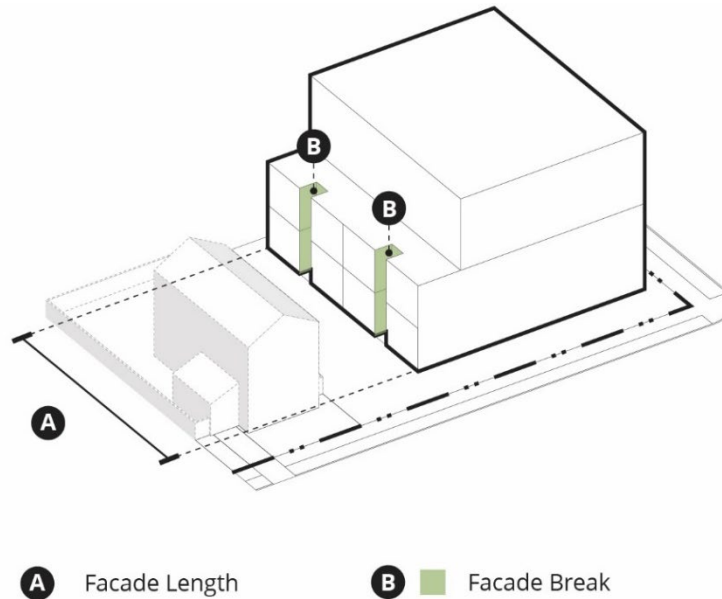
When a building abuts a residential use at an interior side and/or rear property line-, the building shall break down the ~~abutting-facing~~ façade and maintain privacy by meeting all of the following applicable standards:

- (A) Landscape Screening: A landscape screen that includes a row of trees with a minimum 1 tree per 25 linear feet and continuous shrubbery planting. This screening plant material shall be a minimum 72 inches (6 feet) in height when planted. Required trees shall be minimum 24" box size.

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- (B) Façade Breaks: A minimum façade break of four feet in width, two feet in depth, and 32 square feet of area for every 36 to 40 feet of façade length.



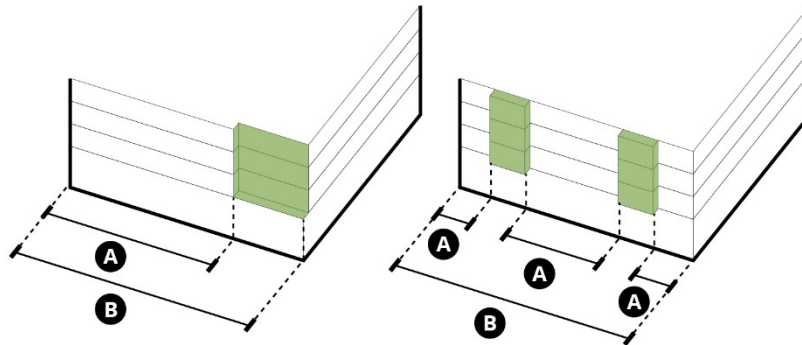
- (C) Maximum Amount of Transparent Windowsey: Within 40 feet of the façade of an adjacent structure~~an abutting structure~~, no more than 15% of the facing façade area shall be windows or other glazing. Additional windows are allowed in order to maintain light, if they are fixed and fully obscured.
- (D) Windows: Within 30 feet of facing residential windows (except garage or common space windows) or private open space on an ~~abutting~~ adjacent residential building, facing windows on the subject site shall meet the following:
- Window sills at and above the 2nd floor shall be at least 5 feet above finished floor; or
 - Windows shall have opaque or translucent glazing at or below 5 feet above finished floor; or
 - Windows shall be angled up to 30 degrees (parallel to window) to face away from ~~abutting the adjacent~~ privacy impacts; and
 - Landscape screening shall be 24-inch box size or larger and 8+ feet height at planting; 50% evergreens; and located to align with proposed second floor windows at maturity
- (E) Balconies: Within 30 feet of residential windows (except garage or common space windows) or private open space on an ~~abutting~~ adjacent residential building, balconies and decks on the subject site shall be designed to prevent views:
- No sight lines to the adjacent property window or open space are permitted within 5 feet ~~above the of finished floor~~ balcony or deck flooring and a 45-degree angle downward from balcony railing
 - Submit section view of proposed balcony/deck and abutting residential windows and/or private open space
 - Provide balcony/deck design measure which may include:

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- a. Minimum 85% ~~opaque~~ solid railing
- b. Obscure glass railing
- c. Barrier with min. 18" horizontal depth from railing (e.g., landscape planter)

(3) Maximum Façade Length.

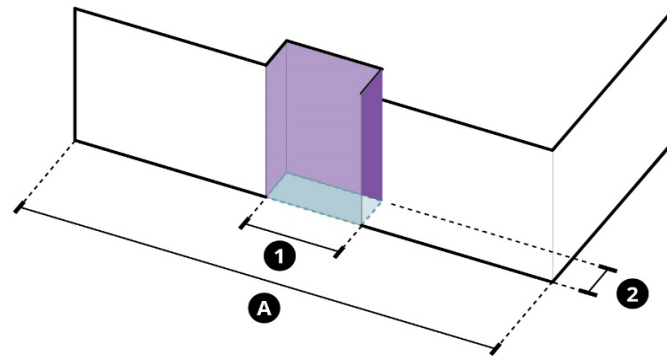
For portions of a building facade facing a public street, right-of-way, or publicly accessible path, any building greater than 25 feet in height and 70 feet in length shall not have a continuous façade plane greater than 70% of the façade length without an upper floor modulation, which can include bay windows. Upper floor façade modulations shall be a minimum 2 feet in depth, which can be a recess or a projection.





- (A) Non-continuous building facade \leq 70% length of (B)
- (B) Building length
- Upper floor above 25' with modulation \geq 2' in depth

- (A) Buildings 250 feet in length or greater, which face a public street, right-of-way, or publicly accessible path, shall have at least one vertical façade break with a minimum area greater than 400 square feet and a width greater than or equal to two times the depth.
- (B) Buildings 150 to 250 feet in length, which face a public street, right-of-way, or publicly accessible path, shall have at least one vertical façade break with a minimum area greater than 64 square feet and a minimum width of 8 feet and minimum depth of 4 feet.

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- | | |
|---|-----------------------------|
| A Building facade | 1 Facade break width |
|  Vertical facade break | 2 Facade break depth |
|  Facade break area | |

(4) Special Conditions - Railroad Frontages

All parcels with lot lines abutting railroad rights-of-way shall meet the following standards on the railroad-abutting facade:

- (A) A minimum facade break of at least 10 feet in width and six feet in depth for every 60 feet of facade length.
- (B) For portion of a building 20 feet or greater in height, a maximum continuous facade length shall not exceed 60 feet.

(5) Diversity of Housing Types

(A) A diversity of housing types (e.g., detached units, attached rowhouses/townhomes, condominiums or apartments, mixed use) are required for projects on large lots:

- < 1-acre lots: minimum 1 housing type;
- 1 to 2-acre lots: minimum 2 housing types; or
- > 2-acre lots = minimum 3 housing types.

18.24.060 Façade Design

(a) Contextual Design Criteria

To create cohesive and well-crafted building facades with human-scaled details that incorporate textures, colors, and other details that are compatible with and enhance the surrounding area. Facades should include the following elements:

- (1) Human-scaled detail, articulation, and craftsmanship
- (2) Quality of construction, craftsmanship, and design to create long lasting buildings
- (3) Expression of a human-scaled facade rhythm and pattern that reflects the building's use
- (4) Fenestration that enhances the architectural character of the building
- (5) Defined building entry that is proportional to the building and number of people served
- (6) Articulation of the building shall break down the scale of the building via building modulation, facade articulation, and variation of fenestration and material patterns.

(b) Application

- (1) All facades shall meet all the required design standards and guidelines to ensure the same level of care and integrity throughout the building design.

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- (2) Façade sidewalls located along a zero-lot line where, at time of approval are not visible from a right-of-way, are exempt.
- (3) Façade sidewalls located along a zero-lot line, where at time of approval are visible from a right-of-way, shall continue color, material, and pattern of the main façade.
- (c) Objective Design Standards
- (1) Base/Middle/Top
- (A) Buildings three stories or taller and on lots wider than 50 feet shall be designed to differentiate a defined base or ground floor, a middle or body, and a top, cornice, or parapet cap. Each of these elements shall be distinguished from one another for a minimum of 80% of the façade length through use of three or more of the following four techniques:
- (i) *Variation in building modulation (minimum of one, if option selected)*
- a. Horizontal shifts. Changes in floor plates that protrude and/or recess with a minimum dimension of two feet from the primary façade.

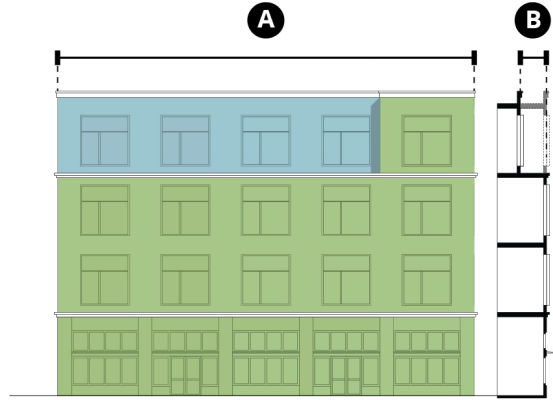


Variation from Top to Middle

- A** Horizontal shift from primary facade
- Primary Facade
- Recessed Facade

- b. Upper floor step backs. A horizontal step back of upper-floor façades with a minimum five-foot step back from the primary façade for a minimum of 80% of the length of the façade.

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- A** Step backs along $\geq 80\%$ of facade length
- B** Upper floor step backed
- Recessed Facade

c. Ground floor step back. A horizontal shift of the ground floor facade with a minimum depth of two feet for a minimum 80% of the length of the façade. Ground floor step backs shall not exceed the maximum setback requirements, where stated.



Variation from Bottom to Middle

- A** Building Step Back Primary Facade
- B** Horizontal shift from primary facade Recessed Facade

(ii) *Variation in facade articulation (minimum of one, if option selected)*

a. *Variation in horizontal and/or vertical recesses or projections such as a pattern of recessed grouping of windows, recessed panels, or bay windows. The recess or projection shall be a minimum four inches in depth.*

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Variation from Top to Middle + Middle to Bottom

- A** Horizontal projection
- B** Vertical projection
- C** Horizontal recess

b. Variation in horizontal and/or vertical projections such as shading and weather protection devices, decorative architectural details



Variation in Horizontal and Vertical Projections

- Shading Type 1
- Shading Type 2
- Shading Type 3

c. Datum lines that continue the length of the building, such as parapets or cornices, with a minimum four inches in height or a minimum two inches in depth and include a change in material;

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Datum lines along the entire length of the building **and** with a change in material

(iii) *Variation in at least two of the following: fenestration size, proportions, pattern, and depth or projection.*



Variation in Fenestration Pattern




- Pattern A size and proportion
- Pattern B size and proportion
- Pattern C size and proportion

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- (iv) *Variation in two of the following: façade material, material size, texture and pattern, or color.*



Variation in two of the following on the primary facade

-  Top material composition
-  Middle material composition
-  Base material composition

(2) Façade Composition

Building facades shall use a variety of strategies including building modulation, fenestration, and façade articulation to create visual interest and express a variety of scales through a variety of strategies. All facades shall include a minimum of three of the following façade articulation strategies to create visual interest:

- (i) Vertical and horizontal recesses such as a pattern of recessed grouping of windows or recessed panels. The recess shall be a minimum four inches in depth.
- (ii) Vertical and horizontal projections such as shading and weather protection devices or decorative architectural details. Projections shall be a minimum four inches in depth.
- (iii) Datum lines that continue the length of the building, such as cornices, with a minimum four inches in depth, or a minimum two inches in depth and include a change in material;
- (iv) Balconies, habitable projections, or Juliet balconies (every 20 to 40 feet) with a minimum four inches in depth;
- (v) Screening devices such as lattices, louvers, shading devices, or perforated metal screens;
- (vi) Use of fine-grained building materials, such as brick or wood shingles, not to exceed eight inches in either height or width; or
- (vii) Incorporate a minimum of three colors, materials, and/or textures across the whole building.

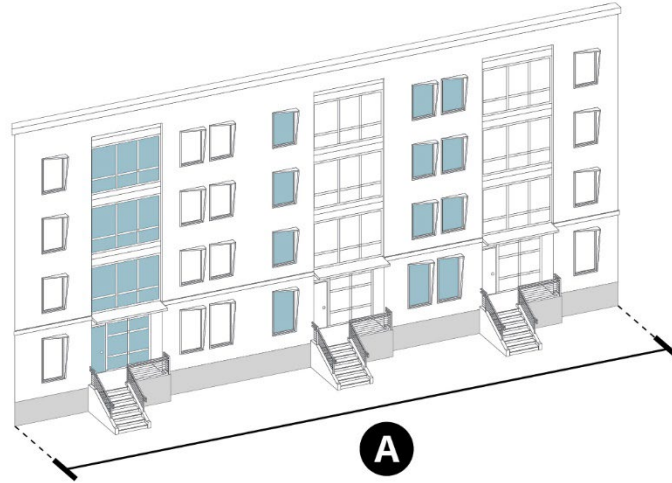
(3) Compatible Rhythm and Pattern

- (A) Buildings shall express a vertical rhythm and pattern that reflects the size and scale of a housing unit and/or individual rooms and spaces. This may be achieved with building modulation to create vertically oriented facades (height greater than the width of the façade), façade articulation and fenestration repetitive vertically

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oriented patterns. Depending on the length of the façade, the following standards apply:

- (i) For continuous façades less than 100 feet in length, the façade shall have vertically oriented patterns of vertical recesses or projections, façade articulation, and/or fenestration.



A Façade length \leq 100' Vertically oriented patterns

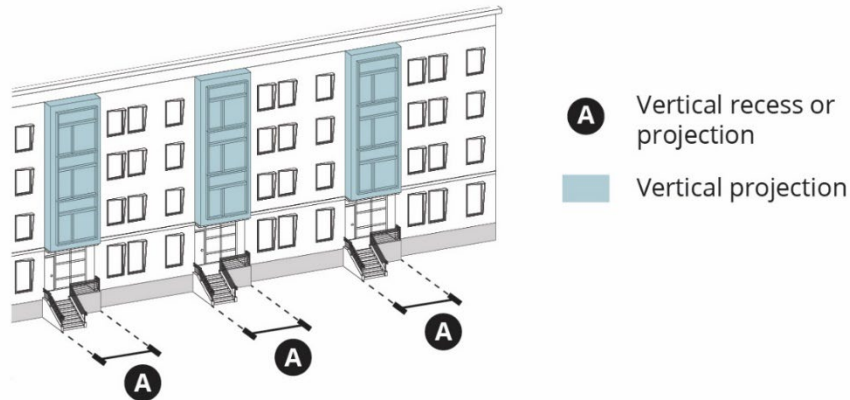
- (ii) For continuous façades 100 feet or greater in length, the façade shall include either:
- a. A vertical recess or change in façade plane with a minimum 2 feet deep vertical shift modulation for a minimum 4 feet in width to establish a vertical rhythm or a unit between 20 to 50 feet in width; or



A Vertical rhythm
B Vertical shift modulation
 Vertically oriented patterns

- b. A vertical recess or projection with a minimum depth of 2 feet that establishes the vertical rhythm housing units or individual rooms between 10 to 16 feet in width.

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(B) Residential mixed-use buildings shall express a vertical rhythm and pattern by meeting at least one of the following standards:

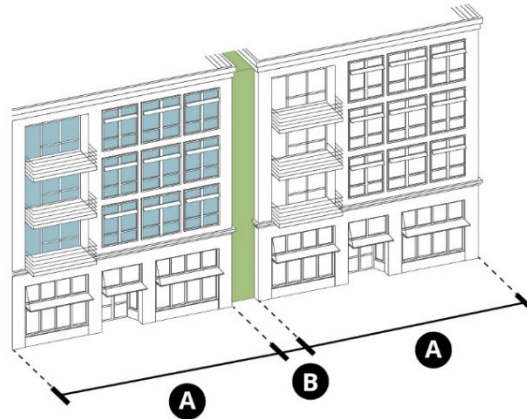
- (i) Vertical Patterns and Modulation: Facades shall use vertical patterns of building modulation, façade articulation, and fenestration.



Vertical patterns along building facade

- (ii) Horizontal Patterns and Modulation: Facades that use horizontal articulation and fenestration patterns shall use a vertical massing strategy with a minimum four feet wide and two feet deep vertical shift in modulation at least once every 50 feet of façade length.

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- A** Facade with horizontal articulation and fenestration pattern ≤ 50' **■** Horizontal articulation and fenestration pattern
- B** **■** Vertical shift in modulation ≥ 4'

(C) Storefront uses shall express a vertical rhythm not to exceed 30 to 50 feet in width.

(4) Emphasize Building Elements and Massing

(A) Building Entries Within Façade Design

(i) Primary building entries shall be scaled proportionally to the number of people served (amount of floor-area or number of units accessed). Building entries inclusive of doorway and facade plane shall meet the following minimum dimensions:

- a. Individual residential entries: five feet in width
- b. Shared residential entry, such as mixed-use buildings: 8 feet in width
- c. Commercial building entry: 20 feet in width
- d. Storefront entry: six feet in width

(ii) Primary building entries (not inclusive of individual residential entries) shall include a façade modulation that includes at least one of the following:

- a. A recess or projection from the primary façade plane with a minimum depth of two feet.

(B) Primary entries shall include weather protection that is a minimum 4 feet wide and 4 feet deep by recessing the entry, providing an awning or using a combination of these methods.

(5) Storefront/Retail Ground Floors

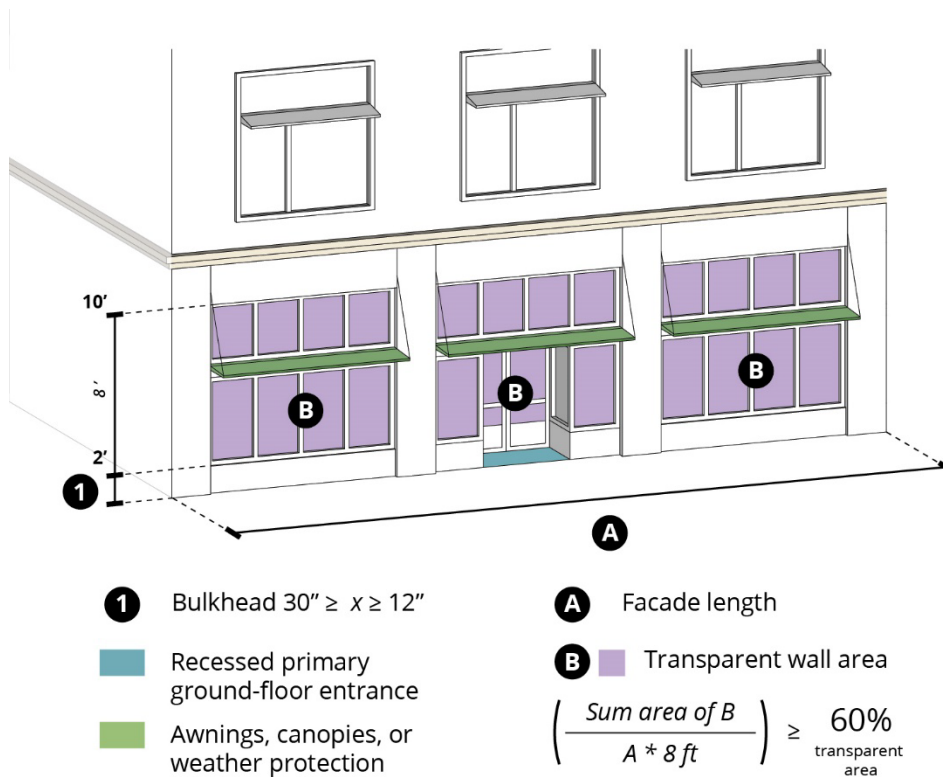
(A) Ground floor height shall be a minimum 14 feet floor-to-floor or shall maintain a 2nd floor datum line of an abutting building-

(B) Transparency shall include a minimum 60 percent transparent glazing between 2 and 10 feet in height from sidewalk, providing unobstructed views into the commercial space.

(C) Bulkheads and solid base walls: If provided, shall measure between 12 and 30 inches from finished grade

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- (D) Primary entries shall include weather protection that is a minimum 6 feet wide and 4 feet deep by recessing the entry, providing an awning or using a combination of these methods.
- (E) Awnings, canopies and weather protection:
- When transom windows are above display windows, awnings, canopies and similar, weather protection elements shall be installed between transom and display windows. These elements should allow for light to enter the storefront through the transom windows and allow the weather protection feature to shade the display window.
 - Awnings may be fixed or retractable.



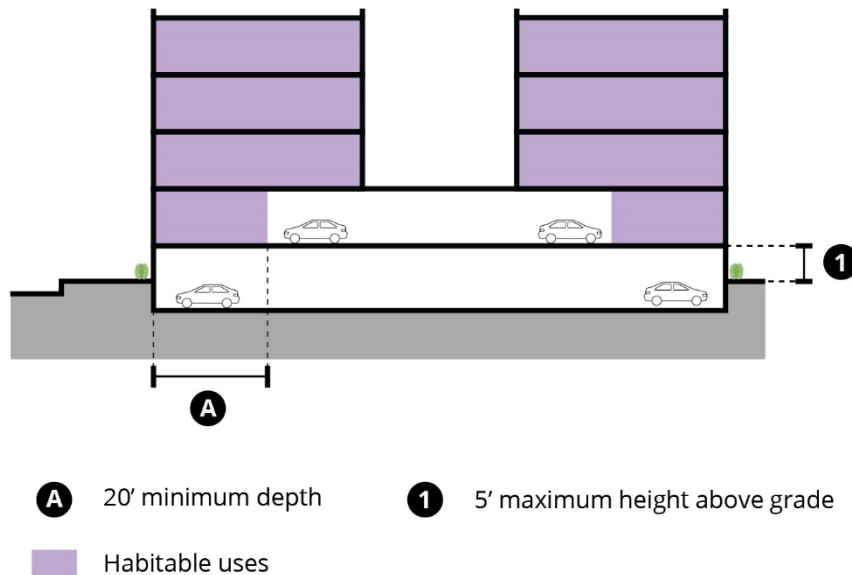
(6) Other Non-residential Ground Floors

- Ground floor height shall be a minimum 14 feet floor-to-floor or shall match the 2nd floor datum line of an abutting building.
- Transparency shall include a minimum 50 percent transparent glazing between 4 and 10 feet in height from sidewalk or terrace grade.
- Primary entries shall include weather protection that is a minimum 6 feet wide and 4 feet deep by recessing the entry, providing an awning or using a combination of these methods.

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(7) Parking/Loading/Utilities

- (A) Entry Size: No more than 25% of the site frontage facing a street should be devoted to garage openings, carports, surface parking, loading entries, or utilities access (on sites with less than 100 feet of frontage, no more than 25 feet)
- (B) Above grade structured parking levels facing a public right-of-way or publicly accessible open space/path, with the exception of vehicular alleys, shall be lined with commercial or habitable uses with a minimum depth of 20 feet.
- (C) Partially sub-grade parking shall not have an exposed façade that exceeds five feet in height above abutting grade at back of sidewalk.
- (D) Partially sub-grade parking shall be screened with continuous landscaping and shrubbery with minimum height of 3 feet and be within 10 feet of the sub-grade parking.



18.24.070 Residential Entries

(a) Contextual Design Criteria

Private entries into ground floor residential units shall be designed to provide:

- (1) human-scaled detailing
- (2) enhanced pedestrian experience
- (3) transition between public and private space
- (4) spaces for residents to gather and spend time outdoors
- (5) resident privacy

(b) Objective Design Standards

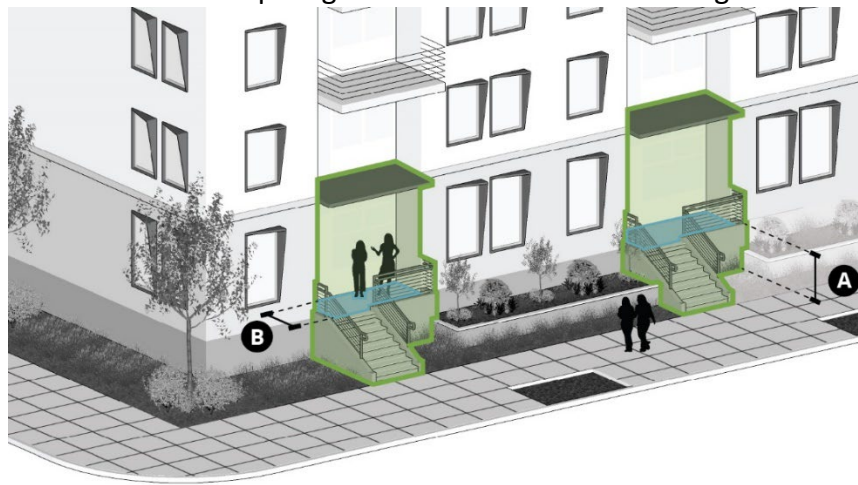
- (1) Ground Floor Unit Entries: Where ground floor residential unit entries are required, one or more of the following entry types shall be provided:

(A) Stoop:

- (i) Stoops shall provide entry access for a maximum of two units; and
- (ii) Stoop heights shall be within 1 step of finished floor height of adjacent unit; and

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- (iii) Stoop entry landings shall be a minimum 5 feet in depth; and
- (iv) The maximum stoop height from the back of sidewalk grade shall be 5 feet.



- Ground floor residential entry
- Entry landing
- A** 5' maximum height above sidewalk grade
- B** 5' minimum depth

(B) Porch:

- (i) Porches shall provide entry access for a maximum of one unit; and
- (ii) Porch heights shall be within 1 step of finished floor height of adjacent unit; and
- (iii) Porches shall be large enough so a 6-foot by 6-foot square can fit inside of a porch for each unit; and
- (iv) The maximum porch floor height from the back of sidewalk grade shall be 5 feet.



(C) Patio Entry

- (i) Patio entries may serve up to two units; and
- (ii) Patios shall be large enough so a 5-foot by 5-foot square can fit inside of the patio for each unit; and

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- (iii) The Patio shall include at least one of the following features to define the transition between public and private space:
- a. A row of shrubs not exceeding 42 inches in height located between the sidewalk and the patio that assists with defining the edge between public and private space. Shrubs shall be at least one gallon in size and be planted a maximum of three feet on center; or
 - b. A fence not to exceed 36 inches in height located between the sidewalk and the patio that assists with defining the edge between public and private space, with a gate or fence opening to provide access to the pedestrian route between the pedestrian way and the front door; or
 - c. A metal, wood or stone wall not to exceed 36 inches in height located between the sidewalk and the patio that assists with defining the edge between public and private space with a gate or wall opening to provide access to the pedestrian route between the pedestrian way and the front door. A minimum 18-inch landscape strip shall be located between the wall and the abutting pedestrian way and entirely landscaped with ground cover, shrubs or other landscape living plant material.



(D) Terrace:

- (i) A Terrace may serve multiple unit entries; and
- (ii) The maximum Terrace height shall be 30 inches above the grade of the back of the adjacent sidewalk or accessway; and
- (iii) Walls, fences and hedges on Terraces shall be a maximum of 42 inches tall and have a minimum transparency of 40 percent.

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(E) Frontage Court:

- (i) A Frontage Court may serve multiple unit entries; and
- (ii) The minimum Frontage Court width along a primary frontage shall be 25 feet; and
- (iii) The maximum Frontage Court width along a primary frontage shall be 50 percent of the facade length or 80 feet, whichever is less; and
- (iv) The minimum Frontage Court depth shall be 25 feet; and
- (v) The maximum Frontage Court depth shall be 50 feet or a ratio not to exceed 2:1 depth to width.



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18.24.080 Open Space**(a) Contextual Design Criteria**

To ensure that residents and visitors have access to usable open space and common facilities that provide recreational opportunities, promote a healthy environment, and enhance the experience of living in Palo Alto. Common and private open spaces should include the following characteristics:

- (1) Be integrated into the site access and building circulation strategy
- (2) Be generous in dimension to provide usable space
- (3) Provide landscape elements that will support the health of the plants and enhance the character of place
- (4) Promote public health
- (5) Be located to provide easy access to private and common building areas, protected from the activities of commercial areas, and balance privacy and noise impacts to neighboring uses
- (6) Promote sustainable practices and opportunities for green infrastructure
- (7) Promote community safety through eyes on the street

(b) Objective Design Standards**(1) Private Open Space**

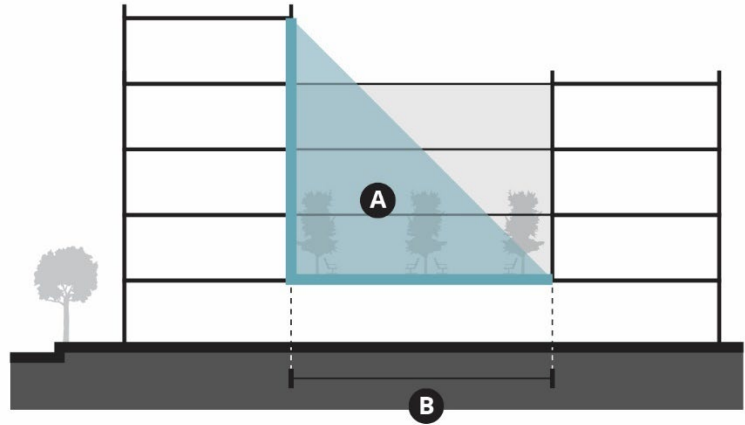
If Private Open Spaces is provided, it shall meet the following standards:

- (A) Floor area shall include a clear space with a minimum dimension of a circle with a six-foot diameter.
- (B) Minimum clear height dimension of 8'-6" feet
- (C) Be accessed directly from a residential unit
- (D) Balconies shall not be located within the daylight plane
- (E) Notwithstanding subsection (a), ground floor patios shall meet the following minimum requirements:
 - (i) RM-20 and RM-30 districts: Minimum 100 square feet of area, the least dimension of which is eight feet for at least 75% of the area
 - (ii) RM-40 districts: Minimum 80 square feet of area, the least dimension of which is six feet for at least 75% of the area
 - (iii) Street facing private open space on the ground floor shall meet the finished floor height for ground floor residential standards in section 18.24.040(b)(4)

(2) If Common Open Space is provided, it shall meet the following standards:

- (A) Minimum size of 200 square feet
- (B) Area shall include a space with a minimum dimension of a circle with a 10-foot diameter.
- (C) A minimum of 60% of the area shall be open to the sky and free of permanent weather protection or encroachments. Trellises and similar open-air features are permitted.
- (D) Notwithstanding subsection (1), courtyards enclosed on four sides shall have a minimum dimension of 40 feet and have a minimum courtyard width to building height ratio of 1:1.25

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- A** Minimum courtyard width to building height ratio of 1:1.25
- B** 40' minimum dimension

- (E) Include places to sit
- (F) A minimum 20% of landscaping
- (G) Soil Depth: Planting in above grade courtyards shall have a minimum soil depth of 12 inches for ground cover, 20 inches for shrubs, and 36 inches for trees.

18.24.090 Materials

(a) Contextual Design Criteria

To promote the use of high quality, durable, sustainable, and attractive materials that exhibit a sense of permanence and contribute to the aesthetic quality of the development and to the urban design fabric of the community.

(b) Objective Design Standards

(1) Façade Materials.

Primary, secondary, and accent materials are allowed or prohibited as in the Residential and Residential Mixed-use Material List, which may be updated from time to time by the Director of Planning with a recommendation by the ARB.

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18.24.100 Sustainability and Green Building Design**(a) Contextual Design Criteria**

To incorporate sustainability, green building, and environmental considerations into the project design and construction. Green building design aims for compatibility with the local environment: to protect, respect and benefit from it. In general, sustainable buildings are energy efficient, water conserving, durable and nontoxic, with high-quality spaces and high recycled content materials. The following considerations should be included in site and building design:

- (1) Optimize building orientation for thermal comfort, shading, daylighting, and natural ventilation, including operable windows
- (2) Design landscaping to create comfortable micro-climates and reduce heat island effects
- (3) Design landscaping with native species
- (4) Maximize onsite stormwater management through landscaping and permeable pavement
- (5) Use sustainable building materials
- (6) Design lighting, plumbing and equipment for efficient energy use
- (7) Create healthy indoor environments
- (8) Use creativity and innovation to build more sustainable environments. One example is establishing gardens with edible fruits, vegetables or other plants to satisfy a portion of project open space requirements

(b) Objective Design Standards

See Chapter 16.14: California Green Building Standards additional requirements for green building and sustainable design. Notwithstanding Section 18.24.010(c), these regulations may not be modified through alternative compliance.

SECTION 2. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

SECTION 3. The Council finds that this Ordinance represents the implementation of adopted plans and policy. Therefore, the Ordinance are exempt under the California Environmental Quality Act (CEQA) and/or covered by the CEQA documents prepared for the City of Palo Alto Comprehensive Plan 2030. The project aims to facilitate implementation of State law. The project does not propose to increase development beyond what was analyzed in the Comprehensive Plan.

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SECTION 4. This Ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED and PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

Director of Planning and
Development Services

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Various Chapters of Title 18 (Zoning) to Implement Objective Standards, Streamline Processing of Housing Development Applications, and Otherwise Clarify the Zoning Code.

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

SECTION 1. Subdivisions (a)(102) and (a)(142) of Section 18.04.030 (Definitions) of Chapter 18.04 (Definitions) of Title 18 (Zoning) are amended and a new Subdivision (a)(75.5) is added as follows:

18.04.030 Definitions

(a) Throughout this title the following words and phrases shall have the meanings ascribed in this section.

[. . .]

(73.5) "Housing Development Project" means the a proposed development meeting the definition set forth in California Government Code section 65589.5, subdivision (g)(2).

[. . .]

(102) "Multiple-family (residential) use" means the use of a site for three or more dwelling units, which may be in the same building or in separate buildings on the same site. A single-family or two-family use with one or more Accessory Dwelling Units shall not be considered a multiple-family use.

[. . .]

(75.5) "Landscape/Open Space Coverage" means permanently maintained open space that includes all Usable Open Space (see subsection 142), landscape, and other uncovered areas, but excluding parking facilities, driveways, utility or service areas, or areas with mechanical equipment.

[. . .]

(142) "Usable open space" means outdoor or unenclosed area on the ground, or on a roof, balcony, deck, porch, patio or terrace, designed and accessible for outdoor living, recreation, or pedestrian access, ~~or landscaping~~, but excluding parking facilities, driveways, utility or service areas, or areas with mechanical equipment. Usable open space includes common open spaces,


such as courtyards and park spaces, and/or private open spaces, such as balconies and patios, depending on the requirements of the zoning district.

Usable open space may be covered if at least 50% open on the sides. Usable open space shall be sited and designed to accommodate all groups including children, seniors, and other adults, different activities including active and passive recreation and uses, and should be located convenient to the intended users (e.g., residents, employees, or public). Any usable open space that is not landscaped shall be developed to encourage outdoor recreational use and shall include elements such as decks, seating, decorative paved areas and walkways which do not serve as an entrance walkway. Usable open space shall be screened from utility or service areas, and areas with mechanical equipment. Parking, driveways and required parking lot landscaping shall not be counted as usable open space.

SECTION 2. Section 18.08.030 (References to Districts) of Chapter 18.08 (Designation and Establishment of Districts) of Title 18 (Zoning) is amended as follows:

18.08.030 References to Districts

Reference within this title to residential districts generally and as a grouping, includes all districts identified in this section. Where references are made to more restrictive or less restrictive residential districts, such references shall apply sequentially between the most restrictive and the least restrictive.

Residential District	Restrictive Reference
RE	<div style="text-align: center;"> <p>Most Restrictive</p>  <p>Least Restrictive</p> </div>
R-1 (20,000)	
R-1 10,000)	
R-1 (8,000)	
R-1 (7,000)	
R-1	
R-2	
<u>RMD</u>	
RM-20	
RM-30	
RM-40	

SECTION 3. Subsections (a), (b), (e), (f), (g), and (h) of Section 18.13.040 (Development Standards) of Chapter 18.13 (Multiple Family Residential (RM-20, RM-30 and RM-40) Districts) of Title 18 (Zoning) are amended as follows:

18.13.040 Development Standards

(a) Site Specifications, Building Size and Bulk, and Residential Density

The site development regulations in Table 2 shall apply in the multiple-family residence districts, provided that more restrictive regulations may be recommended by the Architectural Review Board and approved by the Director of Planning and Development Services, pursuant to the regulations set forth in Chapter 18.76, ~~performance criteria set forth in Chapter 18.23~~, and the ~~context-based objective design criteria standards set forth in Section 18.13.060~~ Chapter 18.24.

**Table 2
Multiple Family Residential Development Table**

	RM-20	RM-30	RM-40	Subject to regulations in:
[...]				
Minimum Setbacks				
[...]				
Interior Rear Yards (ft) ³	10	10	10	18.13.040(b)
[...]				
Minimum Site-Landscape/Open Space Coverage⁽⁵⁾ (percent)	35	30	20	18.13.040(e) 18.24.040
Minimum Usable Open Space (sf per unit)⁽⁵⁾	150	150	150	18.13.040(e) 18.24.040
Minimum common open space (sf per unit)	75	75	75	18.13.060 18.24.040
Minimum private open space (sf per unit)	50	50	50	
Performance Criteria	See provisions of Chapter 18.23			Ch. 18.23
Landscape Requirements				18.40.130
Parking⁽⁶⁾	See provisions of Chapters <u>18.52</u> and <u>18.54</u>			Ch. 18.52
Footnotes:				
[...]				
(5) Subject to the limitations of Section 18.13.040(e) . Usable open space is included as part of the minimum <u>site landscape/open space coverage</u> ; required usable open space in excess of the minimum required for common and private open space may be used as either common or private usable open space; landscaping may count towards total <u>site-landscape/open space coverage</u> after usable open space requirements are met.				
(6) Tandem parking is allowed for any unit requiring two parking spaces, provided that both spaces in tandem are intended for use by the same residential unit. For projects with more than four (4) units, not more than 25% of the required parking spaces shall be in a tandem configuration.				
[...]				

(b) Setbacks, Daylight Planes and Height - Additional Requirements and Exceptions

(1) Setbacks

~~(A) Setbacks for lot lines adjacent to an arterial street, expressway or freeway, as designated in the Palo Alto Comprehensive Plan, shall be a minimum of twenty five feet (25'), except that lesser setbacks may be allowed or required by the Planning Director, upon recommendation by the Architectural Review Board, where prescribed by the context based criteria outlined in Section 18.13.060. Special setbacks of greater than 25 feet may not be reduced except upon approval of a design enhancement exception or variance.~~

(A)

~~(A)(B)~~ Required parking spaces shall not be located in a required front yard, nor in the first ten feet (10') adjoining the street property line of a required street side yard.

~~(B)(C)~~ Projections into yards are permitted only to the extent allowed by Section 18.40.070 of this code.

(2) Height and Daylight Planes

(A) Exceptions to maximum height limitations are permitted only to the extent allowed by Section 18.40.090 of this code.

(B) The following features may extend beyond the daylight plane established by the applicable district, provided that such features do not exceed the height limit for the district unless permitted to by Section 18.40.090 of this code:

- i. Television and radio antennas;
- ii. Chimneys and flues that do not exceed 5 feet in width, provided that chimneys do not extend past the required daylight plane a distance exceeding the minimum allowed pursuant to Chapter 16.04 of this code.
- iii. Cornices and eaves, excluding flat or continuous walls or enclosures of usable interior space, provided such features do not extend past the daylight plane more than 4 feet, and so long as they do not encroach into the side setback greater than 2 feet.

[. . .]

~~(e) Usable Open Space~~

~~The following usable open space regulations shall apply:~~

~~(1) Required Minimum Site Open Space. Each site shall, at a minimum, have a portion of the site, as prescribed in Table 2, developed into permanently maintained open space. Site open space includes all usable open space plus landscape or other uncovered areas not used for driveways, parking, or walkways.~~

~~(2) Usable Open Space (Private and Common). Each project shall, at a minimum, have a portion of the site, as prescribed in Table 2, developed into permanently maintained usable open space, including private and common usable open space areas. Usable open space shall be located protected from the activities of commercial areas and adjacent public streets and~~

~~shall provide noise buffering from surrounding uses where feasible.~~

~~(A) Private Usable Open Space. Each dwelling unit shall have at least one private usable open space area contiguous to the unit that allows the occupants of the unit the personal use of the outdoor space. The minimum size of such areas shall be as follows:~~

- ~~(i) Balconies (above ground level): 50 square feet, the least dimension of which shall is 6 feet.~~
- ~~(ii) Patios or yards in the RM-20 and RM-30 districts: 100 square feet, the least dimension of which is 8 feet for at least 75% of the area. ara.~~
- ~~(iii) Patios or yards in the RM-40 district: 80 square feet, the least dimension of which is 6 feet for at least 75% of the area.~~

~~(B) Common Usable Open Space. The minimum designated common open space area on the site shall be 10 feet wide and each such designated area shall comprise a minimum of 200 square feet. In the RM-30 and RM-40 districts, part or all of the required private usable open space areas may be added to the required common usable open space in a development, for purposes of improved design, privacy, protection and increased play area for children, upon a recommendation of the Architectural Review Board and approval of the Director.~~

(f) Personal Services, Retail Services, and Eating and Drinking Services in the RM-30 and RM-40 Districts

Within a single residential development containing not less than 40 dwelling units, personal services, retail services, and eating and drinking services solely of a neighborhood-serving nature to residents in the development or in the general vicinity of the project may be allowed upon approval of a conditional use permit, subject to the following limitations and to such additional conditions as may be established by the conditional use permit:

- (1) Total gross floor area of all such uses shall not exceed 5,000 square feet or three percent of the gross residential floor area within the development, whichever is smaller, and may not occupy any level other than the ground level or below grade levels.
- (2) A maximum of 2,500 square feet of retail and/or service and/or eating and drinking uses shall be allowed per establishment.
- (3) Personal services, retail services, and eating and drinking services provided in accordance with this section shall not be included in the gross floor area for the site.
- (4) The conditional use permit for the project may preclude certain uses and shall include conditions that are appropriate to limit impacts of noise, lighting, odors, parking and trash disposal from the operation of the commercial establishment. The hours of operation shall be limited to assure compatibility with the residential use and surrounding residential uses.
- (5) Allowable Neighborhood-Serving Uses. A neighborhood-serving use primarily serves individual consumers and households, not businesses, is generally pedestrian oriented in design, and does not generate noise, fumes or truck traffic greater than that typically expected for uses with a local customer base. A neighborhood-serving use is also one to which a significant number of local customers and clients can walk, bicycle or travel short distances, rather than relying primarily on automobile access or the provider

of the goods or services traveling off-site. Allowable neighborhood-serving personal services, retail services and eating and drinking services may include, but are not limited to, "agent" dry cleaners, flower shops, convenience grocery stores (excluding liquor stores), delicatessens, cafes, fitness facilities, day care facilities, and similar uses found by the Planning Director to be compatible with the intent of this provision.

~~(6) Sign programs, including size, number, color, placement, etc. shall be permitted only as specified in the conditional use permit and by the Planning Director upon recommendation of the Architectural Review Board~~

~~(7) Off street parking and bicycle facilities, in addition to facilities required for residential uses, shall be provided as may be specified by the conditional use permit. However, there shall not be less than one parking space for each employee working or expected to be working at the same time.~~

~~(8)~~(6) For any project, other than a 100% affordable housing project, containing forty (40) or greater units and located more than 500 feet from neighborhood commercial services, as determined by the Director, a minimum of 1,500 square feet of neighborhood serving retail, personal service, and/or eating or drinking uses shall be provided, subject to the above limitations. No conditional use permit is required, but the commercial use shall be reviewed by the Architectural Review Board as part of the architectural review approval. A minimum of one parking space for each employee working or expected to be working at the same time shall be provided. A "100% affordable housing project" as used herein means a multiple-family housing project consisting entirely of affordable units, as defined in Section 16.65.020 of this code, available only to households with income levels at or below 120% of the area median income for Santa Clara County, as defined in Chapter 16.65, and where the average household income does not exceed 80% of the area median income level, except for a building manager's unit.

(g) Redevelopment of Sites with Non-complying Density

For a parcel with a residential use that exceeds the maximum unit density of the applicable zoning district, the Director may grant an exception to the maximum unit density standard and allow the parcel to be redeveloped to replace the legally established residential units at the existing density, subject to all of the following:

- (1) The applicant must make the request for exception under this provision at the time of project application;
- (2) The project is a residential rental project;
- (3) The project complies with all other applicable development standards; and
- (4) The project shall not be eligible for a density bonus under Chapter 18.15 (~~Residential~~ Density Bonus). The applicant must elect whether to utilize state density bonus law or the exception described herein as an alternative to state density bonus law.

(h) General Standards, Exceptions, and Performance Criteria

In addition to all other provisions of this chapter, all multi-family development shall comply with applicable provisions of Chapter 18.2340 (~~Performance Criteria for Multiple Family,~~

Commercial, Manufacturing and Planned Community Districts (General Standards and Exceptions).

SECTION 4. Subsection (c) of Section 18.13.050 (Village Residential Development) of Chapter 18.13 (Multiple Family Residential (RM-20, RM-30 and RM-40) Districts) of Title 18 (Zoning) is amended and Subsection (f) is added as follows:

18.13.050 Village Residential Development

[. . .]

(c) Development Standards

Table 3 specifies the development standards for new Village Residential developments that provide for individual lots established for sale of one housing unit on a lot. These developments shall be designed and constructed in compliance with the following requirements and the objective design standards in Chapter 18.24~~context-based design criteria outlined in Section 18.13.060~~, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020:

Table 3		
Village Residential Development Table		
	Village Residential	Subject to regulations in:
[...]		
Minimum Site Landscape/ Open Space Coverage (4)	35% of entire site 18.13.040	18.13.040(e) 18.24.040
Minimum Usable Open Space (per unit) (3) (4)	300 sq. ft.	18.13.040(e) 18.24.040
Minimum Common Open Space (per unit)	No requirement	18.13.060 18.24.040
Minimum Private Open Space (per unit)	100 sq. ft.	
Performance Criteria		Ch. 18.23
Landscape Requirements		18.40.130
Parking (5)	See provisions of Chapter 18.52 <u>and 18.54</u>	Ch. 18.52 <u>and 18.54</u>
Footnotes:		
(1) Individual lots are created by subdividing the development site to create one for-sale lot per dwelling unit. Overall development intensity (FAR, site coverage, landscape/open space) shall be calculated across the entire site to comply with RM-20 zone standards, and setbacks and daylight planes at the perimeter of the site shall comply with RM-20 setbacks and daylight planes. For common-ownership developments such as condominiums and apartments, the underlying multiple-family zone district development standards shall		

apply.

(2) Covered parking that is attached to the residence shall be included in the maximum house size.

(3) Covered parking is not included as floor area in multi-family development, up to a maximum of 230 square feet per required parking space that is covered. Covered parking spaces in excess of required parking spaces count as floor area.

(4) Subject to the limitations of Section 18.13.040(e). Usable open space is included as part of the minimum site landscape/open space coverage; required usable open space in excess of the minimum required for common and private open space may be used as either common or private usable open space; landscaping may count towards total site landscape/open space coverage after usable open space requirements are met.

~~(5) Tandem parking is allowed for any unit requiring two parking spaces, provided that both spaces in tandem are intended for use by the same residential unit. For projects with more than four (4) units, not more than 25% of the required parking spaces shall be in a tandem configuration.~~

[. . .]

SECTION 5. Section 18.13.055 (General Standards, Exceptions, and Performance Criteria) of Chapter 18.13 (Multiple Family Residential (RM-20, RM-30 and RM-40) Districts) of Title 18 (Zoning) is added as follows:

18.13.055 General Standards, Exceptions, and Performance Criteria

In addition to all other provisions of this chapter, all multi-family development shall comply with applicable provisions of Chapter 18.40 General Standards and Exceptions).

SECTION 6. Section 18.13.060 (Multiple Family Context-Based Design Criteria) of Chapter 18.13 (Multiple Family Residential (RM-20, RM-30 and RM-40) Districts) of Title 18 (Zoning) is amended to read as follows:

18.13.060 Multiple Family Context-Based Design Criteria and Objective Design Standards

In addition to the standards for development prescribed above, all Housing Development Projects in the RM districts shall comply with the objective design standards outlined in Chapter 18.24, as defined therein. All other developments, and Housing Development Projects that elect to deviate from one or more objective design standards in Chapter 18.24, shall meet the Context Based Design Criteria, as determined by the Director pursuant to the Architectural Review process.

(a) Contextual and Compatibility Criteria

Development in a multiple-family residential district shall be responsible to its context and compatible with adjacent development.

[. . .]

SECTION 7. Subsections (a), (b), (f), (i) and (k) of Section 18.16.060 (Development Standards) of Chapter 18.16 (Neighborhood, Community, And Service Commercial (CN, CC And CS) Districts) of Title 18 (Zoning) are amended as follows:

18.16.060 Development Standards

(a) Exclusively Non-Residential Uses

Table 3 specifies the development standards for exclusively non-residential uses and alterations to non-residential uses or structures in the CN, CC, CC(2) and CS districts. These developments shall be designed and constructed in compliance with the following requirements and the context-based design criteria outlined in Section 18.16.090, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020.

[...]

(b) Mixed Use and Residential

Table 4 specifies the development standards for new residential mixed use developments and residential developments. These developments shall be designed and constructed in compliance with the following requirements and the objective design standards in Chapter 18.24. Non-Housing Development Projects and Housing Development Projects that elect to deviate from one or more objective standards in Chapter 18.24 shall meet the context-based design criteria outlined in Section 18.16.090, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020.

**Table 4
Mixed Use and Residential Development Standards**

	CN	CC	CC(2)	CS	Subject to regulations in:
[...]					
Minimum Landscape/Open Space Coverage	35%	30%	20%	30%	
Usable Open Space (Private and/or Common)	150 sq ft per unit (2)				<u>18.16.090</u>
[...]					

[. . .]

(i) Reserved Recycling Storage

~~All new development, including approved modifications that add thirty percent or more floor area to existing uses, shall provide adequate and accessible interior areas or exterior enclosures for the storage of recyclable materials in appropriate containers. The design, construction and accessibility of recycling areas and enclosures shall be subject to approval by the architectural review board, in accordance with design guidelines adopted by that board and approved by the~~

city council pursuant to Section 18.76.020.

[. . .]

SECTION 8. Section 18.16.080 (Performance Standards) of Chapter 18.16 (Neighborhood, Community, And Service Commercial (CN, CC And CS) Districts) of Title 18 (Zoning) is amended as follows:

18.16.080 General Standards, Exceptions, and Performance Standards

In addition to the standards for development prescribed above, all development in the CN, CS, CC, and CC(2) districts shall comply with the performance criteria, general standards, and exceptions outlined in Chapter 18.2340 of the Zoning Ordinance. All mixed use development shall also comply with the applicable provisions of Chapter 18.2340 of the Zoning Ordinance.

SECTION 9. Section 18.16.090 (Context-Based Design Criteria) of Chapter 18.16 (Neighborhood, Community, And Service Commercial (CN, CC And CS) Districts) of Title 18 (Zoning) is amended to read as follows:

18.16.090 Context-Based Design Criteria and Objective Design Standards

In addition to the standards for development prescribed above, all Housing Development Projects in the CN, CS, CC, and CC(2) districts shall comply with the objective design standards outlined in Chapter 18.24, as defined therein. All other developments, and all Housing Development Projects that elect to deviate from one or more objective design standards in Chapter 18.24, shall meet the Context Based Design Criteria, as determined by the Director pursuant to the Architectural Review process.

(a) Contextual and Compatibility Criteria

Development in a commercial district shall be responsible to its context and compatible with adjacent development, and shall promote the establishment of pedestrian oriented design.

[. . .]

SECTION 10. Subsections (a), (b), and (k) of Section 18.18.060 (Development Standards) of Chapter 18.18 (Downtown Commercial (CD) District) of Title 18 (Zoning) are amended as follows:

18.18.060 Development Standards

(a) Exclusively Non-Residential Use

Table 2 specifies the development standards for new exclusively non-residential uses and alterations to non-residential uses or structures in the CD district, including the CD-C, CD-S, and CD-N subdistricts. These developments shall be designed and constructed in

compliance with the following requirements and the context-based design criteria outlined in Section 18.18.110, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020:

[. . .]

(b) Mixed Use and Residential

Table 3 specifies the development standards for new residential mixed use developments and residential developments. ~~These developments~~ Housing Development Projects shall be designed and constructed in compliance with the following requirements and the objective design standards in Chapter 18.24. Non-Housing Development Projects and Housing Development Projects that elect to deviate from one or more objective standards in Chapter 18.24 shall meet context-based design criteria outlines in Section 18.18.110, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020:

**TABLE 3
MIXED USE AND RESIDENTIAL DEVELOPMENT STANDARDS**

	CD-C	CD-S	CD-N	Subject to regulations in Section:
[...]				
Usable Open Space (Private and/or Common)	150 sq ft per unit (1)			<u>18.18.110</u>
[...]				

[. . .]

(k) Reserved Recycling Storage

~~All new development, including approved modifications that add thirty percent or more floor area to existing uses, shall provide adequate and accessible interior areas or exterior enclosures for the storage of recyclable materials in appropriate containers. The design, construction and accessibility of recycling areas and enclosures shall be subject to approval by the architectural review board, in accordance with design guidelines adopted by that board and approved by the city council pursuant to Section 16.48.070.~~

[. . .]

SECTION 11. Subsection (b) (Restrictions on Floor Area Bonuses) of Section 18.18.070 (Floor Area Bonuses) of Chapter 18.18 (Downtown Commercial (CD) District) of Title 18 (Zoning) is amended as follows:

18.18.070 Floor Area Bonuses

[. . .]

(a) Restrictions on Floor Area Bonuses

The floor area bonuses in subsection (a) shall be subject to the following restrictions:

(1) All bonus square footage shall be counted as square footage for the purposes of the ~~350,000~~ annual square foot limit on office development specified in Section ~~18.40.210.18.18.040.~~

(2) All bonus square footage shall be counted as square footage for the purposes of the project size limit specified in Section 18.18.060(a).

(3) In no event shall a building expand beyond a FAR of 3.0:1 in the CD-C subdistrict or a FAR of 2.0:1 in the CD-S or CD-N subdistrict.

(4) The bonus shall be allowed on a site only once.

(5) For sites in Seismic Category I, II, or III, seismic rehabilitation shall conform to the analysis standards referenced in Chapter 16.42 of this code.

(6) For sites in Historic Category 1 or 2, historic rehabilitation shall conform to the Secretary of the Interior’s *Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings* (36 CFR §67,7).

(7) For sites in both Seismic Category I, II, or III and Historic Category 1 or 2, no bonus shall be granted unless the project includes both seismic and historic rehabilitation conforming to the standards in subsections (5) and (6).

(8) For sites in both Seismic Category I, II, or III and Historic Category 1 or 2, a bonus granted under this section that will be used on- site is subject to the following requirements:

(A) The city council must approve on-site use of such a FAR bonus. Such approval is discretionary, and may be granted only upon making both of the following findings:

(i) The exterior modifications for the entire project comply with the U.S. Secretary of the Interior’s *Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings* (36 CFR §67,7); and

(ii) The on-site use of the FAR bonus would not otherwise be inconsistent with the historic character of the interior and exterior of the building and site.

(B) The applicant for on-site use of a cumulative floor area bonus shall have the burden of demonstrating the facts necessary to support the findings required for council approval.

[. . .]

SECTION 12. Subsection (f) (Limitations On Usage of Transferable Development Rights) of Section 18.18.080 (Transfer of Development Rights) of Chapter 18.18 (Downtown Commercial (CD) District) of Title 18 (Zoning) is amended as follows:

18.18.080 Transfer of Development Rights

[. . .]

(d) Limitations On Usage of Transferable Development Rights

No otherwise eligible receiver site shall be allowed to utilize transferable development rights under this chapter to the extent such transfer would:

- (1) Be outside the boundaries of the downtown parking assessment district, result in a maximum floor area ratio of 0.5 to 1 above what exists or would otherwise be permitted for that site under Section 18.18.060, whichever is greater, or result in total additional floor area of more than 10,000 square feet.
- (2) Be within the boundaries of the downtown parking assessment district, result in a maximum floor area ratio of 1.0 to 1 above what exists, or would otherwise be permitted for that site under Section 18.18.060, whichever is greater, or result in total additional floor area of more than 10,000 square feet.
- (3) Cause the annual development office limitation or project size limitation set forth in Section ~~18.18.040~~ 18.40.210 to be exceeded.
- (4) Cause the site to exceed 3.0 to 1 FAR in the CD-C subdistrict or 2.0 to 1 FAR in the CD-S or CD-N subdistricts.

[. . .]

SECTION 13. Section 18.18.100 (Performance Standards) of Chapter 18.18 (Downtown Commercial (CD) District) of Title 18 (Zoning) is amended as follows:

18.18.100 General Standards, Exceptions, and Performance Standards

In addition to the standards for development prescribed above, all development shall comply with the performance criteria, general standards, and exceptions outlined in Chapter 18.2340 of the Zoning Ordinance. All mixed use development shall also comply with the applicable provisions of Chapter 18.2340 of the Zoning Ordinance.

SECTION 14. Section 18.18.110 (Context-Based Design Criteria) of Chapter 18.18 (Downtown Commercial (CD) District) of Title 18 (Zoning) is amended to read as follows:

18.18.110 Context-Based Design Criterial and Objective Design Standards

In addition to the standards for development prescribed above, all Housing Development Projects in the CD districts shall comply with the objective design standards outlined in Chapter 18.24, as defined therein. All other developments, and Housing Development Projects that elect to deviate from one or more objective design standards in Chapter 18.24, shall meet the Context Based Design Criteria, as determined by the Director pursuant to the Architectural Review process.

(a) Contextual and Compatibility Criteria

Development in a commercial district shall be responsible to its context and compatible with adjacent development, and shall promote the establishment of pedestrian oriented design.

[. . .]

SECTION 15. Subsections (a), (i), and (j) of Section 18.20.040 (Site Development Standards) of Chapter 18.20 (Office, Research, And Manufacturing (MOR, ROLM, RP And GM) Districts) of Title 18 (Zoning) are amended as follows:

18.20.040 Site Development Standards

[. . .]

(i) Reserved Recycling Storage

~~All new development, including approved modifications that add thirty percent or more floor area to existing uses, shall provide adequate and accessible interior areas or exterior enclosures for the storage of recyclable materials in appropriate containers. The design, construction and accessibility of recycling areas and enclosures shall be subject to approval by the architectural review board, in accordance with design guidelines adopted by that board and approved by the city council pursuant to Chapter 18.76.~~

[. . .]

SECTION 16. Section 18.20.050 (Performance Criteria) of Chapter 18.20 (Office, Research, And Manufacturing (MOR, ROLM, RP And GM) Districts) of Title 18 (Zoning) is amended as follows:

18.20.050 General Standards, Exceptions, and Performance Criteria

All development in the Office/Research/Manufacturing zoning districts shall comply with the applicable requirements and guidelines outlined in Chapter 18.2340, including performance criteria. ~~Such requirements and guidelines are~~ intended to reduce the impacts of these non-residential uses on surrounding residential districts and other sensitive receptors.

SECTION 17. Section 18.23.010 (Purpose and Applicability) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is deleted in its entirety.

SECTION 18. Section 18.23.020 (Refuse Disposal Areas) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is deleted in its entirety and a new Section 18.40.240 (Refuse Disposal Areas) of Chapter 18.40 (General Standards and Exceptions) of Title 18 (Zoning) is added as follows:

18.40.240 Refuse Disposal Areas

(a) Purpose

Assure that development provides adequate and accessible interior areas or covered exterior enclosures for the storage of refuse in appropriate containers with storage capacity for a maximum of one week, and that refuse disposal structures and enclosures are located as far from abutting residences as is reasonably possible. The following requirements apply to new construction, change of use, additional uses, and/or renovating thirty (30) percent or more existing floor area.

(b) Requirements

(1) Location and Capacity

(A) Capacity shall meet or exceed standards pursuant to Chapter 5.20: Collection, Removal, and Disposal of Refuse and current refuse enclosure regulations identified in the “City of Palo Alto Refuse Enclosure Area Guidelines for New Construction and Redevelopment Projects” and the “Refuse Enclosure Design Guide” maintained by the Public Works Department.

(B) Refuse disposal and structures and enclosures shall be accessible to all residents or users of the property.

(C) Mixed use development shall have separate enclosures for each use classification (example: residential and commercial)

(D) Compostable materials and recyclable materials facilities containers shall be located adjacent to solid waste containers, sized, and designed to encourage and facilitate convenient use.

(E) Refuse enclosures shall be no closer than 20 feet from any dwelling unit (including those on abutting properties). No minimum distance from dwellings is required if containers are located within a fully enclosed utility room.

(F) Individual refuse containers may be used to serve residential projects with one or two dwelling units. Shared containers shall service residential projects with three or more units, unless otherwise approved by the Public Works Director or any designee.

(2) Screening and Enclosures

(A) Enclosures shall be design pursuant to the current refuse enclosure regulations found in the “City of Refuse Enclosure Area Guidelines for New Construction and Redevelopment Projects” and “Refuse Enclosure Design Guide” standards maintained by the Public Works Department.

(B) Refuse disposal areas shall be screened from public view by masonry, wood, or other opaque and durable material, ~~and shall be enclosed and~~ or located within a building or covered enclosure.

(C) Enclosures shall have a roof, walls, and be at least 6 feet tall. Enclosures shall include wheel stops or curbs to prevent dumpsters from damaging enclosure walls.

(D) Gates or other controlled access shall be provided where feasible.

(E) Chain link enclosures are ~~strongly discouraged~~ prohibited.

(F) Refuse disposal structures and enclosures shall be architecturally compatible with the design of the project.

(G) Notwithstanding, subsections ii and iii above, in lower density residential districts (RE, R-1, R-2, and RMD), containers may be stored under extended eaves at least 3 feet deep, without full enclosures.

(H) The design, construction and accessibility of refuse disposal areas and enclosures shall be ~~subject to approval by the Architectural Review Board, in accordance with design guidelines adopted by that Board and approved by the Council~~ pursuant to Section 18.76.020.

SECTION 19. Section 18.23.030 (Lighting) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is deleted in its entirety and a new Section 18.40.250 (Lighting) of Chapter 18.40 (General Standards and Exceptions) of Title 18 (Zoning) is added as follows:

18.40.250 Lighting

(a) Purpose:

Exterior lighting of parking areas, pathways, and common open spaces, including fixtures on building facades and free-standing lighting should aim to:

- (1) Minimize the visual impacts of lighting on abutting or nearby ~~residential sites~~ properties and from adjacent roadways.
- (2) ~~Exterior lighting in parking areas, pathways and common open space shall be designed to achieve the following:~~ Provide for safe and secure access on a site and adjacent pedestrian routes
- (3) Achieve maximum energy efficiency ~~and reduce impacts or visual intrusions on abutting or nearby properties from spillover and~~
- (4) Complement the architectural design of the project

(b) Guidelines:

- (1) Lighting of the building exterior, parking areas and pedestrian ways should be of the lowest intensity and energy use adequate for its purpose, and be designed to focus illumination downward to avoid excessive illumination above the light fixture.
- (2) Interior lighting shall be designed to minimize nighttime glow visible from and/or intruding into nearby properties.
- (3) Unnecessary continued illumination, such as illuminated signs or back-lit awnings, should be avoided. Internal illumination of signs, where allowed, should be limited to letters and graphic elements, with the surrounding background opaque. Illumination should be by low intensity lamps.
- (4) Timing devices and dimmers should be ~~considered used~~ for exterior and interior lights in order to minimize light glare at night without jeopardizing security of employees and control lighting levels. At the time of project approval, the project applicant ~~must~~ should demonstrate how interior and exterior lighting sources will be reduced after operating hours or when the use of the facility is reduced.

(c) Requirements

- (1) The use of high pressure sodium and metal halide are permitted light sources. Low pressure sodium is not allowed.
- (2) Exterior lighting fixtures shall be mounted less than or equal to 15 feet from grade to top of fixture in low activity or residential parking lots and 20 feet in medium or high activity parking lots.
- (3) Levels of exterior illumination for most uses range from 0.5 to 5 footcandles. Areas of higher or lower levels of illumination should be indicated on project plans.
- (4) Where the light source is visible from outside the property boundaries on an abutting residential use, such lighting shall not exceed 0.5 foot-candle as measured at the abutting ~~residential~~ property line.
- (5) Interior lighting shall be shielded to eliminate glare and light spillover beyond the perimeter property line of the development.
- (6) Light fixtures shall ~~not be located next to driveways or intersections, which obstruct~~ be located at least 3 feet from curbs and 10 feet from driveways or intersections, to avoid obstructing clear sight distance triangles.
- (7) Pedestrian and security lighting fixtures ~~shall be fully shielded shall be directed downward.~~ Architectural lighting that projects upward from the ground as used in landscaping, courtyards, or building accent should be directed onto the building face so as not to affect abutting land uses.
- (8) Non-residential projects, adjacent to residential zoning districts or residential uses, shall use timing devices, dimmers, and/or window shades with timers in order to minimize light glare at night and control lighting levels from exterior and interior lights.

SECTION 20. Section 18.23.040 (Late Night Uses and Activities) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is deleted in its entirety and a new Section 18.42.040 (Lighting) of Chapter 18.42 (Standards for Special Uses) of Title 18 (Zoning) is added as follows:

18.42.040 Late Night Uses and Activities

(A) Purpose

The purpose is to restrict retail or service commercial businesses abutting (either directly or across the street) or within 50 feet of residentially zoned properties or properties with existing residential uses located within nonresidential zones, with operations or activities between the hours of 10:00 p.m. and 6:00 a.m. Operations subject to this code may include, but are not limited to, deliveries, parking lot and sidewalk cleaning, and/or clean up or set up operations, but does not include garbage pick up.

(B) Requirements

(i) Retail (including restaurants) or service commercial businesses abutting or within 50 feet of residentially zoned properties or properties with existing residential uses located within nonresidential zones, that are open or with operations or activities between the hours of 10:00 p.m. and 6:00 a.m. shall be operated in a manner to protect residential

properties from excessive noise, odors, lighting or other nuisances from any sources during those hours.

(ii) Where planning or building permits are required or for a change in use that results in any such commercial business in the CN or CS zone districts, operating or with activities between the hours of 10:00 p.m. and 6:00 a.m., a conditional use permit shall be obtained and conditions of approval shall be applied as deemed necessary to ensure the operation is compatible with the abutting (or within 50 feet of) residential property. Said use permit shall be limited to operations or activities occurring between 10:00 p.m. and 6:00 a.m.

(iii) Truck deliveries shall not occur before 6:00 a.m. or after 10:00 p.m., except pursuant to the provisions of a conditional use permit.

SECTION 21. Section 18.23.050 (Visual, Screening and Landscaping) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is deleted in its entirety and a new Section 18.40.260 (Visual Screening and Landscaping) of Chapter 18.40 (General Standards and Exceptions) of Title 18 (Zoning) is added as follows:

18.40.260 Visual Screening and Landscaping

(a) Purpose

Utilities, mechanical equipment, service areas, and other site fixtures should be:

- (1) Integrated into the site planning and architectural design of a project and surrounding uses
- (2) Visually screened from public view and from adjacent properties through architectural design, landscaping and screening devices

~~Privacy of abutting residential properties or properties with existing residential uses located within nonresidential zones (residential properties) should be protected by screening from public view all mechanical equipment and service areas. Landscaping should be used to integrate a project design into the surrounding neighborhood, and to provide privacy screening between properties where appropriate.~~

(b) Requirements

- (1) For non-residential properties abutting residential uses:
 - (i) A solid wall or fence between five and eight feet in height shall be constructed and maintained along the residential property line ~~where privacy or visual impacts are an issue.~~
 - (ii) Walls facing residential properties shall incorporate architectural design features and landscaping in order to reduce apparent mass and bulk.
 - (iii) Loading docks and exterior storage of materials or equipment shall be screened from view from residential properties by fencing, walls or landscape buffers.
 - (iv) All required interior yards (setbacks) abutting residential properties shall be planted and maintained as a landscaped screen.
- (2) For all project types:

- (i) All areas not covered by structures, service yards, walkways, driveways, and parking spaces shall be landscaped with ground cover, shrubs, and/or trees.
- (ii) Rooftop equipment shall be screened by a parapet or enclosure. Rooftop equipment or rooftop equipment enclosures shall not extend above a height of 15 feet above the roof, and any enclosed rooftop equipment nearest residential property shall be set back at least 20 feet from the building edge closest to the residential property or a minimum of 100 feet from the property line, whichever is closer. Roof vents, flues and other protrusions through the roof of any building or structure shall be obscured from ground-level public view (when viewed from the sidewalk on the opposite side of a street), by a roof screen or proper placement. See Section 18.40.090 (height limit exceptions) for further restrictions.
- (iii) A minimum 10-foot planting and screening strip shall be provided adjacent to any facade abutting a low density residential district (R-1, R-2, or RMD) or abutting railroad tracks.
- (iv) All exterior mechanical and other types of equipment, whether installed on the ground or attached to a building roof or walls, shall be screened obscured from public view, and if visible and feasible when viewed from the abutting opposite sidewalk.
- (v) Windows, balconies or similar openings above the first story should be offset so as not to have a direct line-of-sight into the interior living areas of adjacent units within the project or into units on abutting residential property.

(c) Guidelines

- (1) For landscape buffers to provide a visual screen, trees and shrubs in the buffer area shall be installed in a manner that provides maximum visual separation of residential uses from the commercial or industrial use, taking into consideration topography and sight lines from residences.
- (2) Size and density of plant materials shall be in proportion to the size of planting areas and the mass of the structure.
- (3) Plant material selection shall take into consideration solar orientation, drought tolerance, maintenance requirements and privacy screening.
- (4) Plant material species and container sizes shall allow for a mature appearance within five years.
- (5) Roof vents, flues and other protrusions through the roof of any building or structure should be clustered where feasible and where visual impacts would thereby be minimized.
- (6) Building elevations facing residential property should not have highly reflective surfaces, such as reflective metal skin and highly reflective glazing. The paint colors should be in subdued hues.
- (7) Increased setbacks or more restrictive daylight planes may be proposed by the applicant, or recommended by the architectural review board, as mitigation for the visual impacts of massive buildings.
- (8) Appropriate landscaping should be used to aid in privacy screening.

- (9) Planting strips and street trees should be included in the project.
- (10) Textured and permeable paving materials should be used, where feasible, in pedestrian, driveway and parking areas in order to visually reduce paved areas and to allow for retention and/or infiltration of storm water to reduce pollutants in site runoff.
- (11) Landscaping material associated with screening should have adequate room to grow and be protected from damage by cars and pedestrian traffic.
- (12) Where rooftops are visible from offsite, they should be treated to minimize aesthetic impacts, including the use of rooftop gardens or other green spaces, where feasible.

SECTION 22. Section 18.23.060 (Noise and Vibration) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is renumbered without changes to a new Section 18.42.190 (Noise and Vibration) of Chapter 18.42 (Standards for Special Uses) of Title 18 (Zoning).

SECTION 23. Sections 18.23.070 (Parking) and 18.23.080 (Vehicular, Pedestrian, and Bicycle Site) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) are deleted in their entirety.

SECTION 24. Section 18.23.090 (Air Quality) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is renumbered without changes to a new Section 18.40.270 (Air Quality) of Chapter 18.42 (Standards for Special Uses) of Title 18 (Zoning).

SECTION 25. Section 18.23.100 (Hazardous Materials) of Chapter 18.23 (Performance Criteria for Multiple Family, Commercial, Manufacturing and Planned Community Districts) of Title 18 (Zoning) is renumbered without changes to a new Section 18.42.200 (Hazardous Materials) of Chapter 18.42 (Standards for Special Uses) of Title 18 (Zoning).

SECTION 26. Subchapter 18.30(J) (Affordable Housing (AH) Combining District Regulations) of Chapter 18.30 (Combining Districts) of Title 18 (Zoning) is deleted in its entirety and a new Section 18.32 (Affordable Housing ~~Bonus~~ Incentive Program) is created to read as follows:

Sections:

- 18.32.010 Specific Purpose**
- 18.32.020 Applicability of Regulations and Affordable Housing Requirement**
- 18.32.030 Definitions**
- 18.32.040 ~~Zoning Map Designation~~ Reserved**
- 18.32.050 ~~Site Development~~ Review Process**
- 18.32.060 Conformance to Other Combining Districts and Retail Preservation**
- 18.32.070 Permitted Uses**
- 18.32.080 Conditional Uses**
- 18.32.090 Development Standards**

18.32.010 Specific Purpose

The affordable housing ~~combining district~~ incentive program is intended to promote the development of 100% affordable rental housing projects located within one-half mile of a major transit stop or one-quarter mile of a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, by providing flexible development standards and modifying the uses allowed in the commercial districts and subdistricts.

18.32.20 Applicability of Regulations and Affordable Housing Requirement

The affordable housing incentive program ~~combining district~~ ~~may be combined with the shall apply to properties zoned~~ CD, CN, CS, and CC ~~districts~~, set forth in Chapters 18.16 and 18.18 of this Title, in accord with Chapter 18.08 and Chapter 18.80, but excluding the Town and Country Village Shopping Center, Midtown Shopping Center, and Charleston Shopping Center. ~~Where so combined, t~~ The regulations established by this chapter shall apply for 100% affordable housing projects in lieu of the uses allowed and development standards and procedures applied in the underlying district. A property owner may elect to use the site consistent with the underlying district, in which case the applicable regulations in Chapters 18.16 and 18.18 for the commercial districts shall apply. ~~The Town and Country Village Shopping Center, Midtown Shopping Center, and Charleston Shopping Center shall not be considered eligible for the application of the affordable housing combining district.~~

(a) The affordable housing ~~combining district~~ incentive program provides flexibility in development standards that allow for a density increase that would in most cases exceed density bonuses under state law, Government Code Section 65915. Therefore, a project applicant may utilize the affordable housing ~~combining district~~ incentive program and the provisions of this chapter as an alternative to use of the state density bonus law implemented through Chapter 18.15 (~~Residential~~ Density Bonus) of this Title, but may not utilize both the affordable housing ~~combining district~~ incentive program and density bonuses. If an applicant utilizes state density bonus law, the regulations in Chapters 18.16 or 18.18 for the applicable underlying commercial district shall apply.

18.32.030 Definitions

For purposes of this chapter, the following definitions shall apply.

(a) "100% affordable housing project" means a multiple-family housing project consisting entirely of for-rent affordable units, as defined in Section 16.65.020 of this code, except for a building manager's unit, and available only to households with income levels at or below 120% of the area median income for Santa Clara County, as defined in Chapter 16.65.

18.32.040 Zoning Map Designation Reserved

~~The affordable housing combining district shall apply to properties designated on the zoning map by the symbol "AH" within parentheses, following the commercial designation with which it is combined.~~

18.32.050 Site Development Review Process

All projects shall be subject to architectural review as provided in Section 18.76.020. ~~Projects and~~ shall not be subject to the requirements of site and design review in Chapter 18.30(G).

18.32.060 Conformance to Other Combining Districts and Retail Preservation

The following requirements shall apply to projects in the AH affordable housing ~~combining district incentive program~~:

(a) Where applicable, the requirements of Chapter 18.30(A) (Retail Shopping (R) Combining District Regulations), Chapter 18.30(B) (Pedestrian Shopping (P) Combining District Regulations), and Chapter 18.30(C) (Ground Floor (GF) Combining District Regulations), and Pedestrian Shopping (P) Combining Districts shall apply.

(b) Where applicable, the retail preservation requirements of Section 18.40.180 shall apply except as provided below.

(1) Waivers and adjustments

a. Except in the R or GF combining districts, the City Council shall have the authority to reduce or waive the amount of retail or retail like gross floor area required in Section 18.40.180 for any 100% affordable housing project if the City Council determines that it would be in the public interest. Any such reduction or waiver shall not be subject to the waiver and adjustments requirements in Section 18.40.180(c). In the R and GF combining districts, any reduction or waiver in retail or retail like gross floor area shall remain subject to the requirements of Section 18.40.180(c) or the combining district as applicable.

b. The City Council shall have the authority to modify retail parking requirements associated with a 100% affordable housing project that also requires ground floor retail.

18.32.070 Permitted Uses

The following uses shall be permitted in the AH affordable housing ~~combining district incentive program~~:

(a) 100% affordable housing projects;

(b) In conjunction with a 100% affordable housing project, any uses permitted in the underlying district, provided the uses are limited to the ground floor.

18.32.080 Conditional Uses

The following uses may be permitted in the AH affordable housing ~~combining district~~ incentive program in conjunction with an 100% affordable housing project, subject to issuance of a conditional use permit in accord with Chapter 18.76 (Permits and Approvals), provided that the uses are limited to the ground floor:

- (a) Business or trade school.
- (b) Adult day care home.
- (c) Office less than 5,000 square feet when deed-restricted for use by a not-for-profit organization.
- (d) All other uses conditionally permitted in the applicable underlying zoning district.

18.32.090 Development Standards

The following development standards shall apply to projects subject to the AH affordable housing ~~combining district~~ incentive program in lieu of the development standards for the underlying zoning district, except where noted below:

**Table 1
Development Standards**

AH Incentive Program Combining District⁽¹⁾		
[...]		
Landscape/Open Space Coverage	20%(2)	
[...]		
<p>Notes:</p> <p>(1) These developments shall be designed and constructed in compliance with the <u>objective design standards in Section 18.24</u>. Developments that elect to deviate from one or more <u>objective standards in Chapter 18.24</u> shall meet the performance criteria outlined in Chapter 18.23, as well as the context-based design criteria outlined in Section 18.13.060 for residential-only projects, Section 18.16.090 for mixed use projects in the CN, CC, and CS districts, and Section 18.18.110 for mixed use projects in the CD district, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020.</p> <p>(2) Landscape coverage is the total area of the site covered with landscaping as defined in Chapter 18.04. For the purposes of this Chapter 18.32.090 <u>18.32.090</u>, areas provided for usable open space may be counted towards the landscape site coverage requirement. Landscape and open space areas may be located on or above the ground level, and may include balconies, terraces, and rooftop gardens.</p> <p>[...]</p>		

SECTION 27. Section 18.30(K).070 (Development Standards) of Subchapter 18.30(K) (Workforce Housing (WH) Combining District Regulations) of Chapter 18.30 (Combining Districts) of Title 18 (Zoning) is amended to read as follows:

18.30(K).070 Development Standards

[...]

(b) Housing Development Projects shall be subject to objective design standards in Section 18.24. Non-Housing Development Projects and Housing Development projects that elect to deviate from one or more objective standards in Chapter 18.24 shall meet the performance criteria outlined in Chapter 18.23, as well as the context-based design criteria outlined in Section 18.13.090 for residential projects, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director, pursuant to Section 18.76.020.

SECTION 28. Section 18.34.040 (Pedestrian and Transit Oriented Development (PTOD) Combining District Regulations) of Chapter 18.34 (Pedestrian and Transit Oriented Development (PTOD) Combining District Regulations) of Title 18 (Zoning) is amended as follows:

18.34.040 Pedestrian and Transit Oriented Development (PTOD) Combining District Regulations

(a) Properties in the PTOD combining district are subject to the following regulations:

**TABLE 2
DEVELOPMENT STANDARDS**

Standards ¹	PTOD - California Avenue	PTOD - Downtown [Reserved]
[...]		
Open Space:		
Minimum area required (Private or Common)	5 or fewer units: 200 s.f. per unit 6 or more units: 100 s.f. per unit, <u>subject to Section 18.24.040</u>	
Minimum dimensions	Private open space: 6 feet Common open space: 12 feet	
[...]		

Footnotes:

- (1) Non-residential development that is not consistent with the mixed-use limitations set forth above, with the exception of hotels, must be developed per the underlying zoning district regulations.
- (2) See Section 18.34.040 (e) for Below Market Rate (BMR) bonus provisions.
- (3) The residential component of the mixed use may not exceed 1.0:1.
- (4) The non-residential component of a mixed use project shall not exceed 50% of the total square-footage of the project.

[...]

SECTION 29. Section 18.34.050 (Pedestrian and Transit Oriented Development (PTOD) Combining District Context-Based Design Criteria) of Chapter 18.34 (Pedestrian and Transit Oriented Development (PTOD) Combining District Regulations) of Title 18 (Zoning) is amended to read as follows:

18.34.110 Pedestrian and Transit Oriented Development (PTOD) Combining District Context-Based Design Criteria and Objective Design Standards

In addition to the standards for development prescribed above, all Housing Development Projects in the PTOD combining district shall comply with the objective design standards outlined in Chapter 18.24, as defined therein. All other developments, and Housing Development Projects that elect to deviate from one or more objective design standards in Chapter 18.24, shall meet the Context Based Design Criteria, as determined by the Director pursuant to the Architectural Review process.

(a) Contextual and Compatibility Criteria

Development in a pedestrian and transit oriented development combining district shall be responsive to its context and compatible with adjacent development, and shall promote the establishment of a pedestrian and transit oriented neighborhood.

[. . .]

SECTION 30. Section 18.40.130 (Landscaping) of Chapter 18.40 (General Standards and Exceptions) of Title 18 (Zoning) is amended as follows:

18.40.130 Landscaping

(a) Purpose

The purpose of this section is to encourage creative and sustainable landscape design that enhances structures, open space areas, streetscapes and parking areas. Sustainable landscape design preserves native plant species to the maximum extent feasible, consumes less water and provides permeable surfaces for storm water management and

groundwater recharge. Tree shading and appropriate landscape design can contribute to economic vitality and public health, and can reduce the need for frequent infrastructure repair.

Landscaping provides recreation areas, cleans the air and water, prevents erosion, offers fire protection, replaces ecosystems displaced by development, and is water efficient.

(b) General Regulations

In addition to the provisions of this section, all projects shall adhere to the landscape requirements cited elsewhere in Title 18 (Zoning Ordinance), including but not limited to:

- (1) Design Standards - General Parking Facilities (Section 18.54.020).
- (2) Design Standards - Landscaping in Parking Facilities and Required Landscape Areas (Section 18.54.040).
- (3) Architectural Review Findings (Section 18.76.020).

(c) Natural Areas (Open Space District, Hillside Lands, Baylands, Creek and Riparian Areas)

Landscaping should retain or enhance native vegetation in hillside, baylands or other natural open spaces areas or adjacent to such areas. The existing natural vegetation and land formations should remain in a natural state unless modification is found to be necessary or appropriate for a specific use allowed through architectural or site design review.

- (1) In the selection of new landscaping, preference shall be given to natural, indigenous and drought resistant plants and materials. Non-indigenous landscaping should be limited to the immediate area around a structure or structures.
- (2) Site development plans shall, to the maximum extent feasible, provide for the retention of existing vegetation and land formations, and shall include an erosion and sediment control element setting forth reasonable mitigation measures in accord with the grading and subdivision ordinances of the city.
- (3) Landscaping shall, to the maximum extent feasible, integrate and accommodate existing trees and vegetation to be preserved; make use of water-conserving plants, materials and irrigation systems; and be clustered in natural appearing groups, as opposed to being placed in rows or regularly spaced.
- (4) Colors of roofing materials shall blend with the natural landscape and be nonreflective. All roof mounted equipment shall be screened in a manner that protects the viewshed from adjacent properties, including from views from above.
- (5) Planting of invasive plant species shall not be permitted and removal of invasive species may be required as part of landscape plan requirements.
- (6) To the maximum extent feasible, existing vegetation shall be retained or enhanced to maintain contiguous wildlife habitat.
- (7) Riparian vegetation shall be retained or enhanced within natural stream corridors, and best practices for development shall be used to protect riparian habitat and water quality of adjacent streams.

(d) Low-Density Residential Landscaping Design Standards

- (1) In the R-1, R-2, and RMD zones, a minimum of 50% of the required front

setback area shall be landscaped, subject to the limitations of Section 18.12.040(h). Planting in the right-of-way shall not count towards fulfillment of the required landscape area.

(2) Street trees may be required to be planted in the right-of-way frontage of any residential structure subject to individual review for a new second story or addition to a second story, or for other discretionary review in the R-1, R-2, or RMD zones.

(3) Trees planted near public bicycle trails or curbs shall be of a species and installed in a manner that prevents physical damage to sidewalks, curbs, gutters and other public improvements.

(4) Trees and shrubs shall be planted so that at maturity they do not interfere with service lines (a minimum of five feet from water lines and ten feet from sanitary sewer lines) and traffic safety visibility areas.

(5) All proposed light wells and below-grade basements shall be screened to minimize visibility from public rights-of-way or other public properties.

(e) Special Design and Landscaping Standards for All Zoning Districts

Requirements:

(1) Utilities (e.g., transformer cabinets, pads, fiber optic trenching and above ground cabinets, large water check valves) and underground utilities shall not be placed within required landscaped areas, except where they will not preclude appropriate planting of trees and will be predominantly screened from public view.

(2) All landscaping within multi-family, commercial, and industrial zoning districts shall be equipped with automatic irrigation systems. Backflow preventers shall be located in the rear or side yard and screened from public view by landscaping. If backflow preventers must be located in the front yard for access purposes, they should be located near the main structure to the maximum extent feasible, and shall be predominantly screened from public view.

(3) For all development within commercial and industrial zoning districts, lawn areas shall not exceed 15 percent of the planting area on a property. Required common areas, active recreation areas, and areas located within the public right-of-way between the curb and public sidewalk shall not count against such lawn area.

~~(4) Landscaping within surface parking areas shall include tree plantings designed to result in 50 percent shading of parking lot surface areas within 15 years.~~

(4) ~~(5)~~ All required perimeter yards shall be landscaped. The landscaping of these yards shall, at a minimum, consist of a combination of living vegetation, such as trees, shrubs, grasses or ground cover materials. The director may, however, allow a combination of hardscape and landscape to satisfy landscape requirements where the visual quality and screening functions of the hardscape/landscape area are maintained. Landscape buffering and screening shall be designed to create compatible relationships of scale and appearance with neighboring properties.

(5) ~~(6)~~ Plant material shall be maintained in a healthy, disease-free, growing condition at all times. All required planting areas shall be maintained free of weeds, debris, and litter. The planning director may specify conditions of approval to assure that dead or diseased plantings are replaced in a timely manner and with adequate

replacement plantings.

(f) Guidelines:

(1) Rooftop gardens, edible gardens, and other sustainable agricultural landscaping alternatives are encouraged for multi-family, commercial, industrial, and multi-family developments. See supplementary standards in Chapter 18.40.230: Rooftop Gardens. ~~Rooftop gardens are particularly encouraged where the rooftop is highly visible from neighboring properties.~~

(2) Structural soils, as specified by the director of planning and community environment, shall be preferred where planting in compacted soil areas, such as parking lots and sidewalks.

(3) Landscape swales, ~~permeable-pervious~~ paving and other landscape features should be incorporated into site design to the maximum extent feasible to accommodate filtration of storm water runoff from impervious areas, particularly from parking lots.

(4) All projects requiring discretionary review within the multi-family, commercial, or industrial zoning districts should, where feasible, pursuant to Section 16.12: Recycled Water, and include the following:

(a) Incorporation of recycled water usage into the design of landscape and irrigation systems.

(b) Consideration of plants suitable for irrigation with recycled water.

(c) The installation of the infrastructure necessary to connect the irrigation system to the city's recycled water supply, if available in the foreseeable future.

(5) The director may allow a combination of hardscape and landscape to satisfy landscape requirements where permeable surface materials are used and where the visual quality and screening functions of the hardscape/landscape area are maintained, as specified in the conditions of approval.

SECTION 31. Subdivision (d) of Section 18.52.040 (Off-Street Parking, Loading and Bicycle Facility Requirements) of Chapter 18.52 (Parking and Loading Requirements) of Title 18 (Zoning) is amended as follows:

18.52.040 Off-Street Parking, Loading and Bicycle Facility Requirements

[. . .]

(d) Residential and mixed use structures with fifty (50) or more dwelling units shall provide at least one (1) on-site, short-term loading space for passenger vehicles, to be used by taxicabs and similar transportation and delivery services.

SECTION 32. Section 18.54.015 (Definitions) of Chapter 18.54 (Parking Facility Design Standards) of Title 18 (Zoning) is added as follows:

18.54.015 Definitions

The definitions provided in Section 18.52.020 shall apply to this Chapter 18.54.

SECTION 33. Subsection (c) of Section 18.54.070 (Parking Tables and Figures) of Chapter 18.54 (Parking Facility Design Standards) of Title 18 (Zoning) is amended as follows:

[. . .]

(c) Off-Site Parking

Parking required by this chapter may be provided by off-site parking, provided that such off-site parking is within 500 feet ~~a reasonable distance~~ of the site using it ~~or, if the site is within an assessment district, within a reasonable distance of the assessment district boundary~~ and approved in writing by the director of planning and community environment. The director shall assure that sufficient covenants and guarantees are provided to ensure use and maintenance of such parking facilities, including an enforceable agreement that any development occurring on the site where parking is provided shall not result in a net reduction of parking spaces provided, considering both the parking previously provided and the parking required by the proposed use.

[. . .]

SECTION 34. Subdivisions (a) and (b) of Section 18.54.020 (Vehicle Parking Facilities) of Chapter 18.54 (Parking Facility Design Standards) of Title 18 (Zoning) is amended as follows:

18.54.020 Vehicle Parking Facilities

(a) Parking Facility Design

Parking facilities shall be designed in accordance with the following regulations:

- (1) Requirements for dimensions of parking facilities at, above, and below grade are contained in this section and in Figures 1-6 and Tables 3-6 of Section 18.54.070.
- (2) Stalls and aisles shall be designed such that columns, walls, or other obstructions do not interfere with normal vehicle parking maneuvers. All required stall and aisle widths shall be designed to be clear of such obstructions.
- (3) The required stall widths shown in Table 3 of Section 18.54.070 shall be increased by 0.5 foot for any stall located immediately adjacent to a wall, whether on one or both sides. The director may require that the required stall widths be increased by 0.5 foot for any stall located immediately adjacent to a post, where such post limits turning movements into or out of the stall.
- (4) For property owners or tenants seeking to install EVSE, the required stall widths shown in Table 3 of Section 18.54.070 may be reduced by no more than eighteen inches below the code required minimum dimensions in order to accommodate EVSE or associated electrical utility equipment. This reduction may be applied to 10% of the total required parking stalls, or two stalls, whichever is greater. The director may approve a reduction in

width for a greater number of stalls through a director’s adjustment pursuant to Section [18.52.050](#).

(5) Dead-end aisles shall be avoided to the greatest extent feasible.

(6) Except for at-grade parking facilities serving a maximum of two dwelling units, all parking facilities shall be set back a sufficient distance from the street so that vehicles need not back out into or over a public street (not including an alley) or sidewalk.

(7) Surface parking areas shall be located so that garages or carports are not predominantly facing the street; parking locations behind the building(s) are preferable.

(8) Carport structures shall be architecturally compatible with the main structures in the project and should utilize substantial support posts. Landscaping material associated with the carport shall have adequate room to grow and be protected from damage by cars and pedestrian traffic.

(9) Except for single-family uses, parking should be underground, semi-depressed, enclosed or concealed for all projects to the extent feasible.

(10) Where feasible, parking shall be broken into smaller groupings of spaces to avoid large expanses of parking and to provide for more opportunities to intercept and filter drainage from the parking areas.

(11) Proximity of underground parking garages to residentially zoned properties should take into consideration the need for landscaping along the perimeter of the site. In instances where substantial planting is necessary, the placement of parking garages should be adequately setback from the property line to provide for the landscaping.

(b) Off-Street Parking Stalls

(1) Each off-street parking stall shall consist of a rectangular area not less than eight and one-half (8.5) feet wide by seventeen and one-half (17.5) feet long (uni-class stall), or as otherwise prescribed for angled parking by Table 1 in Section 18.54.070.

(2) Garages and carports for single-family and two-family development shall provide a minimum interior clearance of ten (10) feet wide by twenty (20) feet long for a single car and a minimum of twenty (20) feet wide by twenty (20) feet long for two cars to allow sufficient clearance.

(3) Dimensions of parking stalls for parallel parking shall be as follows. The minimum dimensions of such a stall located adjacent to a wall shall be ten feet wide and twenty feet long. The minimum dimensions of such a stall located adjacent to a curb with a minimum two-foot clearance to a wall shall be eight feet wide and twenty feet long. These required stall widths are in addition to the required width of the access driveway or aisle.

(4) Mechanical lifts may be used to satisfy off-street parking requirements, ~~subject to approval by the director or city council, as applicable, and~~ in accordance with the following provisions:

A. The regulations in this section apply to mechanical lifts, elevators and turn-around devices specified for vehicle use, and other mechanical devices that facilitate vehicle parking;

B. Mechanical vehicle lifts may be used for multi-family residential, office, hotel, automotive, industrial or institutional uses. Other uses may use mechanical vehicle lifts subject to approval from the Director of Planning and Community

Development and may be required to provide dedicated on-site valet assistance for no fee to the user.

C. The location of mechanical lifts shall be located within an enclosed parking facility. All lifts and associated equipment shall be screened from public views and the screening shall be architecturally compatible with the site conditions;

D. Applicant shall submit an analysis and report, prepared by a qualified professional, for review and approval by the Director of Planning and Community Environment that demonstrates the effectiveness of the proposed parking lift system; operational details; schematic or technical drawings; regular and emergency maintenance schedule, procedures and backup systems; vehicle queuing, access and retrieval efficiency; and potential impacts, delays, or inconveniences to all of the following:

- i. site residents, workers, and visitors
- ii. pedestrian and bicycle movement and safety on and nearby the site
- iii. vehicular movement and safety on and nearby the site

E. Mechanical car lifts shall not be used for accessible parking spaces or loading spaces;

F. Mechanical car lifts shall accommodate mid-size sport utility vehicles and full-size cars.

G. For all non-residential uses, a minimum of two spaces or 10% of the total number of parking spaces provided, whichever is greater, shall be provided as standard non-mechanical parking spaces. The required accessible spaces shall not be counted as one of the standard spaces for this requirement;

H. Additional information, reports and analysis may be required and conditions may be imposed to ensure the use, operation and function of the lift system is not detrimental to the public welfare, property, land uses and users of the property, other properties, or the public right of way, in the general vicinity.

I. Lift design must allow for removal of any single vehicle without necessitating the temporary removal of any other vehicle

J. The Director shall have authority to adopt regulations to implement this provision.

(5) Each off-street motorcycle parking stall shall consist of a rectangular area not less than five feet wide by ten feet long, as illustrated in Figure 7 of Section 18.54.070.

[. . .]

SECTION 35. Subdivision (c) of Section 18.54.050 (Miscellaneous Design Standards) of Chapter 18.54 (Parking Facility Design Standards) of Title 18 (Zoning) is amended as follows:

18.54.050 Miscellaneous Design Standards

[. . .]

(c) Additional Parking Facility Design Requirements

(1) Site design shall assure that connections to adjacent existing or planned bicycle or pedestrian facilities (sidewalks, bike paths or lanes, etc.) allow for ready access for residents and other users of the site.

(2) The location of driveways, shipping and receiving areas, and loading docks should be sited as far away from residentially zoned properties or properties with existing residential uses located within nonresidential zones as is reasonably feasible while recognizing site constraints and traffic safety issues.

(3) Employee ingress and egress to a site should be located to avoid the use of residential streets wherever feasible.

(4) Late hour and early morning truck traffic to a site located in or near a residential area should be discouraged.

(5) Vehicular access points should not conflict with pedestrian and bicycle walkways and facilities.

(6) Pedestrian and bicycle facilities (sidewalks, bike paths, etc.) should, where feasible, be provided through sites to provide connections to other pedestrian and bicycle routes and to allow for safe access to schools, recreation facilities and services.

(7) Additional requirements for parking facility design, internal layout, acceptable turning radii and pavement slope, vehicular and pedestrian circulation, and other design features may be adopted by the director when deemed appropriate.

[. . .]

SECTION 36. Subsection (b) of Section 18.76.020 (Architectural Review) of Chapter 18.76 (Permits and Approvals) of Title 18 (Zoning) is amended as follows:

18.76.020 Architectural Review

[. . .]

(b) Applicability

No permit required under Title 2, Title 12 or Title 16 shall be issued for a major or minor project, as set forth in this section, unless an application for architectural review is reviewed, acted upon, and approved or approved with conditions as set forth in Section [18.77.070](#).

(1) Exempt Projects. The following projects do not require architectural review:

(A) Single-family and two-family residences, except as provided under subsections (b)(2)(C) and (b)(2)(D).

(B) Projects determined by the director of planning and development services to be substantially minor in nature and have inconsequential visual impacts to the adjacent properties and public streets. These exempt projects are referred to as "over the counter projects". The director shall have the authority to promulgate a list of such exempt projects under this subsection.

(C) Housing development projects, as defined in Government Code Section 65589.5(h)(2) (the Housing Accountability Act), but only to the extent such projects comply with all objective standards in this code and thereby qualify for streamlining

under Government Code sections 65589.5, 65913.4, or 65905.5. Such projects shall be subject to the process set forth in Section 18.77.073.

(2) Major Projects. The following are "major projects" for the purposes of the architectural review process set forth in Section [18.77.070](#), and are subject to review by the architectural review board:

- (A) New construction, including private and public projects, that:
 - (i) Includes a new building or building addition of five thousand square feet or more; or
 - (ii) Is not exempt under the California Environmental Quality Act (CEQA) (Section 21000 et seq. of the California Public Resources Code); or
 - (iii) Requires one or more variances or use permits and, in the judgment of the director, will have a significant effect upon the aesthetic character of the city or the surrounding area;
- (B) Any multiple-family residential construction project that contains three or more units;
- (C) Construction of three or more adjacent single-family homes or duplexes;
- (D) In the Neighborhood Preservation Combining District (NP), properties on which two or more residential units are developed or modified, except when one of those units is an "accessory dwelling unit," as described in Section [18.10.140\(d\)](#);
- (E) Any project using transferred development rights, as described in [Chapter 18.18](#);
- (F) A master sign program, pursuant to [Chapter 16.20](#);
- (G) Signs that do not meet all applicable design guidelines adopted by the city council or do not conform to a previously approved master sign program;
- (H) Signs requiring a sign exception pursuant to [Chapter 16.20](#);

(I) Any minor project, as defined in subsection (3), that the director determines will significantly alter the character or appearance of a building or site.

(3) Minor Projects. The following are "minor projects" for the purposes of the architectural review process set forth in Section [18.77.070](#), except when determined to be major pursuant to subsection (2)(I) or exempt pursuant to subsection (1)(B):

- (A) New construction, including private and public projects, that involves a new building or building addition of fewer than 5,000 square feet, and which is exempt under the California Environmental Quality Act (CEQA) (division 13 of the Public Resources Code, commencing with section 21000);
- (B) Signs that meet all applicable guidelines and conform to any previously approved master sign program;
- (C) Landscape plans, fences, exterior remodeling, and design of parking areas, when not part of a major project;
- (D) Any project relating to the installation of cabinets containing communications service equipment or facilities, pursuant to any service subject to [Chapter 2.11](#), [Chapter 12.04](#), [Chapter 12.08](#), [Chapter 12.09](#), [Chapter 12.10](#), or [Chapter 12.13](#).
- (E) Minor changes to the following:
 - (i) Plans that have previously received architectural review approval;

- (ii) Previously approved planned community district development plans;
- (iii) Plans that have previously received site and design approval;
- (iv) Previously approved plans for projects requiring council approval pursuant to a contractual agreement, resolution, motion, action or uncodified ordinance;
- (v) Existing structures requiring council site and design approval or approval pursuant to a contractual agreement, resolution, motion, action, or uncodified ordinance.

As used in this subsection (b)(3)(E), the term "minor" means a change that is of little visual significance, does not materially alter the appearance of previously approved improvements, is not proposed for the use of the land in question, and does not alter the character of the structure involved. If the cumulative effect of multiple minor changes would result in a major change, a new application for Architectural Review approval of a major project, Site and Design approval, Planned Community District approval, or other applicable approval is required.

(F) Any changes to previously approved plans requiring architectural review as a minor project as part of the conditions of a permit or approval.

[. . .]

SECTION 37. Section 18.77.073 (Housing Development Project Review Process) of Chapter 18.77 (Processing of Permits and Approvals) of Title 18 (Zoning) is added as follows:

18.77.073 Streamlined Housing Development Project Review Process

(a) Applicability

This section shall apply to applications for residential mixed-use and multifamily housing development projects, as defined in Government Code Section 65589.5(h)(2), that comply with all objective standards in this code and thereby qualify for streamlining under Government Code sections 65589.5 or 65905.5.

(b) Preliminary Board Review

Applicants are encouraged to seek preliminary review by the Architectural Review Board pursuant to Section 18.76.020(c) prior to submitting a formal application.

(c) Public Study Session

(1) Prior to preparing a written decision, the Director may, in his or her sole discretion, refer the application to the Architectural Review Board or to other advisory boards or committees for the purpose of determining whether minor adjustments to the application would result in closer adherence to the contextual design criteria and/or objective design standards contained in Chapter 18.24. An application should normally not be considered at more than one meeting of the Architectural Review Board.

(2) Notice of a public meeting to consider the application shall be given at least 7 days prior to the meeting by mailing to the applicant and all residents and owners of property

within 600 feet of the project. Notice shall include the address of the property, a brief description of the proposed project, and the date and time of the hearing.

(d) Decision by the Director

(1) The Director shall prepare a written decision to approve the application, approve it with conditions, or deny it.

(2) Neither the Director, nor the City Council on appeal, shall approve an application unless it is found that:

(A) The application complies with all applicable and objective standards in the Comprehensive Plan, the Palo Alto Municipal Code, and other City plans or policies.

(B) Approving the application will not result in a specific, adverse, impact upon the public health or safety, which cannot feasibly be mitigated or avoided in a satisfactory manner. As used in this Section, a “specific, adverse impact” means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete.

(3) Notice of the proposed director’s decision shall be given by mail to owners and residents of property within 600 feet of the property, and by posting in a public place. The notice shall include the address of the property, a brief description of the proposed project, a brief description of the proposed director’s decision, the date the decision will be final if it is not appealed, and a description of how to file an appeal.

(4) The Director’s decision shall become final 10 days after the date notice is mailed unless an appeal is filed.

(e) Appeals

(1) Any party, including the applicant, may file an appeal of the Director’s decision in written form in a manner prescribed by the director.

(2) An appeal seeking disapproval of a project or a reduction in density shall be limited to the grounds that both of the following exist:

(A) The project would have a specific, adverse impact upon the public health or safety unless the project is disapproved or approved upon the condition that the project be developed at a lower density. And

(B) There is no feasible method to satisfactorily mitigate or avoid the adverse impact identified pursuant to subsection (d)(2)(B)(i), other than the disapproval of the housing development project or the approval of the project upon the condition that it be developed at a lower density.

(f) Decision by the City Council

At the Director’s discretion, an appeal may be set for hearing before the City Council or may be placed on the Council’s consent calendar, within 45 days. The city council may:

(1) Adopt the findings and decision of the director; or

(2) If the item is on the consent calendar, city council may remove the appeal from the consent calendar, which shall require three votes, and direct that the appeal be set for a new

noticed hearing before the city council, following which the city council shall adopt findings and take action on the application.

(g) Final Decision by the Council

The decision of the council on the appeal is final.

SECTION 38. As used in this ordinance, new text is underlined, deletions are ~~struck through~~, and omissions are noted with [. . .] for large sections of unchanged text.

SECTION 39. Any provision of the Palo Alto Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to effect the provisions of this Ordinance.

SECTION 40. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 41. The Council finds that the Ordinance is within the scope of and in furtherance of the Comprehensive Plan 2030 which was evaluated in that certain Final Environmental Impact Report certified and for which findings were adopted by Council Resolution Nos. 9720 and 9721 on November 13, 2017, all in accordance with the California Environmental Quality Act. The Ordinance does not propose to increase development beyond what was analyzed in the Comprehensive Plan. Pursuant to Section 15168 of the State CEQA Guidelines, the City has determined that no new effects would occur from and no new mitigation measures would be required for the adoption of this Ordinance.

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SECTION 42. This ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Planning & Development
Services



City of Palo Alto
City Council Staff Report

(ID # 14509)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: SECOND READING: Adoption of an Ordinance Amending the City's Surveillance and Privacy Protection Ordinance to Exempt the Foothills Fire Early Warning System (PAMC 2.30.680). (FIRST READING: June 6, 2022: PASSED: 7-0)

From: City Manager

Lead Department: Office of Emergency Services

This was heard by the City Council on June 6, 2022 for a first reading and was approved 7- 0. No changes were made to the Ordinance; it is now before you for a second reading.

Attachments:

- **Attachment25.a:** Attachment A - Ordinance amending PAMC 2.30.680 to exempt fire detection technologies from the Surveillance and Privacy Protection Ordinance

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending the Surveillance and Privacy Protection Ordinance to Exempt the Foothills Fire Early Warning System

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

SECTION 1. Findings and Declarations. The City Council finds and declares as follows:

- A. In 2018, the City Council adopted the Surveillance and Privacy Protection Ordinance, now codified at PAMC 2.30.620 *et seq.*
- B. The City Council now desires to exempt certain technology related to fire detection from the provisions of the Ordinance.

SECTION 2. Section 2.30.680(c) of the Palo Alto Municipal Code is hereby amended as follows to add new subsection (6) (new text is underlined, deleted text in ~~strikethrough~~):

(c) "Surveillance technology" means any device or system primarily designed and actually used or intended to be used to collect and retain audio, electronic, visual, location, or similar information constituting personally identifiable information associated with any specific individual or group of specific individuals, for the purpose of tracking, monitoring or analysis associated with that individual or group of individuals. Examples of surveillance technology include drones with cameras or monitoring capabilities, automated license plate readers, closed-circuit cameras/televisions, cell-site simulators, biometrics-identification technology and facial-recognition technology. For the purposes of this chapter, "surveillance technology" does not include:

- (1) Any technology that collects information exclusively on or regarding city employees or contractors;
- (2) Standard word-processing software; publicly available databases; and standard message tools and equipment, such as voicemail, email, and text message tools;
- (3) Information security tools such as web filtering, virus detection software;
- (4) Audio and visual recording equipment used exclusively at open and public events, or with the consent of members of the public;
- (5) Medical devices and equipment used to diagnose, treat, or prevent disease or injury;

(6) Any technology used as part of the Foothills Fire Early Warning System to detect fires within the following area:

West Side: Skyline Blvd (Hwy 35) from Route 84 (Woodside Rd/La Honda Rd.) to Hwy 9

North Side: Route 84 from Skyline to Alameda de las Pulgas

East Side: Alameda de las Pulgas to Santa Cruz Ave to Junipero Serra Rd. to Foothill Expwy.

South Side: Draw a line from the intersection of Hwy 9 at Hwy 35 to the intersection of Foothill Expwy at Magdalena

SECTION 3. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

SECTION 4. The Council finds that adoption of this Ordinance is not a “project” within the meaning of CEQA.

SECTION 5. This Ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of the Office of Emergency Services

Fire Chief



City of Palo Alto City Council Staff Report

(ID # 14511)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: SECOND READING: Adoption of an Ordinance Exempting Some Below-Grade Parking Facilities from Gross Floor Area. Zone District: R-1(10,000). Environmental Review: Final Environmental Impact Report (EIR) for the Castilleja School Project certified on June 6, 2022. (FIRST READING: June 6, 2022 PASSED: 6-1, Kou no)

From: City Manager

Lead Department: Planning and Development Services

This was heard by the City Council on June 6, 2022 in conjunction with the Castilleja School project. It was approved on first reading (6- 1, Kou no) in a 9-part motion. The first two parts motion relate to the ordinance and directed amendment of the draft ordinance presented in the staff report:

1. Adopt zoning text amendment - C1 for parcels six acres or greater
2. Direct staff to amend the ordinance to state the square footage of below grade parking structures is excluded from gross floor area for purposes of development standards under Title 18 but included for purposes of calculating development impact fees under Title 16.

Staff have incorporated this amendment for the second reading. The amended ordinance is provided as Attachment A.

Attachments:

- **Attachment26.a:** Attachment A: Second Reading Ordinance Amending Gross Floor Area Definition for Low Density Residential Zones

NOT YET ADOPTED

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Title 18 (Zoning) of the Palo Alto Municipal Code to Amend the Gross Floor Area Definition for Low Density Residential Zones

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Subsection (a)(65) (Gross Floor Area) of Section 18.04.030 (Definitions) of Chapter 18.04 (Definitions) of Title 18 (Zoning) of the Palo Alto Municipal Code (“PAMC”) is amended to read as follows (additions underlined and deletions ~~struck through~~; omissions noted with [. . .] represent unchanged text):

(a) Throughout this title the following words and phrases shall have the meanings ascribed in this section.

[. . .]

(65) “Gross floor area” is defined as follows:

[. . .]

(C) Low Density Residential Inclusions and Conditions: In the RE and R-1 single- family residence districts and in the R-2 and RMD two-family residence districts, “gross floor area” means the total covered area of all floors of a main structure and accessory structures greater than one hundred and twenty square feet in area, including covered parking and stairways, measured to the outside of stud walls, “(C) Low Density Residential Inclusions and Conditions: In the RE and R-1 single- family residence districts and in the R-2 and RMD two-family residence districts, “gross floor area” means the total covered area of all floors of a main structure and accessory structures greater than one hundred and twenty square feet in area, including covered parking and stairways, measured to the outside of stud walls, including the following:

[. . .]

(iii) Carports and, garages, and below grade parking facilities, except as excluded in subsection (a)(65)(D)(viii), shall be included in gross floor area.

[. . .]

“(D) Low Density Residential Exclusions: In the RE and R-1 single-family residence districts and in the R-2 and RMD two-family residence districts, “gross floor area” shall not include the following:

[. . .]

(viii) Below-grade parking facilities that: (1) are accessory to nonresidential uses; (2) are located on a parcel that is six acres or greater; and (3) are located on a parcel that contains a listed historic resource; and 4) do not provide more than 50 percent of the base required

NOT YET ADOPTED

on-site vehicle parking shall be excluded from the calculation of gross floor area; however, such facilities shall be considered "square footage" for purposes of calculating development impact fees under Title 16. A below grade parking facility that does not meet all of these criteria shall be included in the calculation of gross floor area in its entirety.

SECTION 2. Any provision of the Palo Alto Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to effect the provisions of this Ordinance.

SECTION 3. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 4 The Council finds that the adoption of this Ordinance is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines sections 15061(b)(3), 15301, 15302 and 15305 because it constitutes minor adjustments to the City’s zoning ordinance. As such, it can be seen with certainty that the proposed action will not have the potential for causing a significant effect on the environment.

SECTION 5. This ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Planning & Development Services



City of Palo Alto

City Council Staff Report

(ID # 14504)

Meeting Date: 6/20/2022

Report Type: Action Items

Title: SECOND READING: Adoption of an Ordinance Amending Title 8 of the PAMC to Expand Tree Protection to Include Additional Protected Tree Species, Revise Grounds for Tree Removal, and Make Clarifying Changes and Amending Titles 2, 9, and 18 to make Clerical Updates (FIRST READING: June 6, 2022 PASSED: 5-2, Cormack, Tanaka no

From: City Manager

Lead Department: Public Works

This was heard by the City Council on June 6, 2022 for a first reading and was approved 5-2, Cormack, Tanaka no. No changes were made to the Ordinance; it is now before you for a second reading.

Attachments:

- **Attachment27.a:** Attachment A Ordinance Amending Ch 8.04, Ch 8.08, Ch8.10, and Ch2.25 and Making Related Changes to Ch 2.25, Ch 9.56, and Title 18 of PAMC

NOT YET APPROVED

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Chapter 8.04 (Street Trees, Shrubs, and Plants); Chapter 8.08 (Weed Abatement); Chapter 8.10 (Tree Preservation and Management Regulations); and Making Related Changes to Chapter 2.25 (Parks and Recreation Commission); Chapter 9.56 (Abatement of Nuisances); and Title 18 (Zoning) of the Palo Alto Municipal Code.

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

SECTION 1. Findings and Declarations. The City Council finds and declares as follows:

SECTION 2. Chapter 8.04 (Street Trees, Shrubs, and Plants) of Title 8 (Trees and Vegetation) of the Palo Alto Municipal Code is hereby renamed Chapter 8.04 (Public Trees, Shrubs, Hedges, and Plants) and amended to read as follows (additions underlined and deletions ~~struck through~~):

Chapter 8.04

~~STREET~~ PUBLIC TREES, SHRUBS, HEDGES, AND PLANTS

Sections:

8.04.005 Purpose.

8.04.010 Definitions.

8.04.015 Authority of city.

8.04.020 Permit required for certain work.

8.04.030 Application for permit.

8.04.040 Issuance of permit.

8.04.050 Public nuisances.

~~**8.04.060 Abatement of public nuisances.**~~

~~**8.04.070 Damage to street public trees**~~**Enforcement.**

8.04.080 Interference with enforcement.

8.04.090 Adoption of regulations.

8.04.005 Purpose.

The purpose of this chapter is to protect and promote trees, shrubs, hedges, and plants located on public property within the city. In establishing these procedures and standards, the city recognizes that trees, shrubs, hedges, and plants are an essential part of the city's infrastructure, with benefits that include promoting the health, safety, welfare, and quality of life of the residents of the city; addressing climate change by sequestering carbon and providing a cooling effect; reducing air, water, and noise pollution; preventing soil erosion and stormwater runoff; providing wildlife habitat; and enhancing the aesthetic environment. It is the city's intent to encourage the preservation of trees, shrubs, hedges, and plants.

NOT YET APPROVED

8.04.010 Definitions.

For the purposes of this ~~chapter~~title, the following words shall have the meaning ascribed to them in this section:

- (a) "Person" means individuals, firms, associations and corporations, and agents, employees or representatives thereof.
- (b) "City" means the city of Palo Alto acting by and through its authorized representatives.
- (c) "Street" means and includes all land lying between the boundaries of property abutting on all public streets, boulevards, alleys, and walks.
- (d) "Parks" means and includes all parks to which names have been given by action of the city council.
- (e) "Public places" means and includes all grounds, other than streets or parks, owned by, ~~or~~ leased to, ~~or~~ ~~and~~ under the control of the city of Palo Alto.
- (f) "~~Street~~Tree" means and includes any woody perennial plant generally having a single main ~~axis or stem~~ and commonly achieving ten feet in height ~~and capable of being shaped and pruned to develop a branch free trunk at least nine feet in height.~~
- (g) "Shrub" means and includes any woody perennial plant generally having multiple stems and commonly less than ten feet in height, normally low, several stemmed, and capable of being shaped and pruned without injury, within the area planted.
- (h) "Hedge" means and includes any tree, shrub, or plant material, shrub or plant, when planted in a dense, continuous line or area, as to form a thicket or barrier.
- (i) "Plant" means and includes all vegetation other than trees and shrub~~other plant material, non woody, annual, or perennial in nature, not necessarily hardy.~~
- (j) "~~Street~~Public trees, shrubs, hedges, and ~~or~~ plants" means and includes any tree, shrub, hedge, or plant in any street, park, or public place in the city of Palo Alto.
- (k) "Urban forester" means public works department staff including the urban forester or their designee.
- (l) "Tree permit" means a permit issued by the urban forester for one or more of the following purposes:
 - (1) To permit removal of a public tree.
 - (2) To permit public tree care, work, or treatment.
 - (3) To permit removal of a protected tree under 8.10.050.
 - (4) To establish a tree preservation bond.
 - (5) For payment of "in-lieu" fees for required mitigation measures.

8.04.015 Authority of city.

The city of Palo Alto shall have control of all ~~street~~public trees, shrubs, hedges, and plants now or hereafter in any street, park, or public place within the city limits, and shall have the ~~power~~authority to plant, care for, remove, replace, and maintain such trees, shrubs, hedges, and plants.

NOT YET APPROVED

8.04.020 ~~Violations—Penalty—Enforcement~~ Permit required for certain work.

Unless authorized by a ~~public tree care permit~~ or other City approval, no person shall do any of the following:

- (a) Plant, prune, trim, shape, remove, top, or in any way damage, destroy, injure or mutilate a ~~street~~public tree, shrub, hedge, or plant. A tree permit is not required for a property owner, resident, or their agent to maintain shrubs, hedges, or plants located within the city right of way associated with their property.
- (b) Fasten ~~any~~ sign, wire, or injurious material to any ~~street~~public tree, shrub, hedge, or plant.
- (c) Excavate any ditch or tunnel; or place concrete or other pavement within a distance of ten feet of the center of the trunk of any ~~street~~public tree.
- ~~(b) Violation of this section is a misdemeanor, punishable as provided in this code. Each day of violation constitutes a separate offense and may be separately punished.~~
- ~~(c) Persons employed in the following designated employee positions are authorized to exercise the authority provided in Penal Code Section 836.5 and are authorized to issue citations for violations of this chapter: deputy director of public works operations, managing arborist, planning arborist and code enforcement officer.~~

8.04.030 Application for permit.

Any person desiring to do any of the work described in Section 8.04.020 may apply for a tree permit so to do. The applicant shall state the nature of the work and the location where it will be done.

8.04.040 Issuance of permit.

A tree permit shall be issued authorizing ~~so much of the work as~~ that meets all the following conditions:

- (a) Will not create, continue, or aggravate any hazardous condition, or public nuisance;
- (b) Will not prevent or interfere with the growth, location or planting of any approved street-public trees;
- (c) Is consistent with the planting plan being followed by the city.

8.04.050 Public nuisances*.

~~Any of~~ the following are, for the purposes hereof, defined to be public nuisances:

- (a) Any dead, diseased, infested, or dying tree, shrubs, hedge, or plant in any street; or on any public or private property so near to any ~~street~~public tree, shrub, hedge, or plant as to constitute a danger to a street-public trees, shrub, hedge, or plant, or streets, or portions thereof or public property.
- (b) Any tree, ~~or~~ shrubs, hedge, or plant on any private property or in any street, of a type or species ~~apt to~~ that will destroy, impair, or otherwise interfere with any street improvements, sidewalks, curbs, approved ~~street~~public trees, gutters, sewers, other

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- public improvements, including utility mains ~~or~~ and services, or a public tree, shrub, hedge, or plant.
- (c) Any tree limb, shrub, hedge, or plant reaching a height more than three feet above the curb grade adjacent thereto, except a tree trunks having no limbs lower than nine feet above curb grade, within the thirty-five foot triangle of public or private property, measured from the projected curb lines, at the intersections of any street improved for vehicular traffic where either traffic signals, stop signs, or yield signs are not installed, or at any intersections which are determined by the chief transportation official to contain a tree limbs, shrubs, hedges, or plants that ~~obscure~~ and or impairs the view of a passing motorists, cyclists or pedestrians so as to create a safety hazard.
- (d) Vines or climbing plants growing into or over any ~~street~~ public tree, shrub, hedge, or plant; or any public hydrant, pole or electrolier.
- (e) Existence of any tree within the city limits that is ~~infested, infected or in danger of becoming~~ infested or infected with objectionable insects, scale, fungus, or growth injurious to trees.
- (f) The existence of any branches or foliage which interfere with visibility on, ~~or~~ free use of, or access to, or obstruct public vehicular or pedestrian travel on any portion of any street improved for vehicular or pedestrian travel.
- (g) Hedges or dense, thorny shrubs and plants on any street or part thereof.
- (h) Shrubs and plants more ~~then~~ than two feet in height in any tree well or planting strip between the sidewalk and curb ~~street~~, measured above top of curb grade.

* Abatement procedure - See [Chapter 9.56](#) of this code.

~~8.04.060 Abatement of public nuisances.~~

~~When any public nuisance as defined herein exists, a notice may be sent by ordinary United States mail to the owner or tenant involved. Such notice shall describe the condition, state the work necessary to remedy the condition, and shall specify the time within which the work must be performed. If, at the end of the time specified, such work has not been performed, the city may perform such work, and the cost thereof shall constitute a charge against such owner or tenant, and such charge shall be a lien on such property.~~

8.04.070 ~~Damage to street trees~~Enforcement.

- (a) Violation of any provision of this chapter is a misdemeanor, punishable as provided in this code. Each day of violation constitutes a separate offense and may be separately punished.
- (b) Persons employed in the following designated employee positions are authorized to exercise the authority provided in California Penal Code Section 836.5 and are authorized to issue citations for violations of this chapter, including but not limited to leveling fines under the city's administrative penalty authority: assistant director of public works public services division, urban forester, project manager in the urban forestry section, landscape architect, and code enforcement officer.

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- (a)(c) ~~Any person who damages to any public street tree, caused by through any act or omission by any person, whenever such act or omission is prohibited by or not authorized pursuant to this chapter, shall may be liable civilly in a sum not to exceed ten thousand dollars per tree, or the reproduction cost of each such tree, whichever amount is higher, charged to such person or persons.~~
- (d) Injunctive Relief. A civil action may be commenced to abate, enjoin, or otherwise compel the cessation of such violation.
- (e) Costs. In any civil action brought pursuant to this chapter in which the city prevails, the court shall award to the city all costs of investigation and preparation for trial, the costs of trial, reasonable expenses including overhead and administrative costs incurred in prosecuting the action, and reasonable attorney fees.
- (f) The remedies and penalties provided in this section are cumulative and not exclusive.

8.04.080 Interference with enforcement.

No person shall interfere with or delay the authorized representatives of the city from the execution and enforcement of this chapter, except as provided by law.

8.04.090 Adoption of regulations.

The city may adopt regulations prescribing standards of landscaping and planting of streets, parks and public places, therein. A copy of such regulations shall be available for public inspection upon request, and all work performed in streets, parks or public places shall be performed in accordance therewith.

SECTION 3. Chapter 8.08 (Weed Abatement) of Title 8 (Trees and Vegetation) of the Palo Alto Municipal Code is hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

Chapter 8.08 WEED ABATEMENT*

Sections:

- 8.08.005 Purpose.**
- 8.08.010 Weeds as public nuisance.**
- 8.08.020 Resolution declaring nuisance.**
- 8.08.030 Form and publication of notice.**
- 8.08.040 Hearing ~~Power of council~~ on notice.**
- 8.08.050 Order to abate nuisance.**
- 8.08.060 Account and report of cost.**
- 8.08.070 Notice of report.**
- 8.08.080 Hearing on cost assessment.**
- 8.08.090 Collection on tax roll.**

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* For abatement provisions pertaining to nuisances other than weeds - See [Chapter 9.56](#).
Legislative body may declare weeds a nuisance and order the abatement thereof - See Gov. C.A. § 39561. City may compel removal of dirt, rubbish, weeds, etc. - See Gov. C.A. §§ 39501-39502.

8.08.005 Purpose.

The purpose of this chapter is to prohibit weeds on property within the city. In establishing these procedures and standards, it is the city's intent to ensure that all activities taken to abate weeds are sufficient to increase public safety, to preserve aesthetically or environmentally desirable trees, shrubs, hedges, and plants, and to prevent the displacement of wildlife habitats.

8.08.010 Weeds as public nuisance.

- (a) No owner, agent, lessee, or other person occupying or having charge or control of any building, lot or premises within the city shall permit weeds to remain upon the premises, or public sidewalks, or encroach into any parkland (including any weeds encroaching over fences), or streets, or alleys between the premises and the center line of any public street or alley.
- (b) ~~The word "weeds"~~ as used in this chapter means all weeds and includes any of the following, growing upon streets, parks, public places, alleys, sidewalks, or private property in the city and includes any of the following:
 - (1) ~~Weeds~~ Plants which bear or may bear seeds of a downy or wingy nature;
 - (2) ~~Weeds and indigenous grasses which may attain such large growth as to become, when dry, a fire menace to adjacent improved property;~~
 - (2) Plants, shrubs, hedges, and trees determined by the Fire Marshall to constitute a fire menace due to their species, proximity to ignition sources, and high potential to endanger nearby buildings.
 - (3) ~~Weeds~~ Plants and shrubs which are otherwise noxious or dangerous;
 - (4) Invasive plants, shrubs, hedges, and trees having high potential to invade adjacent properties and high ecological impacts in the region as defined by the California Invasive Plant Council.
 - (4)(5) Poison oak and poison ivy when the conditions of growth are such as to constitute a menace to the public health;
 - (5)(6) Accumulations of garden refuse, cuttings, and other combustible trash.
- (c) Every property owner shall remove or destroy such weeds from ~~his~~their property, and in the abutting half of any street or alley between the lot lines as extended.

8.08.020 Resolution declaring nuisance.

Whenever any such weeds are growing upon any private property or properties or in any street or alley within the city, the council shall pass a resolution declaring the same to be a public nuisance and order the fire chief or urban forester to give notice of the passage of such resolution as herein provided, and stating therein that, unless such nuisance is abated without

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delay by the destruction or removal of such weeds, the work of abating such nuisance will be done by the city authorities, and the expense thereof assessed upon the lots and lands from which, and/or in the front and rear of which, such weeds shall have been destroyed or removed. Such resolution shall fix the time and place for hearing any objections to the proposed destruction or removal of such weeds.

8.08.030 Form and publication of notice.

- (a) ~~Such~~ The fire chief or urban forester shall cause to be published a public notice shall be in substantially in the following form:

NOTICE TO DESTROY WEEDS

NOTICE IS HEREBY GIVEN that on _____, 20 __, pursuant to the provisions of Section [8.08.020](#) of the Palo Alto Municipal Code, the City Council passed a resolution declaring that all weeds growing upon any private property or in any public street or alley, as defined in Section [8.08.010](#) of the Palo Alto Municipal Code, constitute a public nuisance, which nuisance must be abated by the destruction or removal thereof.

NOTICE IS FURTHER GIVEN that property owners shall without delay remove all such weeds from their property, and the abutting half of the street in front and alleys, if any, behind such property, and between the lot lines thereof as extended, or such weeds will be destroyed or moved and such nuisance abated by the city authorities, in which case the cost of such destruction or removal will be assessed upon the lots and lands from which, or from the front or rear of which, such weeds shall have been destroyed or removed; and such cost will constitute a lien upon such lots or lands until paid, and will be collected upon the next tax roll upon which general municipal taxes are collected. All property owners having any objections to the proposed destruction or removal of such weeds are hereby notified to attend a meeting of the Council of said city, to be held in the Council Chamber of the City Hall in said city on _____, 20__, at seven p.m., when and where their objections will be heard and given due consideration.

Date _____, 1920 _____

Fire Chief or Urban Forester
City of Palo Alto

- (b) Such notice shall be published at least twice in a newspaper published and circulated ~~in said~~ within the city, the first publication of which shall be at least ten days prior to the time fixed by the council for hearing objections.

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8.08.040 Hearing –~~Power of council~~ on notice.

At the time stated in the notice, the council shall hear and consider any and all objections to the proposed destruction or removal of such weeds, and may continue the hearing from time to time. The council, by motion or resolution, shall allow or overrule any or all objections, if any, after which the council shall thereupon be deemed to have acquired jurisdiction to proceed and perform the work of destruction and removal of such weeds.

8.08.050 Order to abate nuisance.

The council shall by resolution order the fire chief or urban forester to abate such nuisance, or cause the same to be abated, by having the weeds referred to destroyed or removed, and the fire chief or urban forester and his deputies, assistants, employees, contracting agents or other representatives are hereby expressly authorized to enter upon private property for that purpose. Any property owner shall have the right to destroy or remove such weeds ~~himself~~ ~~themselves~~, or have the same destroyed or removed at ~~his~~ their own expense; provided that such weeds shall have been removed prior to the arrival of the fire chief or urban forester or ~~his~~ their authorized representatives to remove them.

8.08.060 Account and report of cost.

The fire chief or urban forester shall keep an account of the cost of abating such nuisance and embody such account in a report and assessment list to the city council, which shall be filed with the clerk. Such report shall refer to each separate lot or parcel of land by description sufficient to identify such lot or parcel, together with the expense proposed to be assessed against each separate lot or parcel of land.

8.08.070 Notice of report.

The city clerk shall post a copy of such report and assessment list on the bulletin board near the entrance door at the City Hall, together with a notice of the filing thereof and of the time and place when and where it will be submitted to the city council for hearing and confirmation, notifying property owners that they may appear at such time and place, and object to any matter contained therein. A like notice shall also be published twice in a newspaper of general circulation, published and circulated within the city. The posting and first publication of said notice shall be made and completed at least ten days before the time such report shall have been submitted to the city council. Such notice, as so posted and published, shall be substantially in the following form:

NOTICE OF HEARING ON REPORT AND ASSESSMENT FOR WEED ABATEMENT

NOTICE IS HEREBY GIVEN that on _____, 20___, the Fire Chief or Urban Forester of the City of Palo Alto filed with the City Clerk of said city a report and assessment on abatement of

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weeds within said city, a copy of which is posted on the bulletin board at the entrance to the City Hall.

NOTICE IS FURTHER GIVEN that on _____, 20___, at the hour of seven p.m., in the Council Chambers of said City Hall, said report and assessment list will be presented to the City Council of said City for consideration and confirmation, and that any and all persons interested, having any objections to said report and assessment list, or to any matter or thing contained therein, may appear at said time and place and be heard.

Date _____, 20___

City Clerk of the City of Palo Alto

8.08.080 Hearing on cost assessment.

- (a) At the time and place fixed for receiving and considering such report the city council shall hear the same together with any objections which may be raised by any of the property owners liable to be assessed for the work of abating such nuisance, and the fire chief or urban forester shall attend such meeting with ~~his~~their record thereof, and upon such hearing, the council may make such modifications in the proposed assessments therefore as it may deem necessary, after which such report and assessment list shall be confirmed by resolution.
- (b) The amount of the cost of abating such nuisance upon, or in the front or rear of, the various lots or parcels of land respectively referred to in such report, shall constitute special assessments against such respective lots or parcels of land, and after thus made and confirmed, shall constitute a lien on such property for the amount of such assessments, until paid.

8.08.090 Collection on tax roll.

On or before the first day of September of each year, the amounts of such assessments against the respective parcels of land shall be entered on the next tax roll which general city taxes are to be collected. Thereafter, such amounts shall be collected at the same time, and in the same manner, as general city taxes are collected, and shall be subject to the same interest and penalties, and the same procedure and sale in case of delinquencies. All laws applicable to the levy, collection and enforcement of city taxes are hereby made applicable to such assessments.

SECTION 4. Chapter 8.10 (Tree Preservation and Management Regulations) of Title 8 (Trees and Vegetation) of the Palo Alto Municipal Code hereby renamed Chapter 8.10 (Tree and Landscape Preservation and Management) and amended to read as follows (additions underlined and deletions ~~struck through~~):

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Chapter 8.10
LANDSCAPE AND TREE AND LANDSCAPE PRESERVATION AND PRESERVATION AND
MANAGEMENT REGULATIONS

Sections:

- 8.10.010 Purpose.**
- 8.10.020 Definitions.**
- 8.10.030 Tree and Landscape Technical Manual.**
- 8.10.040 Disclosure of information regarding existing trees.**
- 8.10.050 ~~Prohibited acts~~ Removal of protected trees.**
- 8.10.055 Tree replacement.**
- 8.10.060 No limitation of authority under Titles 16 and 18.**
- 8.10.070 Care of protected trees.**
- 8.10.080 Development conditions.**
- 8.10.090 Designation of heritage trees.**
- 8.10.092 Tree removal in wildland-urban interface area.**
- 8.10.095 ~~Tree removal in HD-Z~~ Hospital District zone.**
- 8.10.100 ~~Responsibility for e~~ Enforcement.**
- 8.10.110 ~~Enforcement~~ Remedies for v violation.**
- 8.10.120 Fees.**
- 8.10.130 Severability.**
- 8.10.140 Applications, Notice, and Appeals.**

8.10.010 Purpose.

The purpose of this chapter is to ~~promote the health, safety, welfare, and quality of life of the residents of the city through the protection of~~ specified trees located on private property within the city, and ~~the establishment of~~ standards for removal, maintenance, and planting of trees and landscaping. In establishing these procedures and standards, the city recognizes that trees and landscaping are an essential part of the city's infrastructure. Their benefits include promoting the health, safety, welfare, and quality of life of the residents of the city; addressing climate change by sequestering carbon and providing a cooling effect; reducing air, water, and noise pollution; preventing soil erosion and stormwater runoff; providing wildlife habitat; and enhancing the aesthetic environment. It is the city's intent to encourage both the preservation of trees and the proactive incorporation of trees and their benefits within development.

8.10.020 Definitions.

For the purposes of this chapter, ~~the following definitions shall apply~~ terms defined in Chapter 8.04 shall have the same meanings in this chapter, and the following terms shall have the meaning ascribed to them in this section:

- (a) "Basal flare" means that portion of a tree where there is a rapid increase in diameter at the confluence of the trunk and root crown.
- (b) "Buildableing area" means that area of a parcel:

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- (1) Upon which, under applicable zoning regulations, a structure may be built without a variance, design enhancement exception, or home improvement exception; or
 - (2) Necessary for construction of primary access to structures located on or to be constructed on the parcel, where there exists no feasible means of access which would avoid protected trees. On single-family residential parcels, the portion of the parcel deemed to be the ~~buildable~~ ing area under this paragraph (b)(2) shall not exceed ten feet in width.
- (c) "Building footprint" means the two-dimensional configuration of an ~~existing~~ building's perimeter boundaries as measured on a horizontal plane at ground level.
- (d) "Designated arborist" means an arborist certified by the International Society of Arboriculture or another nationally recognized tree research, care, and preservation organization, selected by the urban forester for inclusion in a list of approved arborists to be hired by:
- (1) An applicant at their own expense, or
 - (2) The city at an applicant's expense, if a project includes a public hearing.
- ~~(d)~~ "Hazardous" means an imminent hazard or threat to the safety of persons or property.
- (e) "Development" means any work upon any property in the city which requires a subdivision, planned community zone, variance, use permit, building permit, demolition permit, or other city approval or which involves excavation, landscaping or construction within the dripline area of a protected tree or is subject to requirements of the California Model Water Efficient Landscape Ordinance (MWELO).
- (f) "Director of planning and development services" means the director of planning and development services or their designee.
- ~~(f)~~(g) "Director of public works" means the director of public works ~~planning and development services or his or her~~ their designee.
- ~~(g)~~(h) "Discretionary development approval" means planned community zone, subdivision, use permit, variance, home improvement exception, design enhancement exception, ~~or~~ architectural review board approval, or any proposal or application that requires the discretion of the authorizing person or entity.
- ~~(h)~~(i) "Dripline area" means the area defined by the projection to the ground of the outer edge of the canopy or within X distance from the perimeter of the trunk of the tree at four and one-half feet (fifty-four inches) above natural grade where X equals a distance a circle with a radius ten times the diameter of the trunk as measured four and one-half feet (fifty-four inches) above natural grade, whichever is greater.
- ~~(i)~~(j) "Excessive pruning" means any of the following:
- (1) Removal of more than one-fourth of the functioning leaf, and stem, or root area of a tree in any ~~twelve~~ twenty-four-month period,
 - (2) Removal of more than 15 percent of the functioning root area of any Quercus (oak) species in any thirty-six-month period,
 - ~~(3)~~ (3) Any removal of the functioning leaf, stem, or root area of a tree foliage so as to cause a significant decline in health, increased risk of failure, or the unbalancing of a tree.

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(k) "Hazardous" means an imminent hazard which constitutes a high or extreme threat to the safety of persons or property as defined by American National Standards Institute A300, Part 9.

~~(j)~~(l) "Protected" tree means any of the following:

- (1) Any locally native tree of the species *Acer macrophyllum* (Bigleaf Maple), *Calocedrus decurrens* (California Incense Cedar), *Quercus agrifolia* (Coast Live Oak), *Quercus douglasii* (Blue Oak), *Quercus kelloggii* (California Black Oak), or *Quercus lobata* (Valley Oak) which is eleven and one-half inches in diameter (thirty-six inches in circumference) or more when measured four and one-half feet (fifty-four inches) above natural grade; ~~and~~
- (2) Any Coast Redwood tree (species *Sequoia sempervirens*) that is eighteen inches in diameter (fifty-seven inches in circumference) or more when measured four and one-half feet (fifty-four inches) above natural grade.
- (3) Any tree larger than fifteen inches in diameter (forty-seven inches in circumference) or more when measured four and one-half feet (fifty-four inches) above natural grade of any species except those invasive species described as weeds in Section 8.08.010 and those species classified as high water users by the water use classification of the landscape species list approved by the California Department of Water Resources (with the exception of Coast Redwood).
- (4) Any tree designated for protection during review and approval of a development project.
- (5) Any tree designated for carbon sequestration and storage and/or environmental mitigation purposes as identified in an agreement between the property owner and a responsible government agency or recorded as a deed restriction.
- ~~(3)~~(6) Any heritage tree designated by the city council in accordance with the provisions of this chapter.
- (7) Any replacement mitigation tree or other tree designated to be planted due to the conditions listed in Section 8.10.055.

(m) "Protected tree removal permit" means a permit issued to allow a person to remove a protected tree.

~~(k)~~(n) "Remove" or "removal" means any of the following:

- (1) Complete removal, such as cutting to the ground or extraction, of a tree; or-
- (2) Taking any action foreseeably leading to the death of a tree or permanent damage to its health; including but not limited to excessive pruning, cutting, topping, girdling, poisoning, overwatering, underwatering, unauthorized relocation or transportation of a tree, or trenching, excavating, altering the grade, or paving within the dripline area of a tree.

~~(l)~~ "Tree" means any woody plant which has a trunk four inches or more in diameter at four and one-half feet above natural grade level.

~~(m)~~(o) "Tree report" means a report prepared by an designated arborist ~~certified by the International Society of Arboriculture or another nationally recognized tree research, care, and preservation organization.~~

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(n)(p) ~~"Tree Technical Manual"~~ "Tree and Landscape Technical Manual" means the regulations issued by the city manager to implement this chapter.

8.10.030 Tree and Landscape Technical Manual.

The city manager, through the ~~urban forestry section, departments of and~~ public works and planning and ~~development services departments, community environment,~~ shall issue regulations necessary for implementation and enforcement of this chapter, which shall be known as the Tree and Landscape Technical Manual. In the event of a conflict between the provisions of this Title 8 and the Tree and Landscape Technical Manual, this Title 8 shall prevail. The Tree and Landscape Technical Manual will be made readily available to the public and shall include, but need not be limited to, standards and specifications regarding the following:

- (a) Protection of trees during construction.;
- (b) Replacement of trees allowed to be removed pursuant to this chapter where such replacements:;
 - (1) Prioritize the use of locally native species, as listed in Section 8.10.020(I)(1), consistent with Urban Forest Master Plan Goal 2: "Re-generated native woodland and riparian landscapes as the key ecological basis of the urban forest with focus on native species and habitat;"
 - (2) Include climate adaptive, drought tolerant, non-native species as needed to satisfy right tree in the right place principles; and
 - (3) Incorporate a secondary goal of net tree canopy increase on the property within 15 years.
- (c) Maintenance of protected trees (including but not limited to pruning, irrigation, and protection from disease).;
- (d) The format and content of tree reports required to be submitted to the city pursuant to this chapter.;
- (e) The criteria for determining whether a tree is ~~dangerous~~ hazardous within the meaning of this chapter.
- (f) Landscape design, irrigation, and installation standards consistent with the city's water efficient landscape regulations.

8.10.040 Disclosure of information regarding existing trees.

- (a) Any application for development or demolition shall be accompanied by a statement by a designated arborist ~~the property owner or authorized agent~~ which discloses whether any protected trees exist on the property which is the subject of the application, and describing each such tree, its species, size, dripline area, and location. This requirement shall be met by including the information on plans submitted in connection with the application.
- (b) In addition, the location of all other trees on the ~~site property~~ and in the adjacent public right of way which are within thirty feet of the building footprint ~~area~~ proposed for development, and trees located on adjacent property within thirty feet of the

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- proposed building footprint or with canopies overhanging the project site, shall be shown on the plans, identified by species.
- (c) The director of public works or urban forester may require submittal of such other information as is necessary to further the purposes of this chapter including but not limited to photographs.
- (d) Disclosure of information pursuant to this section shall not be required when the development for which the approval or permit is sought does not involve any change in an existing building footprint nor any grading, trenching, or paving, or any change in landscaping which could alter water availability to established plants, hedges, shrubs, or trees.
- (e) The urban forester or the designated arborist for a project shall add identified protected trees into the city's tree inventory database, and in coordination with the planning and development services departments, into city parcel reports.
- ~~(e)~~(f) Knowingly or negligently providing false or misleading information in response to this disclosure requirement shall constitute a violation of this chapter.

8.10.050 ~~Prohibited acts~~ Removal of protected trees.

It shall be a violation of this chapter for anyone to remove or cause to be removed a protected tree, except ~~as allowed in this section~~ pursuant to a protected tree removal permit issued under Section 8.10.140 consistent with the following:

- (a) In the absence of proposed development;
- (1) ~~a~~ A protected trees shall not be removed unless determined by the director of planning and development services, urban forester grants a protected tree removal permit, having determined, on the basis of a tree report prepared by a certified designated arborist for the applicant and other relevant information, that treatments or corrective practices are not feasible, and that the tree should be removed because any of the following apply:
- (i) ~~it~~ It is dead, is hazardous, is a detriment to or crowding an adjacent protected tree, or constitutes a nuisance under Section 8.04.050(2) of this code.
- (ii) It is a detriment to or is crowding an adjacent protected tree, or is impacting the foundation or eaves of a residence or any covered parking required under Title 18.
- (2) In the event a protected tree is removed pursuant to a protected tree removal permit granted under this subsection, the director of planning and development services in consultation with the urban forester shall may issue a temporary moratorium on development of the subject property not to exceed thirty-six months from the date the tree removal occurred. For any moratorium less than thirty-six months, the urban forester shall determine appropriate mitigation measures for the tree removal, and ensure measures are incorporated into any future development approvals for the property. Mitigation measures as determined by the urban forester shall be imposed as a condition of any subsequent permits for development on the subject property.

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- (b) In the case of any development on a single-family (R-1) or low density (RE, R-2, or RMD) residential zoned parcel, other than in connection with a subdivision, a protected tree shall not be removed unless determined by the urban forester, on the basis of a tree report prepared by a designated arborist and other relevant information, that any of the following apply:
- (1) The tree is so close to the proposed development that construction would result in the death of the tree, and there is no financially feasible design alternative that would permit preservation of the tree, where financially feasible means an alternative that preserves the tree unless retaining the tree would increase project cost by more than twice the reproduction cost of the tree or 10% of the given project valuation, whichever is greater. ~~Protected trees shall not be removed unless the trunk or basal flare of the protected tree is touching or within the building footprint, or the director of planning and development services has determined, on the basis of a tree report prepared by a certified arborist for the applicant and other relevant information, that the tree should be removed because it is dead, is hazardous, is a detriment to or crowding an adjacent protected tree, or constitutes a nuisance under Section 8.04.050(2) of this code.~~
 - (2) The tree could be removed due to the conditions listed in Section 8.10.050(a)(1) and treatments or corrective practices are not feasible. ~~If no building footprint exists, protected trees shall not be removed unless the trunk of the tree is located in the building area, or the director of planning and community environment has determined, on the basis of a tree report prepared by a certified arborist for the applicant and other relevant information, that the tree should be removed because it is dead, is hazardous, is a detriment to or crowding an adjacent protected tree, or constitutes a nuisance under Section 8.04.050(2) of this code.~~
 - (3) ~~If removal is allowed because the tree trunk is located in the building footprint, or the trunk or basal flare is in the building area, or because the director of planning and community environment has determined that the tree is so close to the building area that construction would result in the death of the tree, the tree removed shall be replaced in accordance with the standards in the Tree Technical Manual.~~
- (c) ~~In connection with the case of development involving a proposed subdivision of land into two or more parcels, a~~ protected tree shall not be removed unless determined by the urban forester, on the basis of a tree report prepared by a designated arborist and other relevant information, that either of the following apply:
- (1) Removal is unavoidable due to restricted access to the property or deemed necessary to repair a geologic hazard (landslide, repairs, etc.), in which case only the protected tree or trees necessary to allow access to the property or repair the geologic hazard may be removed.
 - (2) The tree could be removed due to the conditions listed in subsection (a)(1)(i) and treatments or corrective practices are not feasible.

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~~The tree removed shall be replaced in accordance with the standards in the Tree Technical Manual. Tree preservation and protection measures for any lot that is created by a proposed subdivision of land shall comply with the regulations of this chapter.~~

- ~~(d)~~ In the case of development requiring planning approval under Title 18, and not included under subsections (b) or (c), a protected tree shall not be removed unless determined by the urban forester, on the basis of a tree report prepared by a designated arborist and other relevant information, that either of the following apply:
- (1) Retention of the tree would result in reduction of the otherwise-permissible buildable area of the lot by more than twenty-five percent, and there is no financially feasible design alternative that would permit preservation of the tree, where financially feasible means an alternative that preserves the tree unless retaining the tree would increase project cost by more than twice the reproduction cost of the tree or 10% of the given project valuation, whichever is greater.
 - (2) The tree should be removed because it is dead, hazardous, or constitutes a nuisance under Section 8.04.050. In such cases, the dripline area of the removed tree, or an equivalent area on the site, shall be preserved for mitigation purposes from development of any structure.
- ~~(d)(e)~~ In any circumstances other than those described in paragraphs subsections (a), (b), and (c), or (d) of this section, a protected trees shall not be removed unless one of the following applies: determined by the urban forester, on the basis of a tree report prepared by a designated arborist and other relevant information, that the tree is dead, is hazardous, or constitutes a nuisance under Section 8.04.050.
- ~~(1) The director of planning and community environment has determined, on the basis of a tree report prepared by a certified arborist for the applicant and other relevant information, that the tree should be removed because it is dead, dangerous or constitutes a nuisance under Section 8.04.050(2). In such cases, the dripline area of the removed tree, or an equivalent area on the site, shall be preserved from development of any structure unless removal would have been permitted under paragraph (2), and tree replacement in accordance with the standards in the Tree Technical Manual shall be required.~~
 - ~~(2) Removal is permitted as part of project approval under Chapter 18.76 (Permits and Approvals) of this code, because retention of the tree would result in reduction of the otherwise-permissible building area by more than twenty-five percent. In such a case, the approval shall be conditioned upon replacement in accordance with the standards in the Tree Technical Manual.~~

8.10.055 Tree replacement.

- (a) In the event a protected tree is removed pursuant to Section 8.10.050(a)(1)(i), mitigation for the removed tree, replacement tree ratio, in lieu fees, or a combination thereof shall be determined by the urban forester, based on factors including but not limited to the species, size, location, and specific reason for removal of the protected

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tree, in accordance with the standards and specifications in the Tree and Landscape Technical Manual.

- (b) In the event a protected tree is removed pursuant to Section 8.10.050 (a)(1)(ii), (b), (c), (d), or (e), the tree removed shall be replaced in accordance with the standards and specifications in the Tree and Landscape Technical Manual, including but not limited to prioritization of locally native species, satisfaction of right tree in the right place principles, and incorporation of a secondary goal of net tree canopy increase on the property within 15 years. The urban forester shall approve the number, species, size, and location of replacement trees.

8.10.060 No limitation of authority under Titles 16 and 18.

Nothing in this chapter limits or modifies the existing authority of the city under Title 18 (Zoning Ordinance) to require trees, shrubs, hedges, and other plants not covered by this chapter to be identified, retained, protected, and/or planted as conditions of the approval of development. In the event of conflict between provisions of this chapter and conditions of any permit or other approval granted pursuant to Title 16 or Title 18, the more protective requirements shall prevail.

8.10.070 Care of protected trees.

- (a) All owners of property containing protected trees shall follow the maintenance standards in the Tree and Landscape Technical Manual, including avoiding any action foreseeably leading to the death of a tree or permanent damage to its health; including but not limited to excessive pruning, cutting, topping, girdling, poisoning, overwatering, underwatering, reduced watering due to a landscape change, unauthorized relocation or transportation of a tree, or trenching, excavating, altering the grade, or paving within the dripline area of a tree.
- (b) At least seven days prior to pruning a protected tree, other than that required to remove a dead, diseased, or broken branch or branches, the property owner or their designee shall prominently post a notice on the property, in one or more locations readily visible to the public, that includes standards for pruning and a description of the tree including tree species, size, location, the date of work, and a contact phone number. The form for such notice will be available on the city's website as a printable document. Protected trees less than five (5) years old are exempt from this provision.
- ~~(b)~~(c) The standards for protection of trees during construction contained in the Tree and Landscape Technical Manual shall be followed during any development on property containing ~~protected~~ trees.
- (d) The urban forester shall add identified protected trees into the city's tree inventory database and, in coordination with the planning and development services departments, into city parcel reports.

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8.10.080 Development conditions.

- (a) Development approvals for property containing protected public trees shall~~will~~ include appropriate conditions as set forth in the Tree and Landscape Technical Manual, providing for the protection of such trees during construction and for maintenance of ~~such~~the trees thereafter. Trees may be designated for protection that are significant visually or historically, provide screening, or are healthy and important to the nearby ecosystem.
- (b) It shall be a violation of this chapter for any property owner or agent of the owner to fail to comply with any development approval or building permit condition concerning preservation, protection, and maintenance of any tree, including but not limited to protected trees.

8.10.090 Designation of heritage trees.

- (a) Upon nomination by any person and with the written consent of the property owner(s), the city council may designate a tree or trees as a heritage tree.
- (b) A tree may be designated as a heritage tree upon a finding that it is ~~unique and~~ of importance to the community due to any of the following factors:
 - (1) It is an outstanding specimen of a desirable species~~;~~
 - (2) It is one of the largest or oldest trees in Palo Alto~~;~~
 - (3) It possesses distinctive form, size, age, location, and/or historical significance.
- (c) After council approval of a heritage tree designation, the city clerk shall notify the property owner(s) in writing. A listing of trees so designated, including the specific locations thereof, shall be kept by the departments of public works ~~and planning and community environment.~~
- (d) Once designated, a heritage tree shall be considered protected and subject to the provisions of this chapter unless removed from the list of heritage trees by action of the city council. The city council may remove a tree from the list upon its own motion or upon written request by the property owner. Request for such action must originate in the same manner as nomination for heritage tree designation.

8.10.092 Tree removal in wildland-urban interface area

Tree removal and relocation in the wildland-urban interface (WUI) area, as defined in Section 15.04.190, shall be subject to the provisions in Chapter 15.04. To the extent Chapter 15.04 is inconsistent with this chapter, Chapter 15.04 shall control.

8.10.095 Tree removal in ~~HD~~ Hospital District zone.

Tree removal and relocation in the Hospital District (HD) shall be subject to the provisions in Section 18.36.070. To the extent Section 18.36.070 is inconsistent with this chapter, Section 18.36.070 shall control.

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8.10.100 Responsibility for eEnforcement.

- (a) Violation of this chapter is a misdemeanor, punishable as provided in this code. Each day of violation constitutes a separate offense and may be separately punished.
- ~~(a)~~(b) Persons employed in the following designated employee positions may enforce the provisions are authorized to exercise the authority provided in California Penal Code Section 836.5 and are authorized to issue citations for violations of this chapter, including but not limited to leveling fines under the city's administrative penalty authority by the issuance of citations: assistant director of public works public services division, urban forester, landscape architect, project manager in the urban forestry section, landscape architect chief building official, assistant building official, and code enforcement officer, planning arborist.

8.10.110 Enforcement Remedies for Vviolation.

In addition to all other remedies set forth in this code or otherwise provided by law, the following remedies shall be available to the city for violation of this chapter:

- (a) Stop Work - Temporary Moratorium.
- (1) If a violation occurs in the absence of proposed development pursuant to subdivision Section 8.10.050(a)(1), or while an application for a building permit or discretionary development approval for the lot upon which the tree is located is pending, the director of planning and development services in consultation with the urban forester shall issue a temporary moratorium on development of the subject property, not to exceed five years from the date the violation occurred. The purpose of the moratorium is to provide the city an opportunity to study and determine appropriate mitigation measures for the tree removal, and to ensure measures are incorporated into any future development approvals for the property. Mitigation measures as determined by the urban forester shall be imposed as a condition of any subsequent permits for development on the subject property.
- ~~(1)~~(2) If a violation occurs during development pursuant to Section 8.10.050 (b), (c), (d), or (e), the city may shall issue a stop work order suspending and prohibiting further activity on the property pursuant to the grading, demolition, and/or building permit(s) (including construction, inspection, and issuance of certificates of occupancy) until a mitigation plan has been filed with and approved by the director of planning and development services in consultation with the urban forester, agreed to in writing by the property owner(s), and either implemented or guaranteed by the posting of adequate security. The mitigation plan shall include measures for protection or repair of any remaining trees on the property, and shall provide for replacement of each tree removed on the property or at locations approved by the director of planning and community and by the urban forester or director of public works, if replacement is to occur on public property. The replacement ratio shall be in accordance with the standards set forth in the Tree and Landscape Technical Manual, and

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shall be at least twice the prescribed a greater ratio than that required where tree removal is permitted pursuant to the provisions of this chapter.

- ~~(2)~~ If a violation occurs in the absence of development, or while an application for a building permit or discretionary development approval for the lot upon which the tree is located is pending, the director may issue a temporary moratorium on development of the subject property, not to exceed eighteen months from the date the violation occurred. The purpose of the moratorium is to provide the city an opportunity to study and determine appropriate mitigation measures for the tree removal, and to ensure measures are incorporated into any future development approvals for the property. Mitigation measures as determined by the director shall be imposed as a condition of any subsequent permits for development on the subject property.

(b) Civil Penalties.

- (1) As part of a civil action brought by the city, a court may assess against any person who commits, allows, or maintains a violation of any provision of this chapter a civil penalty in an the following amount; ~~not to exceed five thousand dollars per violation.~~

(i) Ten thousand dollars per tree, or twice the reproduction cost of each tree, whichever amount is higher, for the complete removal of a tree, as defined in Section 8.10.020(n)(1).

(ii) Ten thousand dollars per tree, or the reproduction cost of each tree, whichever amount is higher, for any of the actions set forth in Section 8.10.020(n)(2).

(iii) Ten thousand dollars per tree, or twice the repair cost of each tree, whichever amount is higher, for damage to a tree protected or regulated by this chapter which can be rehabilitated.

- (2) ~~Where the violation has resulted in removal of a tree, the civil penalty shall be in an amount not to exceed five thousand dollars per tree unlawfully removed, or the replacement value of each such tree, whichever amount is higher. Such amount Penalties shall be payable to the city.~~

- (3) ~~Replacement value~~ Reproduction or repair cost for the purposes of this ~~chapter section~~ shall be determined utilizing the most recent edition of the *Guide for Plant Appraisal*, published by the Council of Tree and Landscape Appraisers.

- (c) Administrative Penalties. Persons listed in Section 8.10.100(b) may issue citations for violations of this chapter that level fines under the city's administrative penalty authority.

~~(e)(d)~~ Injunctive Relief. A civil action may be commenced to abate, enjoin, or otherwise compel the cessation of such violation.

~~(d)(e)~~ Costs. In any civil action brought pursuant to this chapter in which the city prevails, the court shall award to the city all costs of investigation and preparation for trial, the costs of trial, reasonable expenses including overhead and administrative costs incurred in prosecuting the action, and reasonable attorney fees.

~~(e)(f)~~ The remedies and penalties provided in this section are cumulative and not exclusive.

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8.10.120 Fees.

Tree reports required to be submitted to the city for review and evaluation pursuant to this chapter shall be accompanied by the fee prescribed therefore in the municipal fee schedule.

8.10.130 Severability.

If any provision of this chapter or the application thereof to any person or circumstance is held to be invalid by a court of competent jurisdiction, such invalidity shall not affect any other provision of this chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are declared to be severable.

8.10.140 Applications, Notice, and Appeals.

(a) Applications.

- (1) All applications for removal of a protected tree pursuant to Section 8.10.050 shall be filed in accordance with this section and any applicable provisions of Chapter 18.77. Applications for removal of protected trees on non-residential zoned properties will follow review guidelines set forth in Section 8.10.050(d) and Section 18.76.020 and will follow the process set forth in Section 18.77.070.
- (2) The application form shall be prescribed by the urban forester and shall contain a list of information that must be submitted in order for the application to be deemed complete.
- (3) Each application must be signed by all owners of the real property containing the protected tree, or an agent of the owner of record of the real property on which the protected tree occurs, when duly authorized by the owner in writing.
- (4) No application shall be deemed received until all fees for the application as set forth in the municipal fees schedule have been paid, and all documents specified as part of the application in this chapter or on the application form have been filed.
- (5) Protected tree removal permits shall automatically expire after twelve months, unless otherwise provided in the permit, from the date of issuance of the permit if within such twelve--month period, the proposed tree has not been removed.

(b) Notice.

- (1) All applications for removal of a protected tree pursuant to Section 8.10.050 shall give notice in accordance with this section, the Tree and Landscape Technical Manual, and any applicable provisions of Chapter 18.77.
- (2) After submittal of an application to remove a protected tree, notice shall be given consistent with subsection (b)(4) and shall include the date of the proposed removal and the basis for the application.
- (3) Upon determination of a protected tree removal application, notice shall be given consistent with subsection (b)(4) and shall include a description of the decision and how to appeal it.

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- (4) Notices required pursuant to this section shall include the address of the property, a description of the protected tree, including species, size, and location, and urban forestry contact information, and shall be given as follows:
- (i) In writing to all owners and residents of property within 300 feet of the exterior boundary of the property containing the protected tree, and to all principal urban forestry partner organizations.
 - (ii) By posting on the property, in one or more locations visible to the public.
 - (iii) By posting on the city's website.

~~(a)~~(c) Appeals.

- (1) Any person applying to remove a protected tree in the absence of proposed development pursuant to Section 8.10.050(a), and any owner or resident of property within 600 feet of the exterior boundary of the property containing the protected tree, may request a public hearing by the director of public works to review the urban forester's decision, and may appeal the director of public works' determination to the city council. Any such request or appeal shall be filed with the public works department in a manner prescribed by the urban forester.
- (2) Any person ~~seeking the director's approval~~ applying to remove a protected tree pursuant to Section 8.10.050(b), (c), (d), or (e), and any owner or resident of property within 600 feet of the exterior boundary of the property containing the protected tree ~~the ordinance codified in this chapter who is aggrieved by a decision of the director~~ may appeal the director of planning and development service's such decision in accordance with the procedures set forth in Chapter 18.78 (Appeals).
- (3) All appeals must be filed within fourteen days of posting of notice on the property pursuant to subsection (b)(4)(ii).

SECTION 5. Section 9.56.030 (Nuisances described - Authority to abate) of Chapter 9.56 (Abatement of Nuisances) of Title 9 (Public Peace, Morals and Safety) of the Palo Alto Municipal Code is hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

9.56.030 Nuisances described - Authority to abate.

(a) Each of the following conditions constitutes a nuisance, and whenever an enforcement officer determines that any of such conditions exist upon any premises, he may require or provide for the abatement thereof pursuant to this chapter and make the costs of abatement a lien upon the property:

- (1) The existence of any accumulation of solid waste upon the premises so as to be a nuisance under Section 5.20.180.
- (2) The existence of weeds upon the premises, or public sidewalks, or streets, or alleys between said premises and the centerline of any public street or alley, so as to be a nuisance under Section 8.08.010.
- (3) The existence of any dead, diseased, infested, or dying tree in any street; or on any private property so near to any street tree as to constitute a danger to street trees, or streets, or portions thereof, so as to be a nuisance under Section 8.04.050(a)(1).

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(4) The existence of any tree or shrub on any private property or in any street, of a type or species apt to destroy, impair or otherwise interfere with any street improvements, sidewalks, curbs, approved street trees, gutters, sewers, other public improvements, including utility mains or services so as to be a nuisance under Section [8.04.050\(ab\)](#)~~(2)~~.

(5) The existence within the thirty-five foot triangle of property at the intersection of streets improved for vehicular traffic, of any tree limb, shrub, hedge, or plant exceeding three feet in height where either traffic signals, stop signs, or yield signs are not installed, or at any intersections which are determined by the chief transportation official to contain tree limbs, shrubs, hedges, or plants that obscure and impair the view of passing motorists or pedestrians so as to create a safety hazard, so as to be a nuisance under Section [8.04.050\(ac\)](#)~~(3)~~.

(6) The existence of any vines or climbing plants growing into or over any street tree or any public hydrant, pole or electrolier contrary to the provisions of Section [8.04.050\(ad\)](#)~~(4)~~ or the existence of any shrub, vine or plant growing on, around or in front of any hydrant, alarm box, standpipe, sprinkler system connection or any other appliance or facility provided for fire protection purposes, in such a way as to obscure the view thereof or impair the access thereto by the fire department.

(7) The existence of any tree within the city limits that is infested, infected or in danger of becoming infested or infected with objectionable insects, scale, fungus or growth injurious to trees so as to be a nuisance under Section [8.04.050\(ae\)](#)~~(5)~~.

(8) The existence of any branches or foliage which interfere with visibility on, or free use of, or access to, or obstruct public vehicular or pedestrian travel on any portion of any street improved for vehicular or pedestrian travel so as to be a nuisance under Section [8.04.050\(af\)](#)~~(6)~~.

(9) The existence of hedges or dense thorny shrubs and plants on any street or part thereof so as to be a nuisance under Section [8.04.050\(ag\)](#)~~(7)~~.

(10) The existence of shrubs and plants more than two feet in height in any street, measured above top of curb grade so as to be a nuisance under Section [8.04.050\(ah\)](#)~~(8)~~.

(11) The existence of any open pit in any closed or abandoned trampoline center.

(12) The existence of any act or condition that presents a fire, panic, or life safety hazard, or would contribute to the rapid spread of fire or inhibit mitigation or increase the chance of release of hazardous material, or would interfere with, hinder or delay the egress of occupants or response of emergency personnel, so as to be a nuisance under Section 15.04.055.

(13) The existence upon the sidewalk in front of any premises of anything which shall restrict the public use thereof so as to be a nuisance under Section [9.48.020](#).

(14) The existence upon the sidewalk in front of any premises of any dirt, debris or litter so as to be a nuisance under Section [9.48.050](#).

(15) The existence of any sign erected, constructed or maintained in violation of or which fails to comply in any way with the provisions of [Chapter 16.20](#) of this code.

(16) The existence of a sidewalk or a portion of a sidewalk adjacent to any premises which is out of repair or pending reconstruction and in condition to endanger persons or property or in condition to interfere with the public convenience in the use of such sidewalk.

(17) The storage or keeping of any used or unused building material in a location out of doors for more than thirty days within a year; provided, that nothing in this subsection shall:

(A) Make lawful any such storage when it is prohibited by other ordinances or laws;

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(B) Prohibit such storage upon the premises of a bona fide lumberyard or other dealer in building materials when the same is permitted under the Zoning Code and other applicable laws;

(C) Prohibit such storage for ninety days when done in conjunction with the construction project for which a valid building permit is in effect if required and which is being prosecuted diligently to completion; extensions for additional periods of time may be granted by the building official when additional storage time is necessary and upon proof that such construction project will be diligently pursued.

"Building materials," as used in this subsection, means and includes lumber, plumbing materials, wallboard, sheet metal, plaster, brick, cement, concrete block, roofing materials, cans of paint and similar materials.

(18) The storage or keeping in a location out of doors of any unused and abandoned open pit or excavation, building foundation, automobile, trailer, housetrailer, boat or other vehicle or major parts thereof. Without limiting the foregoing, any such thing stored or kept for a period in excess of thirty days in a year shall be presumed to be unused and abandoned for purposes of this provision.

(19) The existence of any fence or other structure or thing on private property abutting or fronting upon any public street, sidewalk or place, which is in a sagging, leaning, fallen, decayed or other dilapidated or unsafe condition.

(20) The existence of any driveway which is determined to have been abandoned, pursuant to the provisions of Section [12.08.090](#); provided, that no notice need be given to the owner of the property with respect to the abatement of such condition other than that provided in this chapter.

(21) Any other condition on or use of property which is in fact a menace to the public peace, health, or safety.

SECTION 6. Subsection (f) of Section 18.09.040 (Units Subject to Local Standards) of Chapter 18.09 (Accessory Dwelling Units and Junior Accessory Dwelling Units) of Title 18 (Zoning) of the Palo Alto Municipal Code is hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

18.09.040 Units Subject to Local Standards.

[. . .]

(f) No protected tree shall be removed for the purpose of establishing an accessory dwelling unit except in accordance with Chapter 8.10. ~~unless the tree is dead, dangerous or constitutes a nuisance under Section 8.04.050. Any protected tree removed pursuant to this subsection shall be replaced in accordance with the standards in the Tree and Landscape Technical Manual.~~

[. . .]

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SECTION 7. Section 18.36.060 (Parking and Loading) of Chapter 18.36 (Hospital (HD) District) of Title 18 (Zoning) of the Palo Alto Municipal Code is hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

18.36.060 Parking and Loading

[. . .]

(e) For the purposes of calculating shading percentage pursuant to Section 18.54.040(d):

- (1) Shade structures may be utilized in lieu of trees;
- (2) The canopies of protected trees (as defined by Section [8.10.020\(j\)](#)) transplanted on the site will count as double the actual tree canopy; and
- (3) Valet parking facilities may be designed to achieve twenty-five percent shading (rather than fifty percent shading).

SECTION 8. Section 18.36.070 (Tree Preservation) of Chapter 18.36 (Hospital (HD) District) of Title 18 (Zoning) of the Palo Alto Municipal Code is hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

-18.36.070 Tree Preservation

(a) Applicability

(1) Except as provided in this section, development in the HD district shall comply with Palo Alto Municipal Code [Chapter 8.10](#) (Tree Preservation and Management Regulations), and the city Tree and Landscape Technical Manual.

(2) No protected tree (as defined by Section [8.10.020\(j\)](#)), shall be removed or relocated until the director of planning and development services ("director"), in consultation with the ~~city arborist~~ urban forester, has determined whether the protected tree meets the standards of Group 1 or Group 2 Trees, as defined below, and the applicable Protected Tree Removal Permit or Protected Tree Relocation Permit has been obtained. The city's determination whether a protected tree meets the standards of Group 1 or Group 2 Trees shall be valid for a period of ten years following the date of such determination.

(3) For the purposes of this chapter, "Biological tree resources" shall have the same meaning as "Protected trees" as defined in Section [8.10.020\(j\)](#).

[. . .]

(b) Preservation.

Notwithstanding [Chapter 8.10](#), Group 1 Trees shall not be removed unless they meet the standard in Section [8.10.050\(a\)\(1\)\(i\)](#). Authorized relocation of Group 1 Trees shall not constitute removal.

(c) Relocation.

Notwithstanding [Chapter 8.10](#), Group 1 and Group 2 Trees may be relocated upon issuance of a Protected Tree Relocation Permit from the director in consultation with the ~~city~~

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~~arborist~~ urban forester. For purposes of this section, authorized relocation of Group 1 and 2 Trees shall not constitute removal. The requirements for a Protected Tree Relocation Permit shall be as follow:

(1) The applicant shall submit a proposed Tree Relocation and Maintenance Plan (TRMP) that (i) evaluates the feasibility of moving the tree to another location on or near the development site; and (ii) identifies the actions to be taken to increase the likelihood that relocation is successful including the following information: pre-relocation irrigation, relocation procedures, monitoring inspections, and post-relocation tree irrigation and maintenance.

(2) If the director determines the proposed relocation is feasible, the director shall issue a Protected Tree Relocation Permit requiring the following:

(A) The Protected Tree Relocation Permit shall specify the actions required to increase the likelihood that relocation is successful.

(B) Location of relocated trees is subject to review and approval by the director in consultation with the ~~city arborist~~ urban forester.

(C) If the relocated tree does not survive after a period of five years, the relocated tree shall be replaced with a tree or a combination of trees and tree value standards consistent with ~~Section 3.20, Table 3-1~~ Tree Canopy Replacement provisions, of the *Tree and Landscape Technical Manual*. If, after relocation, a relocated tree is disfigured, leaning with supports needed, or in decline with a dead top or dieback of more than twenty-five percent, the tree shall be considered a total loss and replaced as described in this subsection.

(D) The applicant shall provide a security guarantee for relocated trees, as determined by the director of planning and development services, in consultation with the ~~city arborist~~ urban forester, in an amount consistent with the *Tree and Landscape Technical Manual*.

(d) Removal of Group 2 Trees.

Notwithstanding [Chapter 8.10](#), removal of Group 2 Trees shall be allowed in the HD district, upon issuance of a Protected Tree Removal Permit from the director in consultation with the city arborist. The requirements for a Protected Tree Removal Permit shall be as follows:

(1) Group 2 Trees that are removed without being relocated shall be replaced in accordance with the ratios set forth in ~~Table 3-1~~ of the City of Palo Alto *Tree and Landscape Technical Manual* in the following way:

(A) The Protected Tree Removal Permit issued shall stipulate the tree replacement requirements for the removed tree, including number of trees, size, location, and irrigation. The number and size of trees required for replacement shall be calculated in accordance with Tree Canopy Replacement provisions ~~Table 3-1~~ of the *Tree and Landscape Technical Manual*.

(B) The difference between the required tree replacement and the number of trees that cannot be feasibly planted on site shall be mitigated through contribution to the City of Palo Alto Forestry Fund as provided in ~~Section 3.15~~ of the *Tree and Landscape Technical Manual*. Payment to the Forestry Fund would be in the amount representing the fair market value, as described in ~~Section 3.25~~ of the *Tree and Landscape Technical Manual*, of the replacement trees that cannot be feasibly planted on site.

(2) Location of replacement trees is subject to review and approval by the director in consultation with the ~~City Arborist~~ urban forester.

(e) Appeal. Any person seeking the director's classification of Group 1 or 2 Trees, or seeking the approval to remove or relocate a protected tree pursuant to this chapter who is aggrieved

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by a decision of the director may appeal such decision in accordance with the procedures set forth in [Chapter 18.78](#) (Appeals).

SECTION 9. Section 18.54.050 (Miscellaneous Design Standards) of Chapter 18.54 (Parking Facility Design Standards) of Title 18 (Zoning) of the Palo Alto Municipal Code is hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

18.54.050 Miscellaneous Design Standards

(b) Sight Distance

(1) For residential uses of three or more units, and for all nonresidential uses, including public facilities, clear sight distance triangles for exiting driveways shall be provided as shown in [Figure 6](#) of this Section [18.54.070](#). In the non-zero setback zone only, if a stop sign is provided at the driveway exit, the director may decrease the required dimensions of the sight distance triangles. For cases not covered by [Figure 6](#), sight distance triangles shall be provided as required by the director. Neither the sight distance triangles nor any portion of the public right of way shall contain any wall, sign, berm, or other obstruction that is greater than three feet high above driveway grade, unless its width (measured in any direction or diameter) is eighteen inches or less. Nor shall the sight distance triangles or any portion of the public right of way contain any landscaping, except trees, that is greater than two feet in height above top of curb grade (refer also to Sections [8.04.050\(a\)\(8\)](#) and [9.56.030\(a\)\(10\)](#)). The height of landscaping shall be its maximum untrimmed natural growth height.

SECTION 10. Section 2.25.050 (Purpose and Duties) of Chapter 2.25 (Parks and Recreation Commission) of Title 2 (Administrative Code) of the Palo Alto Municipal Code hereby amended to read as follows (additions underlined and deletions ~~struck through~~):

(a) The purpose of the parks and recreation commission shall be to advise the city council on matters relating to the activities of the open space, parks and golf division and the recreation division of the community services department, excluding daily administrative operations.

(b) The commission shall have the following duties:

[. . .]

(7) Serve as a community forum for Urban Forestry matters and provide feedback, recommendations, and interpretations to City Council on the Urban Forest Master Plan and other associated policies.

(c) The parks and recreation commission shall not have the power or authority to cause the expenditure of city funds or to bind the city to any written or implied contract.

SECTION 11. If any section, subsection, clause, or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Ordinance. The Council hereby declares that it should have adopted the Ordinance and each section, subsection, sentence, clause, or phrase thereof irrespective of the

NOT YET APPROVED

fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid.

SECTION 12. The Council finds that this ordinance is exempt from the provisions of the California Environmental Quality Act (“CEQA”), pursuant to Section 15061 of the CEQA Guidelines, because it can be seen with certainty that there is no possibility that the ordinance will have a significant effect on the environment. Alternatively, the ordinance is also exempt under CEQA Guidelines Section 15308 because it involves regulatory action for the protection of the environment.

SECTION 13. This ordinance shall be effective on the thirty-first day after the date of its adoption. However, this ordinance shall not apply to any projects that have submitted a complete application as of the ordinance’s effective date. In addition, until such time as a list of designated arborists is established by the Urban Forester, the term “designated arborist” shall mean any arborist certified by the International Society of Arboriculture or another nationally recognized tree research, care, and preservation organization.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Public Works



City of Palo Alto

City Council Staff Report

(ID # 14352)

Meeting Date: 6/20/2022

Report Type: Action Items

Title: PUBLIC HEARING: Adoption of the Budget Ordinance for Fiscal Year 2023, Including the Operating and Capital Budgets, Table of Organization, and Municipal Fee Schedule; Acceptance of Updates to the Capital Improvement Plan and Sustainability/Climate Action Plan, and the Retiree Healthcare Actuarial Report; and Approval of Contributions for Retiree Healthcare Benefits

From: City Manager

Lead Department: Administrative Services

RECOMMENDATION

Staff recommends that the City Council:

1. Adopt the Fiscal Year 2022 Budget Ordinance (Attachment A), which includes:
 - a. City Manager's Fiscal Year 2023 Proposed Operating and Capital Budgets, previously distributed at the May 2nd City Council Meeting (Attachment A, Exhibit 1)
 - b. Amendments to the City Manager's Fiscal Year 2023 Proposed Operating Budget (Attachment A, Exhibit 2)
 - c. Amendments to the City Manager's Fiscal Year 2023 Proposed Capital Budget (Attachment A, Exhibit 3)
 - d. Centralized Allocation Amendments to the City Manager's Fiscal Year 2023 Proposed Operating and Capital Budgets (Attachment A, Exhibit 4)
 - e. Fiscal Year 2023 City Table of Organization (Attachment A, Exhibit 5)
 - f. Fiscal Year 2023 Municipal Fee Changes (Attachment A, Exhibit 6)
2. Accept the Fiscal Year 2023 – 2027 Capital Improvement Plan
3. Accept an Update on the Sustainability and Climate Action Plan (S/CAP) (Attachment B)
4. Accept the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan and approve full funding of the Actuarial Determined Contribution (ADC) for Fiscal Year 2023 using the staff recommended funding level of \$16.3 million and affirm the continued practice of transmitting amounts at a lower 5.75 percent discount rate as an additional discretionary payment to the City's California Employers' Retiree Benefit Trust (CERBT) Fund (Attachment C).

EXECUTIVE SUMMARY

This memorandum summarizes changes to the City Manager's Fiscal Year (FY) 2023 Proposed Budget through Budget Hearings with the Finance Committee and City Council and brings forth refined actions to revise the FY 2023 Proposed Operating and Capital Budgets and FY 2023 Municipal Fee Schedule for final City Council review and adoption. This memorandum includes

the necessary supporting documents for formal adoption by the City Council, such as the FY 2023 Budget Ordinance and the Table of Organization.

The FY 2023 Budget sets forth a two-year budget strategy to assist with reinvesting in community services reduced over the last several years. New revenues are needed to ensure sustained services and support evolving community needs, including unfunded priorities such as investing in rail crossings, affordable housing and unhoused services, and more.

Refined actions to revise the Proposed Budget, that were part of the May 24th Finance Committee Meeting ([CMR 14455](#)), are discussed in the FY 2023 Final Recommended Changes section of this memorandum. All changes to the Proposed Budget tentatively approved by the Finance Committee are detailed for the FY 2023 Operating Budget, by fund and by department, in Attachment A Exhibit 2; FY 2023 Capital Budget adjustments can be found in Attachment A, Exhibit 3; changes to the Table of Organization are discussed later in this memorandum, and an updated Table of Organization is included as Attachment A, Exhibit 5.

Links to the meetings with the Finance Committee and the City Council, as well as the memoranda, presentations, and additional information provided for discuss can be found on the [City's website \(www.cityofpaloalto.org/budget\)](#) under the FY 2023 Budget Process section.

The report is organized by the following sections:

- ***Background and Discussion:*** Summary of FY 2023 budget process and overall balancing strategies organized by fund type, as well as several areas of focus that the Finance Committee wanted to highlight as more information for the City Council.
- ***FY 2023 Final Recommended Changes:*** A summary of final direction given by the Finance Committee on May 24 and additional recommended technical adjustments organized by fund type.
- ***Table of Organization:*** A summary of additional changes to the Table of Organization as a result of adjustments made to the proposed budget that was released on May 2, 2022.
- ***Municipal Fee Schedule:*** A summary of the changes in the Review and Recommendations to Council on the FY 2023 Municipal Fee Schedule Amendments for Incorporation in the FY 2023 Proposed Budget ([CMR 14111](#)).
- ***FY 2023 Utility Rate Changes:*** A brief overview of the rate changes reviewed by the Utilities Advisory Commission and Finance Committee and the final decision the City Council scheduled for June 13, 2022 ([CMR 13661](#)); each of these rate changes are included in the FY 2023 budget assumptions.
- ***Review of Referral Items from the Finance Committee:*** This report details a list of areas that the Finance Committee recommends for additional staff work as a result of discussions from the FY 2023 budget hearings. These are areas identified for deeper analysis or alternative funding strategies to be explored over the course of the next fiscal year.

- *Attachments:* Attached to this report are a number of documents as outlined and referenced throughout the recommendation language and the report. In addition, links to all the materials presented throughout the budget process to the City Council such as staff reports, At Places Memorandums, presentations made during the budget hearings, and transcripts from City Council Budget Hearings are included.

Not included in this staff report is the approval of the FY 2023 Appropriations (GANN) Limit that is required under Article XIII B to the California State Constitution, as amended by proposition 98 in 1988 and Proposition 111 in 1990. The GANN Limit calculation is transmitted separately for City Council consideration on June 20, 2022 (CMR 14442). The appropriation calculation can be found on the [City's website](http://www.cityofpaloalto.org/budget) (www.cityofpaloalto.org/budget) under the FY 2023 Budget Process section.

BACKGROUND

Per the Municipal Code, the City Manager is charged with proposing a budget that provides a clear and complete financial plan for all City activities proposed for the coming budget cycle, or fiscal year. The FY 2023 Proposed Operating and Capital Budgets were transmitted to the City Council on May 2, 2022. These documents represent the planned expenditures and revenues for FY 2023 for the various fund types that constitute the City's Budget: General Fund, Capital Fund, Enterprise Funds, Internal Service Funds, Special Revenue Funds, and Debt Service Funds. The budget documents contain an overview section with descriptions of each of these fund types and detailed information of the revenues and expenses for each fund as well as for each individual department.

The FY 2023 Proposed Operating and Capital Budgets were presented to the City Council in a study session on May 2, 2022. This study session provided an overview of the budget for review and discussion, including Citywide budget strategies, assumptions used in budget development, and a summary of service impacts on the organization. As part of this discussion, the City Council provided guidance to the Finance Committee for their review of the budget documents during hearings on May 10, 11, and 24. The Finance Committee review of operating and capital budgets is structured around public hearings conducted prior to the City Council adoption to complete a detailed review of the budget documents and to incorporate opportunities for community input into the decision-making process. These meeting proceedings are organized by service area and include department presentations to highlight areas of emphasis for their respective department and fund(s). The Finance Committee reviews individual budget sections by Department for tentative approval of the budget, potential amendments, and requests for additional information to aid in their review. At the conclusion of these hearings (Budget Wrap-up), the Finance Committee is ultimately tasked to provide recommendations to amend the Proposed Operating and Capital Budgets and Municipal Fee Schedule for City Council consideration. These amendments, and additional information recommended for City Council review, are included in this adoption memorandum.

The City Council adoption of the City Manager’s FY 2023 Proposed Operating and Capital Budgets and FY 2023 Municipal Fee Schedule, including the amendments summarized in the [Budget Wrap-up Memorandum](#) on May 24, 2022 (CMR 14455), will represent the ratification of the amendments that were approved by vote through the budget hearings. These amendments include all changes to the Municipal Fee Schedule and the Table of Organization. A comprehensive list of meeting materials issued during Finance Committee budget hearings is available on the City website: www.cityofpaloalto.org/budget. In addition to the meetings with the Finance Committee, the City initiated the Fiscal Sustainability Community Conversation to engage the community in the budget development process through solicited online and mailed feedback regarding the City’s fiscal sustainability efforts. Community members could rank their priorities for community services, provide suggestions for additional service priorities, and pose questions about the City’s fiscal sustainability efforts and revenue measures. Additional information can be found on the City website in the Fiscal Sustainability Website section.

DISCUSSION

The FY 2023 Proposed Budget was presented to the City Council on May 2, 2022 which included a proposed budget balancing strategy that reflects continued cautious optimism, consistent with the conservative financial assumptions used to develop the FY 2022 Adopted Budget and included in the Council-adopted Long-Range Financial Forecast. This budget continues to reflect a recovery period and transition to an endemic state, building on reinvestments that the City Council has made in the current year. It should be noted that the FY 2023 Budget sets forth a two-year funding strategy that uses one-time funds to assist in service reinvestments for fire, police, library, and community services reduced over the last several years. New revenues are needed to ensure sustainable services, to address evolving community needs, and make progress on unfunded needs like grade separation, affordable housing and homeless services. Without new revenue additional service reductions in future years are likely.

The FY 2023 Budget recommends reinvestments in ongoing resources for urgent, critical needs for health, safety, and prior City Council direction (\$2.6 million, including \$1.0 million for Project Homekey) and approximately \$4.0 million in priority service reinvestments using American Rescue Plan Act (ARPA) funding and major tax revenues expected to exceed budgeted estimates by approximately \$14 million in FY 2022. These one-time funds are recommended to assist in the service reinvestments for a two-year period (through FY 2024).

This approach allows the City to continue its ambitious plans to rebuild community services; however, to sustain these reinvestments beyond the limited term, ongoing revenues will be needed. The potential revenue ballot measure to affirm the current transfer of natural gas proceeds would provide ongoing funding needed to sustain these reinvestments in services. A second measure for a new Business Tax to provide stability and a foundation for a more diverse revenue portfolio and begin to address unfunded needs is being considered as well. The FY 2023 Budget was developed based on the FY 2023-2032 Long Range Financial Forecast (LRFF) ([CMR 13800](#)) approved by the City Council which outlined a conservative recovery from the

pandemic over a three to five-year period, and more rapid investments in services in the workforce.

The FY 2023 Budget ensures that the City continues to proactively fund long term liabilities, begins to phase in capital investments that had been reduced in prior years, and uses one-time resources for limited term priority service investments. Recognizing the continued economic uncertainties in the year ahead, it will be important to closely monitor the City's financial outlook as new information becomes available and continue to rebalance resources with the pace of recovery. Additionally, the City must contemplate major changes for programs and services such as affordable housing, grade separation, and other initiatives that do not have planned funding sources. In the coming year, the City will continue to engage in community discussion around fiscal sustainability and feedback on service priorities. In parallel, the City Council will continue to discuss and evaluate potential revenue measures for voter consideration for the November 2022 election that could generate new revenues to further restore services to pre-pandemic levels, support investments in the community's future, expand priority services, and build on Palo Alto's services as community needs evolve.

General Fund

Overall, the City's General Fund is recommended to have \$237.8 million in revenues and \$247.5 million in expenses, a balanced budget for FY 2023. A total of \$350,000 in expenditures has been added to FY 2023 proposed funding levels to support non-profit programs, explore ownership of Barron Park Alley (Cypress Lane), and align budget estimates for several technical adjustments. Additionally, this change includes staffing resources to support updates made to the Tree Protection Ordinance, approved by the City Council on June 6, 2022 (CMR 14355). Overall, this reflects a \$38.3 million, or 15.5 percent, increase compared to the FY 2022 Adopted Budget. This includes an increase from the FY 2023 Proposed Budget of 3 full-time staff (2.00 FTE in the General Fund and 1.00 FTE in Enterprise Funds) and one part-time staff (0.48 FTE in the General Fund), resulting in an overall workforce of 1,017.85 full-time positions (552.81 FTE in the General Fund) and 89.68 FTE part-time positions (63.07 FTE in the General Fund).

Budget Stabilization Reserve

The FY 2023 Proposed Budget recommended an adjustment to increase the projected FY 2022 Year-End BSR by \$14.0 million, from \$40.7 million to \$54.7 million to reflect higher than anticipated tax revenues. The net impact from FY 2023 Proposed actions reduces this BSR level by \$8.9 million, resulting in a projected FY 2023 year-end balance of \$45.8 million. At proposed expense levels of \$247.2 million, this BSR level was slightly above the 18.5 percent target by \$100,000, or \$800,000 once adjusted for appropriate reserves. This adjustment reflects the exclusion of the reserve for the two-year funding strategy and has been calculated to avoid unintentional inflation of the BSR.

Amendments outlined in this report reduce the projected FY 2023 BSR levels by \$21,000, from \$45.8 million to \$45.7 million. At revised expense levels of \$247.2 million, the BSR level is at the

18.5 percent target. Once adjusted for reserves mentioned above, the BSR level is higher than the 18.5 percent target by \$715,000, at 18.8 percent. These funds may be allocated at the discretion of the City Council and remain within the 15 to 20 percent range outlined in the City's BSR policy.

Capital Funds

The City's Capital Improvement Plan reflects a \$379.5 million FY 2023 budget, and an \$821.9 million plan over the five-year CIP (FY 2023-FY 2027). Of this, the Capital Improvement Fund FY 2023 budget reflects expected expense of \$88.1 million and \$205.5 million over the five-year CIP.

Capital Reappropriations

The Municipal Code requires City Council authorization to reappropriate funds for capital projects from one fiscal year to the next. The FY 2023 budget process continues this procedure, and the FY 2023 Proposed Capital Budget included approximately \$56.0 million in reappropriated funds for project expenditures across all funds. In the time since the FY 2023 Proposed Budget figures, Staff refined the FY 2022 estimated project activity levels and provided further updates to increase the reappropriations by \$27.6 million, to \$83.6 million across all funds. The additional reappropriation adjustments are summarized in Attachment A, Exhibit 3, along with the other adjustments detailed below.

Other Capital Project Adjustments

Capital Improvement Fund

- **Performing Arts Venues Seat Replacement (AC-18000)** - Funding in the Performing Arts Venues Seat Replacement (AC-18000) project in FY 2022 (\$0.4 million) will be used to award a contract to repair the seats at the Children's Theater; however, there will not be enough funding to complete repairs at the Lucie Stern Theater. Bids were received for work at the Children's Theater in May 2022 and based on the estimated work at the Lucie Stern Theater, Staff recommends adding funding of \$0.7 million to AC-18000 to replace the seats at the Lucie Stern Theater. Damages to the seats at the Lucie Stern Community Center include: broken springs, loose and missing screws, ripped and stained upholstery, and missing seat numbers. In addition, broken seat mechanisms are limiting accessibility and the replacement seating will also incorporate a more modern ADA compliance design. As directed by the Finance Committee on May 24, additional funding of \$50,000 will be programmed in FY 2023 for design work at the Lucie Stern Community Center and \$650,000 in FY 2024 to complete construction.
- **Ramos Park Improvements (PG-14000)** - The design for this project is complete and the Community Services Department anticipates bidding this project in Summer 2022. Funding for this project has been diminished in prior years through administrative charges, so staff recommends adjusting this project in FY 2023 to fund the award of the project. As directed by the Finance Committee on May 24, additional funding of \$300,000 will be programmed in FY 2023, and the funding will be reimbursed from the Capital Improvement Fund Administration project (AS-10000) so that the Infrastructure Reserve will not be impacted.

Electric Fund

- **Substation Physical Security (EL-16003)** - As directed by the Finance Committee on May 24, the Substation Physical Security Project (EL-16003) will be increased by \$2.2 million in FY 2023 from the proposed level of \$2.2 million to \$4.4 million. The \$2.2 million is comprised of \$1.1 million reappropriated from FY 2022 and \$1.1 million reappropriated from year-end savings in various projects within the Electric fund which were reprioritized and deferred due to staffing shortages (\$0.5 million Substation Breaker Replacement EL-17002; \$0.6 million Facility Relocation for Caltrain Modernization Project EL-17007). The resulting \$4.4 million budget in FY 2023 for EL-16003 will cover the estimated costs and related staffing expenses to install security walls, perimeter lighting and cameras at all nine Electric Substations.

Areas of Focus

Recruiting

In budget hearings on May 10, May 11, and May 24, the Finance Committee engaged in extended discussions regarding recruitment and retention of City-staff. Recruitment and retention issues have impacts on service levels. As the City anticipates a need to return to more normalized operations, due to recovery from the pandemic, several challenges have emerged such as the current backlog of recruitments, a tight labor market, expiration of labor agreements, inflationary pressures, and other factors. In consideration of these conditions, the Finance Committee has requested to include additional information regarding the recruitment process and timeline, vacancies and active requisitions, and funding and staffing available to support recruitments. The [At-Places Memo](#) and its attachments from the May 10 meeting identify current vacancies and respective hiring status. As of May 2022, there are 139.75 vacancies as compared to authorized staffing levels of 976.00, a 14.3 percent vacancy rate. This level of vacancy is higher than the same period in the prior year in which there were 87.15 vacancies as compared to authorized staffing levels of 958.35, a 9.1 percent vacancy rate. A detailed list of full-time (benefitted) positions that are vacant throughout the City is detailed in Attachment B of the At-Places Memo, per the link above. The table below shows the normal process and timeline required to fill a typical full-time City vacancy.

Stage	Timeline
Requisition - This is the stage where a department submits their request to fill a vacant or soon to be vacant position. Requisitions are initiated by the departments and routed for approval through the Office of Management and Budget and finalized by HR.	2-4 weeks
Recruitment Plan – Hiring Managers and Recruiters meet in advance of the job posting to map out the strategy to fill the position. This includes determining the type, timing, and duration of the job posting as well as what objective criteria will be used to rank and rate the candidates during the process.	2-4 weeks
Exam Plan and Posting – Draft of the job posting is finalized and put into approved templates/formats for publication and the number of review steps is finalized (i.e. phone screenings, panel interviews, etc..)	2-6 weeks

<p>Screen Applications – Recruiters along with subject matter experts from the hiring department review applications and review based on experience, education, and knowledge to determine best qualified candidates who will move on to the selection process.</p>	<p>1-3 weeks</p>
<p>Selection – The most qualified applicants are invited to a selection stage based on the size and depth of the candidate pool. This traditionally is made up of at least one panel interview and a final round interview with the Hiring Manager.</p>	<p>1-4 weeks</p>
<p>Offer and Hire – This stage includes the conditional offer, negotiation (if any), pre-employment conditions, and onboarding paperwork and processing. The culmination being their New Employee Orientation.</p>	<p>2-4 weeks</p>

Currently, the City has 5 staff (4.5 FTE) that are focused on recruitment activities, which include 1.0 Senior Management Analyst, 1.0 Senior Human Resources Representative, 2.0 Human Resource Representatives, and 0.5 Human Resources Technician. Additionally, the FY 2023 Budget includes \$400,000 for labor negotiations. The supplemental funding will allow the City to utilize outside expertise to aid in that process and preserve staff capacity to carry out recruitment activities.

Pension Policy

In the FY 2023 Proposed budget staff set aside a General Fund reserve to begin a phased-in reduction of the assumed discount rate (DR) from 6.2 to 5.3 percent and increase contributions to the City’s proactive pension funding via contributions to a Section 115 Pension Trust Fund (“Pension Trust”). The reserve was \$1.3 million, which represents six months at the new DR and is approximately equivalent to an interim DR of 5.8 percent. A DR of 5.3 percent more closely aligns anticipated rate of return with the recent CalPERS Asset Liability Management (ALM) study, which includes a survey of external asset managers and consultants to gain expert projections on expected market returns. Further information is available in the May 24, 2022 Finance Committee Budget Wrap-up memo (CMR 14455). The Finance Committee tentatively approved staff’s proposal to phase in the 5.3 percent DR and directed staff to liquidate the reserve by allocating funds from the reserve into the respective departments so funding could be transmitted to the Pension Trust in FY 2023. The Committee also recommended that Council refer further discussion of the policy of setting the discount rate back to the Finance Committee. To maintain consistency in pension contribution levels among all funds, in addition to the \$1.3 million programmed in the General Fund, proportional supplemental pension funding of \$0.9 million is programmed in other funds for a citywide total of \$2.2 million in FY 2023. These funds materialize in the respective departments and funds as personnel benefit expenses and pass through the General Benefits Fund to the Pension Trust. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.

Sustainability and Climate Action Plan S/CAP Overview

As discussed during the Finance Committee’s budget hearing on May 10, the Sustainability/Climate Action Plan review was an overlay of budget items included within

individual departments' budgets, but presented separately to reflect the cross-departmental nature of the S/CAP effort and its status as one of the 2022 Council Priorities. The review included new positions approved by Council during the FY 2022 Mid-year, and new positions and resources recommended in the FY 2023 Budget. Attachment B includes an overview of the functional areas involved in implementing the electrification efforts needed to support the 80 percent greenhouse gas reduction by 2030 goal, and how the staffing and other resources recommended in the FY 2023 budget support these areas and the goal.

Bicycle and Pedestrian Status and Next Steps

Improvements to the street network and bicycle and pedestrian infrastructure are in progress and in alignment with the 2012 Bicycle and Pedestrian Transportation Plan (BPTP) as resources allow. Some BPTP projects are funded via the Bicycle and Pedestrian Transportation Plan Implementation capital project (PL-04010) while others have been pulled out into their own capital projects or funded out of the Safe Routes to School project (PL-00026) where appropriate. Further information regarding the status of various capital projects (in addition to PL-04010 and PL-00026) related to the overall Bicycle and Pedestrian Plan can be found in the at places memo ([CMR 14455](#)) presented to the Finance Committee on May 24, 2022.

Grade Separation Investments

Cumulative investment from FY 2017 through May 24, 2022 (tracking through the Rail Grade Separation capital project PL-17001) is \$4.6 million. Associated funding has been used to:

- Identify and recommend alternatives for consideration at four at-grade separation locations
- Prepare conceptual plans for various alternatives for grade separation
- Perform data collection and conduct studies needed to determine the major impacts at this preliminary evaluation
- Community engagement and Outreach efforts in providing information to community
- Support Technical and Advisory Groups such as Expanded Community Advisory Panel (XCAP)

This project provides engineering support, circulation studies, community engagement efforts, and other subsequent tasks needed to advance the City's goal of grade separating railroad crossings; involving changing four rail grade crossings and estimated to exceed \$1 billion in costs.

Information Technology Department Budgeting

As technology continues to move toward a software as a service (SaaS) or subscription-based model, expenses are typically considered as part of operating expenses rather than capital expenses. More and more frequently, organizations are moving to an operating expenditure model rather than a capital one, as capital expenses are generally reserved for static investments while operating expenses are intended for fluctuating costs that can be scaled as necessary.

A few examples of services moving from capital to operating are the City's enterprise resource planning (ERP) software, Amazon Web Services (AWS), laptop replacements, and network infrastructure (e.g., switches, hubs and, wireless access points).

FY 2022 FINAL RECOMMENDED CHANGES

During the most recent budget meeting on May 24, the Finance Committee addressed several remaining items from the May 10 and 11 meetings, and on June 6 the City Council recommended approval of changes to the City's Tree Ordinance which included adding several positions in FY 2023. More information about these items is below.

General Fund

Funding for Barron Park Alley (Cypress Lane)

The Finance Committee recommended to appropriate \$18,000 to research ownership of Cypress Lane, the alley behind Barron Park. This funding will support staffing and consultant resources as the first step in a three-step process to: 1) confirm current ownership of Cypress Lane; 2) based on the findings in step one, determine how the City could take ownership of Cypress Lane; and 3) if the City takes ownership of the property, repair and maintain Cypress Lane. Staff plans to return to the City Council with the results of step one and recommend necessary actions and funding needs to continue with steps two and three if desired, in FY 2023. Further information is available in the May 24, 2022 Finance Committee Budget Wrap-up memo ([CMR 14455, Attachment E](#)).

Funding to Youth Community Services (YCS) for the Youth Connectedness Initiative (YCI)

The Finance Committee recommended to appropriate an additional \$50,000 to provide funding to YCI in FY 2023 to supplement the City's teen mental health services. The 2017-2019 YCI Impact Report has been provided as Attachment D for additional information regarding prior use of City funding for this program. In addition, the Committee has recommended an ongoing increase of HSRAP funding by \$50,000 starting in FY 2024 to be a part of the biennial human service grant award process.

Funding for the United Nations Association Film Festival (UNAFF)

The Finance Committee recommended to appropriate an additional \$20,000 in one-time funding in support of the UNAFF. Historically, the City has provided roughly \$10,000 annually over the past several years fiscal years in support of the film festival as well as waived rental fees at the Mitchell Park Community Center. Due to the importance of the film festival to the community, the Committee has proposed an increase in funding for the event. In addition, the Committee requests that the Council discuss the City's current policies and procedures for funding non-profits as reflected in item #2 on the list of referral items.

Funding for the City's National Citizen Survey (NCS)

The Finance Committee recommended restoring \$30,000 in funding to conduct the NCS on an annual instead of bi-annual basis. In FY 2021, the NCS was transitioned from the City Auditor to the City Manager's Office, and as a cost-saving measure was reduced to being conducted on a biannual basis during odd numbered Fiscal Years. Most departments include NCS survey results as part of performance metrics and the reinstatement of annual surveys will enable the City to receive community feedback more frequently. Funding is currently budgeted for the NCS in FY 2023 and this adjustment will not impact the current budget; however, funding will be included annually beginning in FY 2024.

Reduce \$1.3 Million Pension Trust Reserve and Allocate Costs Across the City

As discussed in the section above, the Finance Committee recommended to liquidate the \$1.3 million reserve in the Proposed Budget by allocating funds from the reserve into the respective departments so that funding is transmitted to the City's Pension Trust in FY 2023. The increased contribution reflects an interim discount rate (DR) of 5.8 percent, which is lower than the City's current assumption of 6.2 percent. The additional pension contribution expense will be proportional spread across all City departments based on current pensionable payroll liabilities, with those funds being directed to the City's Pension Reserve, and then ultimately transmitted to the City's Section 115 Pension Trust Fund. A detailed breakdown of the additional costs by department can be found in Attachment A, Exhibit 4. In addition, the Finance Committee requests that the Council discuss the appropriate level to set the DR for the City's pension policy as reflected in item #1 on the list of referral items.

General Fund Transfer to the Art Fund

The Finance Committee approved the staff recommendation to increase the transfer from the General Fund to the Public Art Fund, in compliance with requirements that limit the administrative expenses that are funded through fees (ordinance 5226). This technical alignment was inadvertently excluded from the development of the FY 2023 Proposed Budget. The Public Art Fund was created in FY 2014 to support the City's Public Art Program. As Public Art expenses have increased, it is necessary to increase the FY 2023 transfer from the General Fund to the Public Art Fund by \$14,000 from \$170,000 to \$184,000.

Tree Ordinance Update and Additional Positions

On June 6, City Council adopted an ordinance amending Title 8 of the Palo Alto Municipal Code to expand tree protection to include additional protected tree species, revise grounds for tree removal, and make clarifying changes and amending Titles 2, 9, and 18 to make clerical updates ([CMR 14355](#)). The ordinance significantly increases the staff resources needed for development plan review, tree removal permit review, violations investigation, and enforcement. To meet those needs, 2.48 positions totaling \$332,580 have been added to the FY 2023 Operating Budget, including a 1.0 FTE Project Manager, a 1.0 FTE Building/Planning Technician, and a 0.48 FTE hourly Staff Specialist. In FY 2023, the full cost of the positions will be covered by the General Fund, but staff will add revenue through adjustments during the fiscal year, if possible, and offsetting revenue will be included in the FY 2024 budget process.

Other Funds

Other Post-Employment Benefits (OPEB) Actuarial Valuation

On June 7, 2022, the Finance Committee unanimously recommended approval of the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14112) included in Attachment C. As part of this report, the Finance Committee recommended the full funding of the Actuarial Determined Contribution (ADC) for FY 2023 and FY 2024, using the staff recommended funding levels, and affirmed the continued practice of transmitting amounts at a lower 5.75 percent discount rate as an additional discretionary payment to the City's California Employers' Retiree Benefit Trust (CERBT) Fund. This report is completed biannually to provide an actuarial valuation detailing the latest status of the City of Palo Alto's Retiree Healthcare plans for employees and retirees. The analysis is used to determine the City's retiree healthcare liability and the annual ADC to the trust. In addition, the report details funding status, results of assumptions such as discount rate (DR), healthcare plan premiums, and projected future healthcare costs. This action results in a revised FY 2023 funding level of \$16.3 million as compared to the \$16.9 million in the FY 2023 Proposed Budget, a \$600,000 reduction. This funding level is compromised of the ADC of \$15.9 million and \$0.4 million for retiree healthcare costing of approximately 60 new staff added in the FY 2023 budget. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.

Eliminate funding for the Parking Attendant Program

The Finance Committee recommended the elimination of FY 2023 funding of \$289,972 for the Parking Attendant Program in the University Avenue Parking Permit Fund in recognition that parking demand and revenue have been reduced as compared to pre-pandemic levels. Valet programs are typically in use at Lots R, CC, CW, and S during peak usage as a method to increase garage capacity. This expenditure will be eliminated during FY 2023 and staff will re-evaluate funding needs as part of the FY 2024 budget development.

Enterprise Funds

Add Staffing to Support Utilities Business Operations and Initiatives

The Finance Committee approved the staff recommendation to add 1.00 FTE Principal Utilities Program Manager presented in an [at places memo](#) at the May 11 meeting. This staffing provides high level strategic management support across multiple Utilities divisions (Engineering, Operations, Resource Management, Customer Support), and collaborate with other City departments (City Manager, Office of Sustainability, Development Services, Transportation, Public Works) on citywide initiatives such as the Sustainability and Climate Action Plan (S/CAP).

TABLE OF ORGANIZATION

During budget hearings and in subsequent City Council meetings, the Finance Committee and City Council recommended staffing adjustments in the Infrastructure and Environment service

area. A more detailed description of these actions is included in Attachment A, Exhibit 2, and an updated Table of Organization is included in Attachment A, Exhibit 5:

- Add 1.0 Principal Utilities Program Manager to the Utilities Department
- Add 1.0 Project Manager, 1.0 Building Planning Technician, and 0.48 FTE Staff Specialist (CMR 14355) for a total of 2.48 FTE to the Public Works Department

MUNICIPAL FEE SCHEDULE

On May 11, 2022, the Finance Committee reviewed the FY 2023 Proposed Municipal Fee Schedule and recommended approval as outlined in CMR [14111](#) and further amended by the At Places memorandum released on May 24, 2022 (CMR [14459](#)). Attachment A, Exhibit 6 provides a summary of all recommended changes as reviewed by the City Council on May 11, 2022. The upcoming Planning and Development Services (PDS) fee study has been rescheduled following the summer. All previously unchanged fees PDS fees will be updated to reflect the general rate of increase of 4.6 percent for FY 2023 and further re-evaluated for changes following completion of the fee study.

FISCAL YEAR 2023 RATE CHANGES

An overview of the rate changes was reviewed and approved by the Utilities Advisory Commission (UAC) and Finance Committee in April 2022. These rate changes are included in the FY 2023 budget assumptions. This section references those changes for informational purposes only; a separate report recommending final rate changes will be considered by the City Council on June 13, 2022 ([CMR 13661](#)).

- 5% rate change for Electric (recommended by UAC and Finance Committee);
- 4.2% CPI increase for Fiber (recommended by UAC and Finance Committee);
- 4.0% rate increase for Gas (recommended by UAC and Finance Committee);
- 0.0% rate change for Refuse;
- 4.2% CPI increase for Stormwater (recommended by UAC and Finance Committee);
- 3.0% rate change for Wastewater (recommended by UAC and Finance Committee); and
- 8.9% rate change for Water (recommended by UAC and Finance Committee)

These rate adjustments reflect the upward pressure on rates as consumption remains below long-term trends as a result of the COVID-19 pandemic. The size and timing of rate adjustments are impacted by current and future revenue requirements to purchase commodities, provide customer service, plan for and invest in capital infrastructure, and maintain adequate reserve levels.

The Finance Committee tentatively approved the rate changes listed above including the 5.0 percent increase for Electric rates due to escalating transmission costs and substantial additions to capital investment in the City's aging electric distribution system in preparation for

sustainability electrification; the 4.2 percent CPI increase for Fiber customers on the EDF-1 rate in accordance with the original dark fiber leasing agreement; 4.2 percent CPI increase for Stormwater, consistent with the 2017 Storm Water Management Fee ballot measure, to keep fund revenues consistent with inflationary cost increases and to provide sufficient funds for planned Stormwater Management capital and operating expenditures; the 4.0 percent increase for Gas to cover the substantial increases in Capital costs and to support regular main replacement; the 3.0 percent increase for Wastewater Collection due to increasing Capital costs in Wastewater Collection and Regional Water Quality Control Plant; and the 8.9 percent increase for Water, which consists of a 4.0 percent distribution increase and a 4.9 percent commodity cost pass-through increase from the San Francisco Public Utilities Commission (SFPUC). Additional information regarding the Water utility rate change and corresponding actions is available in the May 24, 2022 Finance Committee staff report [14455](#).

REVIEW OF REFERRAL ITEMS FROM THE FINANCE COMMITTEE

During the Budget Hearings, certain items were approved that require a longer timeline to return to the City Council and are recommended to be placed in the “long-term parking lot.” The list below is reflective of the final referral items from the Budget Hearings that the City Council has directed staff to follow-up with additional work throughout FY 2023. These referrals will need to be prioritized in the context of diminished resources and adverse impacts on service delivery necessitated by continuing constraints that remain as the City begins to move beyond the COVID-19 pandemic.

1. Pension Funding Policy
2. Non-Profit Audit and Future Non-Profit Funding Requests

RESOURCE IMPACT

This report summarizes and seeks City Council approval of the FY 2023 Operating and Capital Budgets, the supporting fee schedules, and table of organization in order to support the projections and appropriations included.

The approval of the City Manager’s FY 2023 Capital and Operating Budget, as recommended to be amended in this report, would result in a projected General Fund Budget Stabilization Reserve of \$45.4 million, which is below the City Council recommended level of 18.5 percent by \$385,000, at 18.3 percent. The projected changes to the fund balance for all other funds including Enterprise Funds, Internal Services Funds, Special Revenue Funds, and Capital Funds are outlined in Attachment A and accompanying exhibits and impacts to fund balance summarized as follows:

Resource Impact (Non-General Funds with Fund Balance Change)

<i>Fund Type</i>	<i>Fund Name</i>	<i>Fund Balance Change</i>
<i>Capital</i>	Capital Improvement Fund	-\$6.1M

	Cubberley Infrastructure Fund	+\$0.6M
<i>Enterprise</i>	Airport Fund	-\$0.6M
	Electric Fund	-\$7.2M
	Fiber Optic Fund	-\$0.1M
	Gas Fund	-\$2.3M
	Refuse Fund	-\$13k
	Stormwater Management Fund	-\$0.7M
	Wastewater Collection Fund	-\$0.9M
	Wastewater Treatment Fund	-\$6.7M
	Water Fund	-\$6.3M
<i>Internal Service</i>	Printing and Mailing Fund	-\$2k
	Technology Fund	-\$57k
	Vehicle Replacement Fund	-\$1.5M
	Workers' Compensation Fund	-\$2k
<i>Special Revenue</i>	California Avenue Parking Permit Fund	-\$1k
	Community Development Block Grant Fund	-\$200
	Housing In-Lieu Commercial Fund	-\$300
	Housing In-Lieu Residential Fund	-\$300
	Parks Impact Fee Fund	+\$19k
	Public Art Fund	+\$12k
	Residential Preferential Parking Permits Fund	-\$2k
	University Avenue Parking Permit Fund	+\$0.3M

STAKEHOLDER ENGAGEMENT

Fiscal Sustainability Community Conversation Feedback

Starting February 15, 2022, the City shared public information as well as solicited online and mailed feedback regarding the City's fiscal sustainability efforts. Community members could rank their priorities for community services, provide suggestions for additional service priorities, and pose questions about the City's fiscal sustainability efforts and revenue measures. There were 433 responses as of May 17, 2022 (242 online survey responses and 191 mailed survey responses). The most highly ranked priorities for the survey respondents were: Maintaining basic services; Repairing streets/roads; Investing in community owned assets; Adding public safety services such as police, fire, and emergency medical; and Funding affordable housing and homeless services. This communication has continued to provide updates on the City budget and ballot measure development efforts.

ENVIRONMENTAL REVIEW

This is not a project under Section 21065 for purposes of the California Environmental Quality Act (CEQA).

Attachments:

- Attachment A - FY 2023 Budget Adoption Ordinance
- Attachment A, Exhibit 1 - City Manager's Fiscal Year 2023 Proposed Operating & Capital Budgets & Municipal Fee
- Attachment A, Exhibit 2 and 3 - Amendments to the City Manager's Fiscal Year 2023 Proposed Operating and Capital Budgets
- Attachment A, Exhibit 4 - Central Adjustments in Various Funds
- Attachment A, Exhibit 5 - Table of Organization
- Attachment A, Exhibit 6 - Fiscal Year 2023 Municipal Fee Changes

Attachments:

- **Attachment28.a:** Attachment A: Fiscal Year 2023 Budget Adoption Ordinance
- **Attachment28.b:** Attachment A, Exhibit 1: City Manager's Fiscal Year 2023 Proposed Operating & Capital Budgets & Municipal Fee
- **Attachment28.c:** Attachment A, Exhibit 2 and 3: Operating and Capital Adjustments
- **Attachment28.d:** Attachment A, Exhibit 4: Central Adjustments in Various Funds
- **Attachment28.e:** Attachment A, Exhibit 5: Table of Organization
- **Attachment28.f:** Attachment A, Exhibit 6: Fiscal Year 2023 Municipal Fee Changes
- **Attachment28.g:** Attachment B: Sustainability and Climate Action Plan (S/CAP) Update
- **Attachment28.h:** Attachment C: June 30 2021 OPEB Valuation (CMR 14112)
- **Attachment28.i:** Attachment D - YCI 2017-2019 Impact Report

ORDINANCE NO. XXXX

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO ADOPTING THE
BUDGET FOR FISCAL YEAR 2023

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 6(g) of Article IV of the Charter of the City of Palo Alto and Chapter 2.28 of the Palo Alto Municipal Code, the City Manager has prepared and submitted to the City Council, by letter of transmittal, a budget proposal for Fiscal Year 2023; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 20, 2022, hold public hearings on the budget after publication of notice in accordance with Section 2.28.070 of the Palo Alto Municipal Code; and

C. In accordance with the provisions of Chapter 8 of Division 1, of Title 7, commencing with Section 66016 of the Government Code, as applicable, the Council did on June 20, 2022, hold a public hearing on the proposed amendments to the Municipal Fee Schedule, after publication of notice and after availability of the data supporting the amendments was made available to the public at least 10 days prior to the hearing.

SECTION 2. Pursuant to Chapter 2.28 of the Palo Alto Municipal Code, the following documents, collectively referred to as “the budget” are hereby approved and adopted for Fiscal Year 2023:

- (a) The budget document (Exhibit “1”) containing the proposed operating and capital budgets submitted on May 2, 2022, by the City Manager for Fiscal Year 2022, entitled “City of Palo Alto - City Manager’s Fiscal Year 2023 Proposed Budget” covering General Government Funds, Enterprise Funds, Special Revenue Funds, and Internal Service Funds, a copy of which is on file in the Department of Administrative Services, to which copy reference is hereby made concerning the full particulars thereof, and by such reference is made a part hereof; and
- (b) The Amendments to the City Manager’s Fiscal Year 2023 Proposed Budget, attached hereto as Exhibit “2”, Exhibit “3”, and Exhibit “4” and made a part hereof; and
- (c) Changes and revised pages in the Table of Organization, as displayed on pages 339 through 356 in “Exhibit 1,” and amended in Exhibit “5” made a part hereof; and

ATTACHMENT A

(d) Fee changes of the Municipal Fee Schedule attached hereto as Exhibit "6".

SECTION 3. The sums set forth in the budget for the various departments of the City, as herein amended, are hereby appropriated to the uses and purposes set forth therein.

SECTION 4. All expenditures made on behalf of the City, directly or through any agency, except those required by state law, shall be made in accordance with the authorization contained in this ordinance and the budget as herein amended.

SECTION 5. Appropriations for the Fiscal Year 2022 that are encumbered by approved purchase orders and contracts for which goods or services have not been received or contract completed, and/or for which all payments have not been made, by the last day of the Fiscal Year 2022 shall be carried forward and added to the fund or department appropriations for Fiscal Year 2023.

SECTION 6. The City Manager is authorized and directed to make changes in the department and fund totals and summary pages of the budget necessary to reflect the amendments enumerated and aggregated in the budget as shown in Exhibit "2", Exhibit "3", and Exhibit "4" and the Fiscal Year 2022 appropriations carried forward as provided in Section 5.

SECTION 7. As specified in Section 2.04.320 of the Palo Alto Municipal Code, a majority vote of the City Council is required to adopt this ordinance.

SECTION 8. As specified in Section 2.28.140(b) of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby delegates the authority to invest the City's funds to the Director of Administrative Services, as Treasurer, in accordance with the City's Investment Policy for Fiscal Year 2023.

SECTION 9. The Council of the City of Palo Alto adopts the changes to the Municipal Fee Schedule as set forth in Exhibit "6". The amount of the new or increased fees and charges is no more than necessary to cover the reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payer bears a fair and reasonable relationship to the payer's burden on, or benefits received from, the governmental activity. All new and increased fees shall go into effect immediately; provided that pursuant to Government Code Section 66017, all Planning & Community Environment Department fees relating to a "development project" as defined in Government Code Section 66000 shall become effective sixty (60) days from the date of adoption.

SECTION 10. Fees in the Municipal Fee Schedule are for government services provided directly to the payor that are not provided to those not charged. The amount of this fee does not

ATTACHMENT A

exceed the reasonable costs to the City of providing the services. Consequently, pursuant to Art. XIII C, Section 1(e)(2), such fees are not a tax.

SECTION 11. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 12. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED: Enter Date Here

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Manager

City Attorney

Director of Administrative Services



Fiscal Year 2023 City Manager's Proposed Operating & Capital Budgets and Municipal Fees

These documents were originally distributed on May 2, 2022. Printed copies are available upon request for \$40 per book (FY 2023 fee).

These documents may be viewed at any City of Palo Alto Library or the City's website: www.cityofpaloalto.org/Departments/Administrative-Services/City-Budget

Changes to the Municipal Fee Schedule were distributed in Finance Committee Packet on May 11, 2022. The City Manager's Staff Report (#14111) can be viewed on the City's website:

<https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy2023-city-budget/budget-hearing-related/fy-2023-proposed-municipal-fee-schedule-staff-report.pdf>

In addition, various at places memorandum and presentations were presented throughout the Finance Committee Hearings in May 2022 to provide additional information. These documents can be found on the City's budget website under "FY 2023 Budget Process": www.cityofpaloalto.org/Departments/Administrative-Services/City-Budget

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
GENERAL FUND (102 & 103)			
<i>Administrative Services</i>	<p>Barron Park Alley (Cypress Lane) Consistent with Finance Committee direction at the May 24 meeting, this action provides staffing and consultancy resources as to confirm ownership of Cypress Lane. Staff will return to the City Council with these results and necessary actions to continue exploration of City ownership.</p>	\$ -	\$ 18,000
<i>City Manager's Office</i>	<p>National Citizens Survey (NCS) Consistent with Finance Committee direction at the May 24 meeting, this action increases funding by \$30,000 to conduct the NCS on an annual instead of bi-annual basis. Funding is currently budgeted for NCS in FY 2023 as this was a year scheduled for the survey. Ongoing annual funding will be included beginning in FY 2024.</p>	\$ -	\$ -
<i>Community Services</i>	<p>Youth Community Services (YCS) Youth Connectedness Initiative (YCI) Consistent with Finance Committee direction at the May 24 meeting, this action provides \$50,000 in one-time funding to YCI in FY 2023 and provides \$50,000 in additional funding to the HSRAP in FY 2024 on an ongoing basis.</p>	\$ -	\$ 50,000
<i>Community Services</i>	<p>United Nations Association Film Festival (UNAFF) Consistent with Finance Committee direction at the May 24 meeting, this action provide \$20,000 in one-time funding to provide support to the UNAFF in FY 2023.</p>	\$ -	\$ 20,000
<i>Non-Departmental</i>	<p>Supplemental Pension Trust Fund Contributions Consistent with Finance Committee direction at the May 24 meeting, this action increases supplemental pension funding from the previously approved discount rate (DR) of 6.2% to 5.3% to be phased in over two years. FY 2023 is a transitional year in which half of the difference is budgeted, which is approximately equivalent to a 5.8 DR. To execute this direction, this action allocates funding proportionately to departments that will materialize as a personnel benefit expense totaling \$2.2 million (General Fund \$1.3 million, other funds \$0.9 million). General Fund expenses are offset by the distribution of the \$1.3 million reserve established in the FY 2023 Proposed Budget. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4. This action passes through the General Benefits Fund, which centrally collects revenue and transmits corresponding funding to the Section 115 Pension Trust Fund.</p>	\$ -	\$ (1,300,000)

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
GENERAL FUND (102 & 103)			
<i>Non-Departmental</i>	<p>Transfer from the General Fund to the Public Art Fund Consistent with staff recommendation at the May 24 meeting, this action increases the transfer from the General Fund to the Public Art Fund by \$14,000 beginning in FY 2023 to comply with requirements that limit the Public Art Fund administrative costs that are funded through fees to 20% of the fund's annual expense budget (Ordinance 5226).</p>	\$ -	\$ 14,000
<i>Public Works</i>	<p>Tree Ordinance Update and Additional Positions Consistent with City Council approval at the June 6, 2022 meeting (CMR 14355), this action adds 1.0 Project Manager, 1.0 Building/Planning Technician, and 0.48 part-time Staff Specialist to make clarifying changes and amend Titles 2, 9, and 18 to expand tree protection to include protected tree species and revise grounds for tree removal.</p>		\$ 332,580
<i>Various</i>	<p>Utilities Water Rate and Corresponding Adjustments Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ (87,196)
<i>Various</i>	<p>Supplemental Pension Trust Fund Contributions This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ 1,300,000
<i>Various</i>	<p>Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ (326,159)
<i>Fund Balance</i>	<p>Adjustment to Fund Balance (Budget Stabilization Reserve) This action adjusts the fund balance to offset adjustments recommended in this report.</p>	\$ -	\$ (21,226)
GENERAL FUND (102 & 103) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
 RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
CAPITAL IMPROVEMENT FUNDS			
<u>CAPITAL IMPROVEMENT FUND (471)</u>			
<i>Capital</i>	<p>Capital Improvement Project Amendments to Proposed Reappropriations</p> <p>This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. Projects with other recommended adjustments, as directed by Finance Committee on May 24, are detailed below. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.</p>	\$ (18,800)	\$ 6,017,046
<i>Capital</i>	<p>Performing Arts Venues Seat Replacement (AC-18000)</p> <p>Consistent with Finance Committee direction at the May 24 meeting, this action programs \$50,000 for design work at the Lucie Stern Theater. An additional \$650,000 has been programmed into FY 2024 as part of the 2023-2027 CIP for the construction need at the Lucie Stern Theater.</p>	\$ -	\$ 50,000
<i>Capital</i>	<p>Ramos Park Improvements (PG-14000)</p> <p>Consistent with Finance Committee direction at the May 24 meeting, this action programs \$300,000 to fund the award of the Ramos Park Project. The funding will be reimbursed from the Capital Improvement Fund Administration Project (AS-10000).</p>	\$ -	\$ 300,000
<i>Capital</i>	<p>Capital Improvement Fund Administration (AS-10000)</p> <p>Consistent with Finance Committee direction at the May 24 meeting, this action reimburses the programming of \$300,000 for the Ramos Park Improvements Project (PG-14000).</p>	\$ -	\$ (300,000)
<i>Capital</i>	<p>Supplemental Pension Trust Fund Contributions</p> <p>This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ 67,790

CITY OF PALO ALTO
 RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
CAPITAL IMPROVEMENT FUNDS			
<i>Capital</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ (22,821)
<i>Fund Balance</i>	Adjustment to Fund Balance (Infrastructure Reserve) This action adjusts the fund balance to offset adjustments recommended in this report.	\$ -	\$ (6,130,815)
CAPITAL IMPROVEMENT FUND (471) SUBTOTAL		\$ (18,800)	\$ (18,800)

CITY OF PALO ALTO
 RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
CAPITAL IMPROVEMENT FUNDS			
<u>CUBBERLEY INFRASTRUCTURE FUND (472)</u>			
<i>Capital</i>	Capital Improvement Project Amendments to Proposed This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.	\$ -	\$ (572,400)
<i>Capital</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 5,089
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	\$ -	\$ 567,311
CUBBERLEY INFRASTRUCTURE FUND (472) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<u>AIRPORT FUND (530)</u>		
<i>Capital</i>		
Capital Improvement Project Adjustments to Proposed	\$ -	\$ 533,000
This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.		
<i>Public Works</i>		
Supplemental Pension Trust Fund Contributions	\$ -	\$ 9,092
This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Public Works</i>		
Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ 9,962
On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Public Works</i>		
Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (463)
Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide		
<i>Fund Balance</i>		
Adjustment to Fund Balance	\$ -	\$ (551,592)
This action adjusts the fund balance to offset adjustments recommended in this report.		
AIRPORT FUND (530) SUBTOTAL	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<u>UTILITIES ADMINISTRATION FUND (521)</u>		
<i>Utilities</i> Supplemental Pension Funding	\$ -	\$ 39,654
This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For		
<i>Utilities</i> Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ 6,467
On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i> Adjustment to Fund Balance	\$ -	\$ (46,121)
This action adjusts the fund balance to offset adjustments recommended in this report.		
UTILITIES ADMINISTRATION FUND (521) SUBTOTAL	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS			
<u>ELECTRIC FUND (513 & 523)</u>			
<i>Capital</i>	<p>Capital Improvement Project Adjustments to Proposed Reappropriations</p> <p>This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. Projects with other recommended adjustments, as directed by Finance Committee on May 24, are detailed below. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.</p>	\$ -	\$ 6,879,000
<i>Capital</i>	<p>Substation Physical Security</p> <p>Consistent with Finance Committee direction at the May 24 meeting, this action programs an additional \$2.2 million to the Substation Physical Security Project in FY 2023. The \$2.2 million is included in the \$6.9 million reappropriation amount listed above.</p>	\$ -	\$ -
<i>Utilities</i>	<p>Supplemental Pension Trust Fund Contributions</p> <p>This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ 248,691
<i>Utilities</i>	<p>Other Post-Employment Benefits (OPEB) Actuarial Valuation</p> <p>On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ (57,542)

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<i>Utilities</i> Staffing Update for Sustainability and Climate Action Plan	\$ -	\$ 153,924
<p>Consistent with staff recommendation at the May 11 meeting, this action adds 1.0 Principal Utilities Program Manager, a new classification, to the Utilities Department. This will result in staffing increases of 0.60 FTE in the Electric Fund, 0.30 FTE in the Gas Fund, and 0.10 FTE in the Water Fund. The Principal Utilities Program Manager would be a new job classification which requires completion of appropriate review including any potential discussions with bargaining groups. HR approves this new Utilities classification in concept with expectation that more analysis will need to be conducted to evaluate impact to other S/CAP assignments. Amounts estimated for funding levels are for financial planning purposes only and do not reflect the final negotiated terms of the proposed classification.</p>		
<i>Utilities</i> Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (182)
<p>Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		
<i>Fund Balance</i> Adjustment to Fund Balance	\$ -	\$ (7,223,891)
<p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>		
ELECTRIC FUND (513 & 523) SUBTOTAL		
	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<i>FIBER FUND (533)</i>		
<i>Utilities</i>	Supplemental Pension Trust Fund Contributions	\$ - \$ 12,840
	<p>This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	
<i>Utilities</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ - \$ (2,264)
	<p>On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	
<i>Utilities</i>	Fiber Revenue Alignment	\$ (95,919) \$ -
	<p>Consistent with staff recommendation at the May 24 meeting, this action decreases Fiber revenues by \$0.1 million in FY 2023 from \$3.7 to \$3.6 million in alignment with the anticipated revenues from Dark Fiber Licensing Services on the EDF-1 Rate Schedule increase based on the annual Consumer Price Index (CPI) of 4.2%. Commercial fiber optic fees charged under the EDF-1 Rate Schedule are adjusted annually in accordance with the CPI, which is published by the United States Bureau of Labor Statistics. This adjustment also includes a technical correction to remove revenue from industrial fiber customers, as there are no longer customers in this category.</p>	
<i>Fund Balance</i>	Adjustment to Fund Balance	\$ - \$ (106,495)
	<p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>	
FIBER FUND (533) SUBTOTAL		\$ (95,919) \$ (95,919)

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS			
<u>GAS FUND (514 & 524)</u>			
<i>Capital</i>	Capital Improvement Project Adjustments to Proposed This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.	\$ -	\$ 2,073,694
<i>Utilities</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 95,473
<i>Utilities</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ (40,688)
<i>Utilities</i>	Electric Operations Technologist Staff Correction This action is a technical correction to adjust the transaction reclassifying the SCADA Technologist in the FY 2023 Proposed Operating Budget. It does not result in any increase or reduction of expenses nor FTE when combined with the transaction included in FY 2023 Proposed.	\$ -	\$ 89,648

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<i>Utilities</i> Staffing Update for Sustainability and Climate Action Plan Consistent with staff recommendation at the May 11 meeting, this action adds 1.0 Principal Utilities Program Manager, a new classification, to the Utilities Department. This will result in staffing increases of 0.60 FTE in the Electric Fund, 0.30 FTE in the Gas Fund, and 0.10 FTE in the Water Fund. The Principal Utilities Program Manager would be a new job classification which requires completion of appropriate review including any potential discussions with bargaining groups. HR approves this new Utilities classification in concept with expectation that more analysis will need to be conducted to evaluate impact to other S/CAP assignments. Amounts estimated for funding levels are for financial planning purposes only and do not reflect the final negotiated terms of the proposed classification.	\$ -	\$ 76,962
<i>Utilities</i> Utilities Water Rate and Corresponding Adjustments Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ (17)
<i>Fund Balance</i> Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	\$ -	\$ (2,295,072)
GAS FUND (514 & 524) SUBTOTAL	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<u>REFUSE FUND (525)</u>		
<i>Public Works</i> Supplemental Pension Trust Fund Contributions	\$ -	\$ 26,646
<p>This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		
<i>Public Works</i> Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ (13,080)
<p>On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		
<i>Public Works</i> Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (178)
<p>Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		
<i>Fund Balance</i> Adjustment to Fund Balance	\$ -	\$ (13,388)
<p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>		
REFUSE FUND (525) SUBTOTAL		
	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<u>STORMWATER MANAGEMENT FUND (528)</u>		
<i>Capital</i>		
Capital Improvement Project Adjustments to Proposed	\$ -	\$ 685,800
This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. Projects with other recommended adjustments are detailed below. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.		
<i>Public Works</i>		
Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (256)
Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Public Works</i>		
Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ (8,925)
On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Public Works</i>		
Supplemental Pension Trust Fund Contributions	\$ -	\$ 25,203
This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i>		
Adjustment to Fund Balance	\$ -	\$ (701,822)
This action adjusts the fund balance to offset adjustments recommended in this report.		
STORMWATER MANAGEMENT FUND (528) SUBTOTAL		
	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<u>WASTEWATER COLLECTION FUND (527)</u>		
<i>Utilities</i>	Supplemental Pension Trust Fund Contributions	\$ - \$ 47,359
	This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	
<i>Utilities</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ - \$ (12,075)
	On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	
<i>Capital</i>	Capital Improvement Project Adjustments to Proposed	\$ - \$ 879,688
	This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.	
<i>Fund Balance</i>	Adjustment to Fund Balance	\$ - \$ (914,972)
	This action adjusts the fund balance to offset adjustments recommended in this report.	
WASTEWATER COLLECTION FUND (527) SUBTOTAL		\$ - \$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<u>WASTEWATER TREATMENT FUND (526)</u>		
<i>Capital</i>	Capital Improvement Project Adjustments to Proposed	\$ -
<p>This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.</p>		\$ 6,587,500
<i>Public Works</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -
<p>On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		\$ (58,533)
<i>Public Works</i>	Supplemental Pension Trust Fund Contributions	\$ -
<p>This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		\$ 125,246
<i>Public Works</i>	Utilities Water Rate and Corresponding Adjustments	\$ -
<p>Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>		\$ (926)
<i>Fund Balance</i>	Adjustment to Fund Balance	\$ -
<p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>		\$ (6,653,288)
WASTEWATER TREATMENT FUND (526) SUBTOTAL		\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS			
<u>WATER FUND (522)</u>			
<i>Capital</i>	<p>Capital Improvement Project Adjustments to Proposed This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.</p>	\$ -	\$ 3,127,750
<i>Utilities</i>	<p>Supplemental Pension Trust Fund Contributions This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ 87,028
<i>Utilities</i>	<p>Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ (42,438)
<i>Utilities</i>	<p>Electric Operations Technologist Staff Correction This action is a technical correction to adjust the transaction reclassifying the SCADA Technologist in the FY 2023 Proposed Operating Budget. It does not result in any increase or reduction of expenses nor FTE when combined with the transaction included in FY 2023 Proposed.</p>	\$ -	\$ (89,648)

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS		
<i>Utilities</i>		
Utilities Water Rate and Corresponding Adjustments	\$ (1,677,205)	\$ 1,501,340
<p>Consistent with staff recommendation at the May 24 meeting, this action reflects a Water rate increase of 8.9% in FY 2023 and corresponding adjustments. On May 10, 2022 the San Francisco Public Utilities Commission (SFPUC) approved a wholesale water commodity rate increase of 15.9%, which will be passed through to Palo Alto water utility customers. This results in an 8.9% systemwide average rate increase for water, comprised of the 4% distribution rate increase plus a water commodity pass-through rate increase. The Water Utility’s reserves will be used to smooth rate increases over several years. To align with the commodity rate increase, water revenues and corresponding charges will decrease by \$1.7 million from the FY 2023 Proposed amount of \$49.6 to \$47.9 million, which results in an approximately \$87,000 expense reduction in the General Fund, \$90,000 across all funds. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4. Water commodity purchase expense levels will increase by \$1.5 million from the FY 2023 Proposed amount of \$21.8 to \$23.3 million to reflect the wholesale rate increase.</p>		
<i>Utilities</i>		
Staffing Update for Sustainability and Climate Action Plan	\$ -	\$ 25,654
<p>Consistent with staff recommendation at the May 11 meeting, this action adds 1.0 Principal Utilities Program Manager, a new classification, to the Utilities Department. This will result in staffing increases of 0.60 FTE in the Electric Fund, 0.30 FTE in the Gas Fund, and 0.10 FTE in the Water Fund. The Principal Utilities Program Manager would be a new job classification which requires completion of appropriate review including any potential discussions with bargaining groups. HR approves this new Utilities classification in concept with expectation that more analysis will need to be conducted to evaluate impact to other S/CAP assignments. Amounts estimated for funding levels are for financial planning purposes only and do not reflect the final negotiated terms of the proposed classification.</p>		
<i>Fund Balance</i>		
Adjustment to Fund Balance	\$ -	\$ (6,286,892)
<p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>		
WATER FUND (522) SUBTOTAL		
	\$ (1,677,205)	\$ (1,677,205)

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS		
<u>CALIFORNIA AVENUE PARKING PERMITS FUND (237)</u>		
<i>Non-Departmental</i>		
Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (59)
Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Non-Departmental</i>		
Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ (869)
On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Non-Departmental</i>		
Supplemental Pension Trust Fund Contributions	\$ -	\$ 1,902
This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i>		
Ending Fund Balance	\$ -	\$ (974)
This action adjusts the fund balance to offset the actions recommended in this report.		
<u>CALIFORNIA AVENUE PARKING PERMITS FUND (237) SUBTOTAL</u>		
	\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS			
<u>COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND (232)</u>			
<i>Planning & Development Services</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 209
<i>Fund Balance</i>	Ending Fund Balance This action adjusts the fund balance to offset the actions recommended in this report.	\$ -	\$ (209)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND (232) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS			
<u>HOUSING IN-LIEU RESIDENTIAL FUND (233)</u>			
<i>Planning & Development Services</i>	Supplemental Pension Trust Fund Contributions	\$ -	\$ 313
	This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i>	Ending Fund Balance	\$ -	\$ (313)
	This action adjusts the fund balance to offset the actions recommended in this report.		
HOUSING IN-LIEU RESIDENTIAL FUND (233) SUBTOTAL		\$ -	\$ -
<u>HOUSING IN-LIEU COMMERCIAL FUND (234)</u>			
<i>Planning & Development Services</i>	Supplemental Pension Trust Fund Contributions	\$ -	\$ 313
	This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i>	Ending Fund Balance	\$ -	\$ (313)
	This action adjusts the fund balance to offset the actions recommended in this report.		
HOUSING IN-LIEU COMMERCIAL FUND (234) SUBTOTAL		\$ -	\$ -
<u>PARKS IMPACT FEE FUND (210)</u>			
<i>Community Services</i>	Transfer to the Capital Improvement Fund	\$ -	\$ (18,800)
	This action reduces the transfer to the Capital Improvement Fund in FY 2023 by \$5,500 for the Dog Park Installation and Renovation project (PG-18001) and \$13,300 for the Park Restroom Installation project (PG-19000). The transfer will occur in FY 2022 to align with project expenditures.		
<i>Fund Balance</i>	Ending Fund Balance	\$ -	\$ 18,800
	This action adjusts the fund balance to offset the actions recommended in this report.		
PARKS IMPACT FEE FUND (210) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS			
<u>PUBLIC ART FUND (207)</u>			
<i>Community Services</i>	Transfer from the General Fund to the Public Art Fund Consistent with staff recommendation at the May 24 meeting, this action increases the transfer from the General Fund to the Public Art Fund by \$14,000 beginning in FY 2023 to comply with requirements that limit the Public Art Fund administrative costs that are funded through fees to 20% of the fund's annual expense budget (Ordinance 5226).	\$ 14,000	\$ -
<i>Community Services</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 2,028
<i>Fund Balance</i>	Ending Fund Balance This action adjusts the fund balance to offset the actions recommended in this report.	\$ -	\$ 11,972
PUBLIC ART FUND (207) SUBTOTAL		\$ 14,000	\$ 14,000

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS			
<u>RESIDENTIAL PREFERENTIAL PARKING PERMITS FUND (239)</u>			
<i>Non- Departmental</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 3,778
<i>Non- Departmental</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ (1,514)
<i>Fund Balance</i>	Ending Fund Balance This action adjusts the fund balance to offset the actions recommended in this report.		\$ (2,264)
RESIDENTIAL PREFERENTIAL PARKING PERMITS FUND (239) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS			
<u>UNIVERSITY AVENUE PARKING PERMITS FUND (236)</u>			
<i>Office Of</i>	University Avenue Valet Parking	\$ -	\$ (289,972)
<i>Transportation</i>	Consistent with Finance Committee recommendation at the May 11 meeting, this action eliminates funding for the Parking Attendant (Valet) Program in FY 2023 in recognition of lower demand for parking permits and increased capacity in lots and garages.		
<i>Non- Departmental</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ (3,650)
	On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Non- Departmental</i>	Supplemental Pension Trust Fund Contributions	\$ -	\$ 6,994
	This action executes the FY 2023 Supplemental Pension Trust Fund Contributions action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Non- Departmental</i>	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (345)
	Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i>	Ending Fund Balance	\$ -	\$ 286,972
	This action adjusts the fund balance to offset the actions recommended in this report.		
UNIVERSITY AVENUE PARKING PERMITS FUND (236) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department	Revenues Adjustment	Expenses Adjustment
INTERNAL SERVICE FUNDS		

GENERAL BENEFITS FUND (687)

<i>Non- Departmental</i>	Supplemental Pension Trust Fund Contributions Consistent with Finance Committee direction at the May 24 meeting, this action increases supplemental pension funding from the previously approved discount rate (DR) of 6.2% to 5.3% to be phased in over two years. FY 2023 is a transitional year in which half of the difference is budgeted, which is approximately equivalent to a 5.8 DR. To execute this direction, this action allocates funding proportionately to departments that will materialize as a personnel benefit expense totaling \$2.2 million (General Fund \$1.3 million, other funds \$0.9 million). General Fund expenses are offset by the distribution of the \$1.3 million reserve established in the FY 2023 Proposed Budget. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4. This action passes through the General Benefits Fund, which centrally collects revenue and transmits corresponding funding to the Section 115 Pension Trust Fund.	\$ 2,202,631	\$ 2,202,631
<i>Non- Departmental</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ 199,000	\$ 199,000
<i>Non- Departmental</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	\$ -	\$ -
GENERAL BENEFITS FUND (687) SUBTOTAL		\$ 2,401,631	\$ 2,401,631

RETIREE HEALTH BENEFITS FUND (694)

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
INTERNAL SERVICE FUNDS			
<i>Non-Departmental</i>	<p>Other Post-Employment Benefits (OPEB) Actuarial Valuation</p> <p>On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto’s Retiree Healthcare Plan (CMR 14502). As part of this report, the Finance Committee recommended the full funding of the Actuarial Determined Contribution (ADC) for FY 2023 and FY 2024 and affirmed the continued practice of transmitting amounts at a 5.75 percent discount rate as an additional discretionary payment to the City’s California Employers’ Retiree Benefit Trust (CERBT) Fund. This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. This constitutes a \$0.6 million reduction from FY 2023 Proposed funding levels of \$16.9 million. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ (598,000)	\$ (598,000)
<i>Fund Balance</i>	<p>Adjustment to Fund Balance</p> <p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>	\$ -	\$ -
RETIREE HEALTH BENEFITS FUND (694) SUBTOTAL		\$ (598,000)	\$ (598,000)
<u>PRINTING & MAILING FUND (683)</u>			
<i>Administrative Services</i>	<p>Supplemental Pension Trust Fund Contributions</p> <p>This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ 1,726
<i>Administrative Services</i>	<p>Other Post-Employment Benefits (OPEB) Actuarial Valuation</p> <p>On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto’s Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.</p>	\$ -	\$ (175)
<i>Fund Balance</i>	<p>Adjustment to Fund Balance</p> <p>This action adjusts the fund balance to offset adjustments recommended in this report.</p>	\$ -	\$ (1,551)
PRINTING & MAILING FUND (683) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
INTERNAL SERVICE FUNDS			
<u>TECHNOLOGY FUND (682)</u>			
<i>Information Technology</i>	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (402)
	Consistent with staff recommendation at the May 24 meeting, this action aligns Water Fund revenue and expenses and citywide Allocated Charge expenses to a Water rate increase of 8.9%. For more information, see the Water Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Information Technology</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation	\$ -	\$ (13,994)
	On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Information Technology</i>	Supplemental Pension Trust Fund Contributions	\$ -	\$ 70,897
	This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.		
<i>Fund Balance</i>	Adjustment to Fund Balance	\$ -	\$ (56,502)
	This action adjusts the fund balance to offset adjustments recommended in this report.		
TECHNOLOGY FUND (682) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
INTERNAL SERVICE FUNDS			
<u>VEHICLE REPLACEMENT FUND (681)</u>			
<i>Capital</i>	Capital Improvement Project Reappropriations This action reflects the impact from adjustments to capital projects as a result of funds recommended to be reappropriated from FY 2022 to FY 2023. All recommended changes to proposed capital projects are outlined in Attachment A, Exhibit 3.	\$ -	\$ 1,443,000
<i>Public Works</i>	Other Post-Employment Benefits (OPEB) Actuarial Valuation On June 7, 2022, the Finance Committee approved the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan (CMR 14502). This action results in a new FY 2023 funding level of \$16.3 million, which is comprised of the ADC of \$15.9 million and \$0.4 million for newly proposed staff in FY 2023. For more information see the Retiree Health Benefits Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ (9,705)
<i>Public Works</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 22,182
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	\$ -	\$ (1,455,477)
VEHICLE REPLACEMENT FUND (681) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED BUDGET

Department		Revenues Adjustment	Expenses Adjustment
INTERNAL SERVICE FUNDS			
<u>WORKER'S COMPENSATION FUND (688)</u>			
<i>Non- Departmental</i>	Supplemental Pension Trust Fund Contributions This action executes the FY 2023 supplemental pension funding action (General Fund \$1.3 million, other funds \$0.9 million). For additional information see the General Fund section of Attachment A, Exhibit 2. A detailed list of impacts by department and fund can be found in Attachment A, Exhibit 4.	\$ -	\$ 2,179
<i>Non- Departmental</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	\$ -	\$ (2,179)
WORKER'S COMPENSATION FUND (688) SUBTOTAL		\$ -	\$ -

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED CAPITAL IMPROVEMENT PROGRAM

Project Title	Project Number	FY 2023 Appropriation:			FY 2023 Revenue: Proposed Capital Budget Document	FY 2023 Revenue Adjustment	FY 2023 Revised Revenue
		Proposed Capital Budget Document	FY 2023 Appropriation Adjustment	FY 2023 Revised Appropriation			
CAPITAL IMPROVEMENT FUND							
Americans With Disabilities Act Compliance	PF-93009	\$ 874,900	\$ (100,000)	\$ 774,900			
Animal Shelter Renovation	PE-19002	\$ 739,100	\$ 252,000	\$ 991,100			
Art In Public Spaces	AC-86017	\$ 1,727,600	\$ 277,200	\$ 2,004,800			
Athletic Courts Resurfacing	PG-06001	\$ 238,700	\$ 75,800	\$ 314,500			
Baylands Comprehensive Conservation Plan	PG-17000		\$ 7,100	\$ 7,100			
Cameron Park Improvements	PG-14002		\$ 101,500	\$ 101,500			
Capital Improvement Fund Administration	AS-10000	\$ 1,010,700	\$ (300,000)	\$ 710,700			
City Bridge Improvements	PE-20001	\$ 483,000	\$ 20,000	\$ 503,000			
City Hall Space Planning	PE-19000	\$ 416,400	\$ 200,000	\$ 616,400			
Civic Center Fire Life Safety Upgrades	PE-18016	\$ 178,900	\$ 44,000	\$ 222,900			
Civic Center Waterproofing Study and Repairs	PE-15020	\$ 304,200	\$ 27,000	\$ 331,200			
Curb and Gutter Repairs	PO-12001	\$ 111,000	\$ 11,600	\$ 122,600			
Dog Park Installation and Renovation	PG-18001	\$ 166,500	\$ (5,500)	\$ 161,000	\$ 150,000	\$ (5,500)	\$ 144,500
Extrication Tool Replacement	FD-22000		\$ 118,187	\$ 118,187			
Facility Interior Finishes Replacement	PF-02022	\$ 510,400	\$ (5,900)	\$ 504,500	\$ -		\$ -
Fire Station 4 Replacement	PE-18004		\$ 195,000	\$ 195,000			
Golf Reconfiguration & Baylands Athletic Center Improvements	PG-13003		\$ 200,000	\$ 200,000			
JMZ Renovation	AC-18001		\$ 1,279,200	\$ 1,279,200			
Library Automated Material Handling	LB-21000	\$ 821,600	\$ 25,093	\$ 846,693	\$ 540,000		\$ 540,000
Magical Bridge Playground Rubber and Synthetic Turf Resurfacing	PE-21003		\$ 163,000	\$ 163,000			
Municipal Service Center A, B, & C Roof Replacement	PF-17000		\$ 131,000	\$ 131,000			
Municipal Service Center Lighting, Mechanical, and Electrical Improvements	PF-16006	\$ 6,346,700	\$ 150,000	\$ 6,496,700	\$ 1,539,000		\$ 1,539,000
New California Avenue Area Parking Garage	PE-18000	\$ 351,400	\$ 493,000	\$ 844,400			
Newell Road/San Francisquito Creek Bridge Replacement	PE-12011	\$ 12,397,500	\$ 1,000,000	\$ 13,397,500	\$ 12,500,000		\$ 12,500,000
Off-Road Pathway Resurfacing And Repair	OS-09001	\$ 111,000	\$ 57,000	\$ 168,000			
Open Space Trails and Amenities	OS-00001	\$ 194,300	\$ 13,000	\$ 207,300			
Park and Open Space Emergency Repairs	PG-09002	\$ 222,100	\$ 83,300	\$ 305,400			
Park Restroom Installation	PG-19000	\$ 377,100	\$ (13,300)	\$ 363,800	\$ 350,000	\$ (13,300)	\$ 336,700
Parking Management and System Implementation	PL-16002		\$ 110,000	\$ 110,000			
Performing Arts Venues Seat Replacement	AC-18000		\$ 50,000	\$ 50,000			
Railroad Grade Separation and Safety Improvements	PL-17001	\$ 3,468,200	\$ 114,963	\$ 3,583,163	\$ 1,000,000		\$ 1,000,000
Ramos Park Improvements	PG-14000		\$ 308,900	\$ 308,900			
Safe Routes To School	PL-00026	\$ 149,900	\$ 700,000	\$ 849,900	\$ 100,000		\$ 100,000
Sidewalk Repairs	PO-89003	\$ 1,387,900	\$ 65,000	\$ 1,452,900			
Sign Reflectivity Upgrade	PO-11000	\$ 94,400	\$ 12,000	\$ 106,400			
Street Maintenance	PE-86070	\$ 4,960,700	\$ 314,000	\$ 5,274,700	\$ 3,545,200		\$ 3,545,200
Thermoplastic Lane Marking and Striping	PO-11001	\$ 138,800	\$ 28,000	\$ 166,800			
Transportation and Parking Improvements	PL-12000	\$ 971,500	\$ 434,903	\$ 1,406,403	\$ 500,000		\$ 500,000
Water, Gas, Wastewater Office Remodel	PE-19001	\$ 632,900	\$ (570,000)	\$ 62,900	\$ 570,000		\$ 570,000
TOTAL CAPITAL IMPROVEMENT FUND PROJECT ADJUSTMENTS		\$ 39,387,400	\$ 6,067,046	\$ 45,454,446	\$ 20,794,200	\$ (18,800)	\$ 20,775,400
CUBBERLEY INFRASTRUCTURE FUND							
Cubberley Field Restroom	CB-17002	\$ 485,000	\$ 23,000	\$ 508,000			
Cubberley Repairs	CB-17001	\$ 855,000	\$ 227,000	\$ 1,082,000			
Cubberley Roof Replacements	CB-16002	\$ 2,925,000	\$ (822,400)	\$ 2,102,600	\$ 1,962,800		\$ 1,962,800
TOTAL CUBBERLEY INFRASTRUCTURE FUND PROJECT ADJUSTMENTS		\$ 4,265,000	\$ (572,400)	\$ 3,692,600	\$ 1,962,800	\$ -	\$ 1,962,800
AIRPORT FUND							
Airport Apron Reconstruction	AP-16000		\$ 532,000	\$ 532,000			
Airport Temporary Office Buildings	AP-22001	\$ 359,800	\$ 1,000	\$ 360,800			
TOTAL AIRPORT FUND PROJECT ADJUSTMENTS		\$ 359,800	\$ 533,000	\$ 892,800	\$ -	\$ -	\$ -
ELECTRIC FUND							
Capacitor Bank Installation	EL-16002		\$ 146,000	\$ 146,000			
Coleridge/Cowper/Tennyson 4/12kV Conversion	EL-14000	\$ 1,250,000	\$ 1,250,000	\$ 2,500,000			
Colorado Distribution Feeder Outlet Replacement	EL-22002		\$ 400,000	\$ 400,000			
Colorado Substation Site Improvements	EL-19002	\$ 340,000	\$ 650,000	\$ 990,000			
East Meadow Circles 4/12kV Conversion	EL-17001	\$ 500,000	\$ 240,000	\$ 740,000			
Electric Utility Geographic Information System	EL-02011	\$ 165,000	\$ 160,000	\$ 325,000			
Foothills Rebuild (Fire Mitigation)	EL-21001	\$ 2,000,000	\$ 1,500,000	\$ 3,500,000			
Inter-substation Line Protection Relay	EL-17005	\$ 150,000	\$ 150,000	\$ 300,000			
Rebuild Underground District 26	EL-16000	\$ 350,000	\$ 183,000	\$ 533,000			
Substation Physical Security	EL-16003	\$ 2,200,000	\$ 2,200,000	\$ 4,400,000			
TOTAL ELECTRIC FUND PROJECT ADJUSTMENTS		\$ 6,955,000	\$ 6,879,000	\$ 13,834,000	\$ -	\$ -	\$ -
GAS FUND							
Gas Main Replacement - Project 23	GS-13001		\$ 93,694	\$ 93,694			
Gas Main Replacement - Project 24	GS-14003	\$ 8,000,000	\$ 1,980,000	\$ 9,980,000			
TOTAL GAS FUND PROJECT ADJUSTMENTS		\$ 8,000,000	\$ 2,073,694	\$ 10,073,694	\$ -	\$ -	\$ -
STORMWATER MANAGEMENT FUND							
Corporation Way System Upgrades and Pump Station	SD-21000	\$ 2,682,200	\$ 500,000	\$ 3,182,200			
Storm Drainage System Replacement And Rehabilitation	SD-06101	\$ 1,421,100	\$ (188,000)	\$ 1,233,100			
Trash Capture Device Installation	SD-22002	\$ 532,000	\$ 18,000	\$ 550,000	\$ 613,000		\$ 613,000
West Bayshore Road Pump Station	SD-20000	\$ 784,000	\$ 350,000	\$ 1,134,000			
West Bayshore Road Trunk Line Improvements	SD-23000	\$ 885,600	\$ 5,800	\$ 891,400			

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 PROPOSED CAPITAL IMPROVEMENT PROGRAM**

Project Title	Project Number	FY 2023 Appropriation:			FY 2023 Revenue:		
		Proposed Capital Budget Document	FY 2023 Appropriation Adjustment	FY 2023 Revised Appropriation	Proposed Capital Budget Document	FY 2023 Revenue Adjustment	FY 2023 Revised Revenue
TOTAL STORMWATER MANAGEMENT FUND PROJECT ADJUSTMENTS		\$ 6,304,900	\$ 685,800	\$ 6,990,700	\$ 613,000	\$ -	\$ 613,000
VEHICLE REPLACEMENT FUND							
Scheduled Vehicle and Equipment Replacement - Fiscal Year 2020	VR-20000	\$ 786,700	\$ 627,000	\$ 1,413,700			
Scheduled Vehicle and Equipment Replacement - Fiscal Year 2021	VR-21000	\$ 224,700	\$ 47,000	\$ 271,700			
Scheduled Vehicle and Equipment Replacement - Fiscal Year 2022	VR-22000	\$ 300,000	\$ 769,000	\$ 1,069,000			
TOTAL VEHICLE REPLACEMENT FUND PROJECT ADJUSTMENTS		\$ 1,311,400	\$ 1,443,000	\$ 2,754,400	\$ -	\$ -	\$ -
WASTEWATER COLLECTION FUND							
Wastewater Collection System Rehabilitation/Augmentation Project 30	WC-17001		\$ 879,688	\$ 879,688			
TOTAL WASTEWATER COLLECTION FUND PROJECT ADJUSTMENTS		\$ -	\$ 879,688	\$ 879,688	\$ -	\$ -	\$ -
WASTEWATER TREATMENT FUND							
Advanced Water Purification Facility	WQ-19003	\$ 16,866,500	\$ 194,000	\$ 17,060,500	\$ 18,521,000		\$ 18,521,000
Horizontal Levee Pilot	WQ-22001	\$ 169,400	\$ 25,000	\$ 194,400			
Plant Repair, Retrofit, and Equipment Replacement	WQ-19002	\$ 4,093,000	\$ 6,372,000	\$ 10,465,000			
Secondary Treatment Upgrades	WQ-19001	\$ 144,688,700	\$ (3,500)	\$ 144,685,200	\$ 148,799,600		\$ 148,799,600
TOTAL WASTEWATER TREATMENT FUND PROJECT ADJUSTMENTS		\$ 165,817,600	\$ 6,587,500	\$ 172,405,100	\$ 167,320,600	\$ -	\$ 167,320,600
WATER FUND							
Water General Equipment/Tools	WS-13002	\$ 50,000	\$ 55,000	\$ 105,000			
Water Main Replacement - Project 28	WS-14001		\$ 2,000,000	\$ 2,000,000			
Water Main Replacement - Project 29	WS-15002	\$ 675,000	\$ 124,600	\$ 799,600			
Water Meters	WS-80015	\$ 562,800	\$ 400,000	\$ 962,800			
Water Regulation Station Improvements	WS-07000	\$ 60,000	\$ 548,150	\$ 608,150			
TOTAL WATER FUND PROJECT ADJUSTMENTS		\$ 1,347,800	\$ 3,127,750	\$ 4,475,550	\$ -	\$ -	\$ -
TOTAL ADJUSTMENTS ACROSS ALL FUNDS		\$ 233,748,900	\$ 27,704,078	\$ 261,452,978	\$ 190,690,600	\$ (18,800)	\$ 190,671,800

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Fund	Department/ Fund	Title	Revenue	Expense	Comments
GENERAL FUND					
<i>General Fund</i>	<i>Community Services</i>	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (80,669)	Adjustment to a Water rate increase of 8.9%
<i>General Fund</i>	<i>Fire</i>	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (659)	Adjustment to a Water rate increase of 8.9%
<i>General Fund</i>	<i>Library</i>	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (4,026)	Adjustment to a Water rate increase of 8.9%
<i>General Fund</i>	<i>Public Works</i>	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (1,842)	Adjustment to a Water rate increase of 8.9%
GENERAL FUND SUBTOTAL			\$ -	\$ (87,196)	
SPECIAL REVENUE FUNDS					
<i>University Avenue Parking Permits</i>	236	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (345)	Adjustment to a Water rate increase of 8.9%
<i>California Avenue Parking Permits</i>	237	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (59)	Adjustment to a Water rate increase of 8.9%
SPECIAL REVENUE SUBTOTAL			\$ -	\$ (404)	
ENTERPRISE FUNDS					
<i>Electric Supply Fund</i>	513 & 523	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (182)	Adjustment to a Water rate increase of 8.9%
<i>Gas Supply Fund</i>	514 & 524	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (17)	Adjustment to a Water rate increase of 8.9%
<i>Water Fund</i>	522	Utilities Water Rate and Corresponding Adjustments	\$ (1,677,205)	\$ 1,501,340	Adjustment to a Water rate increase of 8.9%
<i>Refuse Fund</i>	525	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (178)	Adjustment to a Water rate increase of 8.9%
<i>Wastewater Treatment Fund</i>	526	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (926)	Adjustment to a Water rate increase of 8.9%
<i>Stormwater Management Fund</i>	528	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (256)	Adjustment to a Water rate increase of 8.9%
<i>Airport Enterprise Fund</i>	530	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (463)	Adjustment to a Water rate increase of 8.9%
ENTERPRISE FUNDS SUBTOTAL			\$ (1,677,205)	\$ 1,499,318	
INTERNAL SERVICE FUNDS					
<i>Information Technology Fund</i>	682	Utilities Water Rate and Corresponding Adjustments	\$ -	\$ (402)	Adjustment to a Water rate increase of 8.9%
INTERNAL SERVICE FUNDS SUBTOTAL			\$ -	\$ (402)	
TOTAL ADJUSTMENT			\$ (1,677,205)	\$ 1,411,317	

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET

Fund	Department/ Fund	Title	Revenue	Expense	Comments
GENERAL FUND					
General Fund	Administrative Services	Supplemental Pension Contribution Adjustment	\$ -	\$ 73,205	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	City Attorney	Supplemental Pension Contribution Adjustment	\$ -	\$ 29,729	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	City Clerk	Supplemental Pension Contribution Adjustment	\$ -	\$ 8,613	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	City Council	Supplemental Pension Contribution Adjustment	\$ -	\$ 1,380	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	City Manager	Supplemental Pension Contribution Adjustment	\$ -	\$ 30,795	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Community Services	Supplemental Pension Contribution Adjustment	\$ -	\$ 108,137	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Fire	Supplemental Pension Contribution Adjustment	\$ -	\$ 343,397	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Human Resources	Supplemental Pension Contribution Adjustment	\$ -	\$ 32,563	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Library	Supplemental Pension Contribution Adjustment	\$ -	\$ 60,547	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Office Of Emergency Services	Supplemental Pension Contribution Adjustment	\$ -	\$ 5,631	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Office Of Transportation	Supplemental Pension Contribution Adjustment	\$ -	\$ 12,123	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Planning and Development Services	Supplemental Pension Contribution Adjustment	\$ -	\$ 116,550	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Police	Supplemental Pension Contribution Adjustment	\$ -	\$ 395,761	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
General Fund	Public Works	Supplemental Pension Contribution Adjustment	\$ -	\$ 81,570	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
GENERAL FUND SUBTOTAL			\$ -	\$ 1,300,000	
SPECIAL REVENUE FUNDS					
Public Art Fund	207	Supplemental Pension Contribution Adjustment	\$ -	\$ 2,028	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
Community Development Block Grant	232	Supplemental Pension Contribution Adjustment	\$ -	\$ 209	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
Housing In-Lieu/Residential	233	Supplemental Pension Contribution Adjustment	\$ -	\$ 313	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
Housing In-Lieu/Commercial	234	Supplemental Pension Contribution Adjustment	\$ -	\$ 313	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
University Avenue Parking Permits	236	Supplemental Pension Contribution Adjustment	\$ -	\$ 6,994	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
California Avenue Parking Permits	237	Supplemental Pension Contribution Adjustment	\$ -	\$ 1,902	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
Residential Parking Permit Programs	239	Supplemental Pension Contribution Adjustment	\$ -	\$ 3,778	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
SPECIAL REVENUE SUBTOTAL			\$ -	\$ 15,536	
CAPITAL FUNDS					
Capital Improvement Fund	471	Supplemental Pension Contribution Adjustment	\$ -	\$ 67,790	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
Cubberley Property Infrastructure Fund	472	Supplemental Pension Contribution Adjustment	\$ -	\$ 5,089	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
CAPITAL FUNDS SUBTOTAL			\$ -	\$ 72,879	
ENTERPRISE FUNDS					

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Fund	Department/ Fund	Title	Revenue	Expense	Comments
GENERAL FUND					
<i>Electric Supply Fund</i>	513	Supplemental Pension Contribution Adjustment	\$ -	\$ 21,123	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Gas Supply Fund</i>	514	Supplemental Pension Contribution Adjustment	\$ -	\$ 5,657	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Utilities Administration Fund</i>	521	Supplemental Pension Contribution Adjustment	\$ -	\$ 39,654	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Water Fund</i>	522	Supplemental Pension Contribution Adjustment	\$ -	\$ 87,028	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Electric Fund</i>	523	Supplemental Pension Contribution Adjustment	\$ -	\$ 227,568	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Gas Fund</i>	524	Supplemental Pension Contribution Adjustment	\$ -	\$ 89,816	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Refuse Fund</i>	525	Supplemental Pension Contribution Adjustment	\$ -	\$ 26,646	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Wastewater Treatment Fund</i>	526	Supplemental Pension Contribution Adjustment	\$ -	\$ 125,246	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Wastewater Collection Fund</i>	527	Supplemental Pension Contribution Adjustment	\$ -	\$ 47,359	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Stormwater Management Fund</i>	528	Supplemental Pension Contribution Adjustment	\$ -	\$ 25,203	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Airport Enterprise Fund</i>	530	Supplemental Pension Contribution Adjustment	\$ -	\$ 9,092	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Fiber Optics Fund</i>	533	Supplemental Pension Contribution Adjustment	\$ -	\$ 12,840	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
ENTERPRISE FUNDS SUBTOTAL			\$ -	\$ 717,232	
INTERNAL SERVICE FUNDS					
<i>Vehicle Replacement & Maintenance Fund</i>	681	Supplemental Pension Contribution Adjustment	\$ -	\$ 22,182	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Technology Fund</i>	682	Supplemental Pension Contribution Adjustment	\$ -	\$ 70,897	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Printing & Mailing Services Fund</i>	683	Supplemental Pension Contribution Adjustment	\$ -	\$ 1,726	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
<i>Worker's Compensation Fund</i>	688	Supplemental Pension Contribution Adjustment	\$ -	\$ 2,179	Adjustment to increase pension contributions to the Section 115 Pension Trust Fund
INTERNAL SERVICE FUNDS SUBTOTAL			\$ -	\$ 96,984	
TOTAL ADJUSTMENT			\$ -	\$ 2,202,631	

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Fund	Department/ Fund	Title	Revenue	Expense	Comments
GENERAL FUND					
General Fund	Administrative Services	Retiree Health Adjustment	\$ -	(16,454)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	City Attorney	Retiree Health Adjustment	\$ -	(8,659)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	City Clerk	Retiree Health Adjustment	\$ -	(3,411)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	City Council	Retiree Health Adjustment	\$ -	(5,423)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	City Manager	Retiree Health Adjustment	\$ -	10,480	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Community Services	Retiree Health Adjustment	\$ -	(41,265)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Fire	Retiree Health Adjustment	\$ -	(96,876)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Human Resources	Retiree Health Adjustment	\$ -	(4,466)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Library	Retiree Health Adjustment	\$ -	6,704	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Office of Emergency Services	Retiree Health Adjustment	\$ -	(3,069)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Office of Transportation	Retiree Health Adjustment	\$ -	(4,930)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Planning and Development Services	Retiree Health Adjustment	\$ -	24,360	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Police	Retiree Health Adjustment	\$ -	(133,843)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
General Fund	Public Works	Retiree Health Adjustment	\$ -	(49,306)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
GENERAL FUND SUBTOTAL			\$ -	(326,158)	
SPECIAL REVENUE FUNDS					
University Avenue Parking Permits	236	Retiree Health Adjustment	\$ -	(3,650)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
California Avenue Parking Permits	237	Retiree Health Adjustment	\$ -	(869)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Residential Parking Permit Programs	239	Retiree Health Adjustment	\$ -	(1,514)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
SPECIAL REVENUE SUBTOTAL			\$ -	(6,033)	
CAPITAL FUNDS					
Capital Improvement Fund	471	Retiree Health Adjustment	\$ -	(22,821)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
CAPITAL FUNDS SUBTOTAL			\$ -	(22,821)	
ENTERPRISE FUNDS					
Electric Supply Fund	513	Retiree Health Adjustment	\$ -	(2,115)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Gas Supply Fund	514	Retiree Health Adjustment	\$ -	489	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Utilities Administration Fund	521	Retiree Health Adjustment	\$ -	6,467	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Water Fund	522	Retiree Health Adjustment	\$ -	(42,438)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Electric Fund	523	Retiree Health Adjustment	\$ -	(55,427)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Gas Fund	524	Retiree Health Adjustment	\$ -	(41,177)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Refuse Fund	525	Retiree Health Adjustment	\$ -	(13,080)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Wastewater Treatment	526	Retiree Health Adjustment	\$ -	(58,533)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Wastewater Collection	527	Retiree Health Adjustment	\$ -	(12,075)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Stormwater Management	528	Retiree Health Adjustment	\$ -	(8,925)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Airport Enterprise Fund	530	Retiree Health Adjustment	\$ -	9,962	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
Fiber Optics Fund	533	Retiree Health Adjustment	\$ -	(2,264)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
ENTERPRISE FUNDS SUBTOTAL			\$ -	(219,114)	
INTERNAL SERVICE FUNDS					
Vehicle Replacement & Maintenance Fund	681	Retiree Health Adjustment	\$ -	(9,705)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

<i>Technology Fund</i>	682	Retiree Health Adjustment	\$ -	(13,994)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
<i>Printing & Mailing Services Fund</i>	683	Retiree Health Adjustment	\$ -	(175)	Adjustments to align OPEB costs with the June 30, 2021 Valuation (CMR 14502)
INTERNAL SERVICE FUNDS SUBTOTAL			\$ -	(23,873)	
TOTAL ADJUSTMENT			\$ -	(598,000)	

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
General Fund						
Administrative Services						
Account Specialist	4.63	4.63	4.13	4.13	—	—%
Account Specialist-Lead	3.45	3.45	3.45	3.45	—	—%
Accountant	3.00	3.00	2.00	2.00	—	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	1.00	1.00	0.50	0.50	—	—%
Administrative Associate III	1.00	1.00	1.00	1.00	—	—%
Assistant Director Administrative Services	1.65	1.65	1.65	1.65	—	—%
Buyer	1.00	1.00	2.00	2.00	—	—%
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	—%
Contracts Administrator	2.70	2.70	1.70	2.70	1.00	58.8%
Director Administrative Services/CFO	0.80	0.80	0.80	0.80	—	—%
Director Office of Management and Budget	1.00	1.00	1.00	1.00	—	—%
Management Analyst	2.00	2.00	2.00	2.00	—	—%
Manager Budget	2.00	2.00	2.00	2.00	—	—%
Manager Real Property	1.00	1.00	1.00	1.00	—	—%
Manager Revenue Collections	0.62	0.62	0.62	0.62	—	—%
Manager Treasury, Debt & Investments	0.60	0.60	0.60	0.60	—	—%
Manager, Finance	1.00	1.00	1.00	1.00	—	—%
Payroll Analyst	2.00	2.00	2.00	2.00	—	—%
Performance Auditor II	—	1.00	—	—	—	—%
Senior Accountant	3.00	3.00	3.00	3.00	—	—%
Senior Buyer	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	2.30	2.30	2.30	2.30	—	—%
Storekeeper	1.00	1.00	1.00	2.00	1.00	100.0%
Storekeeper-Lead	0.20	0.20	0.20	0.20	—	—%
Warehouse Supervisor	0.20	0.20	0.20	0.20	—	—%
Total Administrative Services	39.15	40.15	37.15	39.15	2.00	5.4%

TABLE OF ORGANIZATION

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
City Attorney						
Assistant City Attorney*	3.00	3.00	3.00	4.00	1.00	0.33%
Chief Assistant City Attorney	1.00	1.00	1.00	1.00	—	—%
City Attorney	1.00	1.00	1.00	1.00	—	—%
Claims Investigator	1.00	1.00	1.00	1.00	—	—%
Deputy City Attorney*	1.00	1.00	1.00	—	(1.00)	(100.0)%
Legal Fellow	1.00	1.00	1.00	1.00	—	—%
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total City Attorney	10.00	10.00	10.00	10.00	—	—%
City Auditor						
City Auditor	1.00	1.00	—	—	—	—%
Performance Auditor II	2.00	—	—	—	—	—%
Senior Performance Auditor	1.00	2.00	—	—	—	—%
Total City Auditor	4.00	3.00	—	—	—	—%
City Clerk						
Administrative Associate III	2.00	2.00	2.00	2.00	—	—%
Assistant City Clerk	1.00	1.00	1.00	1.00	—	—%
City Clerk	1.00	1.00	1.00	1.00	—	—%
Deputy City Clerk	1.00	1.00	1.00	1.00	—	—%
Total City Clerk	5.00	5.00	5.00	5.00	—	—%
City Manager						
Administrative Assistant	2.00	2.00	2.00	2.00	—	—%
Assistant City Manager	1.00	1.00	1.00	1.00	—	—%
Assistant to the City Manager*	2.00	2.00	1.00	3.00	2.00	200.0%
Chief Communications Officer	1.00	1.00	1.00	1.00	—	—%
City Manager	1.00	1.00	1.00	1.00	—	—%
Deputy City Manager	1.00	1.00	1.00	1.00	—	—%
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	—%
Management Analyst	0.75	—	—	—	—	—%
Manager Communications	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	—	—	—	1.00	1.00	—%
Total City Manager	10.75	10.00	9.00	12.00	3.00	33.3%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Community Services						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate III	1.00	1.00	—	—	—	—%
Assistant Director Community Services	2.00	2.00	1.00	1.00	—	—%
Building Serviceperson	1.25	1.00	1.00	1.00	—	—%
Building Serviceperson-Lead	0.60	0.60	0.60	0.60	—	—%
Coordinator Recreation Programs	4.00	4.00	4.00	4.00	—	—%
Director Community Services	1.00	1.00	1.00	1.00	—	—%
Division Manager Open Space, Parks and Golf	1.00	—	—	—	—	—%
Heavy Equipment Operator	0.07	0.07	—	—	—	—%
Inspector, Field Services	2.00	2.00	2.00	2.00	—	—%
Junior Museum & Zoo Educator*	3.60	3.60	3.25	4.10	0.85	26.2%
Management Analyst	1.00	1.00	1.00	1.00	—	—%
Management Assistant	1.00	1.00	1.00	1.00	—	—%
Manager Community Services	5.00	5.00	5.00	5.00	—	—%
Manager Community Services Senior Program	4.00	4.00	4.00	4.00	—	—%
Manager Human Services	1.00	1.00	1.00	1.00	—	—%
Park Maintenance Person	6.00	6.00	6.00	6.00	—	—%
Park Maintenance-Lead	1.00	1.00	1.00	1.00	—	—%
Park Ranger	5.00	5.00	5.00	6.00	1.00	20.0%
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	—%
Producer Arts/Science Program	11.00	12.00	11.00	12.25	1.25	11.4%
Program Assistant I	8.00	7.00	3.00	3.00	—	—%
Program Assistant II	3.00	4.00	4.00	4.00	—	—%
Project Manager	0.10	0.10	0.10	0.10	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	—%
Superintendent Community Services	2.00	2.00	2.00	2.00	—	—%
Superintendent Recreation	1.00	1.00	—	—	—	—%
Theater Specialist	2.00	2.00	2.00	2.00	—	—%
WGW Heavy Equipment Operator	—	—	0.07	0.07	—	—%
Total Community Services	75.62	75.37	67.02	70.12	3.10	4.6%
Fire						
40-Hour Captain**	—	—	—	0.20	0.20	—%

TABLE OF ORGANIZATION

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	—	—%
40-Hour Training Captain	1.00	1.00	1.00	1.00	—	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	2.20	2.20	2.20	2.20	—	—%
Administrative Associate III	—	—	—	0.20	0.20	—%
Battalion Chief	3.00	3.00	3.00	3.00	—	—%
Business Analyst	0.80	0.80	0.80	0.80	—	—%
Deputy Chief/Fire Marshal	0.05	0.05	0.05	—	(0.05)	(100.0)%
Deputy Director Technical Services Division*	0.20	0.20	—	0.20	0.20	—%
Deputy Fire Chief	2.00	2.00	1.00	2.00	1.00	100.0%
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	—%
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	—	—%
Fire Apparatus Operator	26.00	26.00	26.00	26.00	—	—%
Fire Captain	21.00	21.00	20.00	20.00	—	—%
Fire Chief	1.00	1.00	1.00	1.00	—	—%
Fire Fighter*	34.00	34.00	29.00	34.00	5.00	17.2%
Fire Fighter Trainee**	—	—	—	3.00	3.00	—%
Fire Inspector	0.80	0.80	0.40	0.40	—	—%
Fire Marshal**	—	—	—	0.05	0.05	—%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	—%
Hazardous Materials Inspector	0.30	0.30	0.30	0.70	0.40	133.3%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total Fire	97.85	97.85	90.25	100.25	10.00	11.1%
Human Resources						
Assistant Director Human Resources	1.00	1.00	1.00	1.00	—	—%
Director Human Resources/CPO	1.00	1.00	1.00	1.00	—	—%
Human Resources Representative	3.00	3.00	2.00	2.00	—	—%
Human Resources Technician*	4.00	4.00	3.00	4.00	1.00	25.0%
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	—%
Manager Employee Relations	1.00	1.00	1.00	1.00	—	—%
Senior Human Resources Administrator	3.00	3.00	3.00	3.00	—	—%
Senior Management Analyst	2.00	2.00	2.00	2.00	—	—%
Total Human Resources	16.00	16.00	14.00	15.00	1.00	7.1%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Library						
Administrative Associate III	1.00	1.00	—	1.00	1.00	—%
Assistant Director Library Services	1.00	1.00	—	1.00	1.00	—%
Business Analyst	1.00	1.00	1.00	1.00	—	—%
Coordinator Library Programs	1.00	1.00	1.00	2.00	1.00	100.0%
Director Libraries	1.00	1.00	1.00	1.00	—	—%
Division Head Library Services	1.00	1.00	1.00	1.00	—	—%
Librarian	6.00	6.00	6.00	7.00	1.00	16.7%
Library Associate	7.00	7.00	6.00	6.00	—	—%
Library Specialist	11.50	11.50	10.50	12.50	2.00	19.0%
Management Analyst	1.00	1.00	1.00	1.00	—	—%
Manager Library Services	3.00	3.00	3.00	3.00	—	—%
Senior Librarian	8.00	8.00	6.00	6.00	—	—%
Supervising Librarian	4.00	4.00	4.00	4.00	—	—%
Total Library	46.50	46.50	40.50	46.50	6.00	14.8%
Office of Emergency Services						
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	—%
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	—%
Program Assistant II	1.00	1.00	—	—	—	—%
Total Office of Emergency Services	3.00	3.00	2.00	2.00	—	—%
Office of Transportation						
Administrative Assistant	0.50	0.50	0.60	0.60	—	—%
Associate Engineer	0.30	0.30	0.35	0.35	—	—%
Associate Planner	0.30	0.45	0.40	0.40	—	—%
Chief Transportation Official	0.70	0.70	0.70	0.70	—	—%
Coordinator Transportation Systems Management	1.25	1.25	0.65	0.65	—	—%
Management Analyst	0.50	0.50	0.50	0.50	—	—%
Parking Operations-Lead	—	—	0.05	0.05	—	—%
Project Engineer	0.45	0.45	0.25	0.25	—	—%
Senior Engineer*	0.20	0.20	0.20	0.55	0.35	175.0%
Senior Planner	0.50	0.50	0.15	0.15	—	—%
Traffic Engineering-Lead*	0.35	0.35	0.35	—	(0.35)	100.0%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Transportation Planning Manager	1.15	1.15	1.00	1.00	—	—%
Total Office of Transportation	6.20	6.35	5.20	5.20	—	—%
Planning and Development Services						
40-Hour Captain**	—	—	—	0.80	0.80	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate I	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	2.80	2.80	2.80	2.80	—	—%
Administrative Associate III*	4.00	4.00	3.00	4.80	1.80	60.0%
Assistant Chief Building Official	1.00	1.00	1.00	2.00	1.00	100.0%
Assistant Director PCE	1.00	1.00	1.00	1.00	—	—%
Associate Engineer	0.22	0.20	—	—	—	—%
Associate Planner	3.15	3.00	3.25	1.25	(2.00)	(61.5)%
Building Inspector Specialist	4.00	6.00	6.00	8.00	2.00	33.3%
Building/Planning Technician***	3.00	3.00	2.00	2.50	0.50	25.0%
Chief Building Official	1.00	1.00	1.00	1.00	—	—%
Chief Planning Official	1.00	1.00	1.00	1.00	—	—%
Code Enforcement Officer*	2.00	2.00	—	1.00	1.00	100.0%
Code Enforcement-Lead	1.00	1.00	1.00	1.00	—	—%
Deputy Chief/Fire Marshal	0.80	0.80	0.80	—	(0.80)	(100.0)%
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	—%
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	—%
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	—%
Engineer	0.64	0.52	0.52	0.52	—	—%
Engineering Technician III	1.78	1.50	1.50	1.50	—	—%
Fire Inspector	3.20	3.20	1.60	1.60	—	—%
Fire Marshal**	—	—	—	0.80	0.80	—%
Hazardous Materials Inspector	1.60	1.60	1.60	3.20	1.60	100.0%
Industrial Waste Inspector	0.01	—	—	—	—	—%
Industrial Waste Investigator	0.35	0.35	0.35	0.35	—	—%
Inspector, Field Services	0.68	0.68	0.68	0.68	—	—%
Landscape Architect Park Planner	0.50	0.50	0.50	0.50	—	—%
Management Analyst	0.01	—	—	—	—	—%
Manager Environmental Control Program*	0.10	—	—	—	—	—%
Manager Planning	5.00	4.00	4.00	4.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Manager Urban Forestry	0.04	—	—	—	—	—%
Planner	4.00	4.00	4.00	5.00	1.00	25.0%
Plans Check Engineer	—	—	—	1.00	1.00	—%
Principal Management Analyst	1.00	—	—	—	—	—%
Principal Planner	2.00	2.00	1.00	2.00	1.00	100.0%
Program Assistant	1.00	1.00	—	—	—	—%
Project Engineer	0.13	0.10	—	—	—	—%
Project Manager***	—	—	—	0.50	0.50	100.0%
Senior Business Analyst	1.00	1.00	1.00	1.00	—	—%
Senior Engineer*	0.46	0.40	0.40	0.45	0.05	12.5%
Senior Industrial Waste Investigator	0.01	—	—	—	—	—%
Senior Management Analyst	2.00	2.00	2.00	2.00	—	—%
Senior Planner	3.60	3.60	3.65	4.65	1.00	27.4%
Supervisor Inspection and Surveying	0.27	0.25	0.25	0.25	—	—%
Traffic Engineering-Lead*	0.10	0.10	0.05	—	(0.05)	100.0%
Transportation Planning Manager	—	—	0.05	0.05	—	—%
Total Planning and Development Services	62.45	61.60	54.00	65.20	11.20	20.7%
Police						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	3.00	3.00	2.00	2.00	—	—%
Animal Control Officer	3.00	3.00	2.00	2.00	—	—%
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	—%
Assistant Police Chief	1.00	1.00	1.00	1.00	—	—%
Business Analyst	1.20	1.20	1.20	2.20	1.00	83.3%
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	—%
Communications Manager	1.00	1.00	—	—	—	—%
Communications Technician	1.00	1.00	—	—	—	—%
Community Service Officer	7.50	7.50	5.63	5.63	—	—%
Court Liaison Officer	1.00	1.00	1.00	1.00	—	—%
Crime Analyst	1.00	1.00	1.00	1.00	—	—%
Deputy Director Technical Services Division*	0.80	0.80	—	0.80	0.80	—%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	—%
Police Agent	19.00	19.00	19.00	19.00	—	—%
Police Captain	2.00	2.00	2.00	2.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Police Chief	1.00	1.00	1.00	1.00	—	—%
Police Lieutenant	5.00	5.00	4.00	4.00	—	—%
Police Officer	50.00	50.00	39.00	43.00	4.00	10.3%
Police Records Specialist II	6.00	6.00	6.00	6.00	—	—%
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	—	—%
Police Sergeant	14.00	14.00	14.00	14.00	—	—%
Program Assistant II	1.00	1.00	1.00	1.00	—	—%
Property Evidence Technician	2.00	2.00	2.00	2.00	—	—%
Public Safety Communications Manager*	1.00	1.00	—	1.00	1.00	—%
Public Safety Dispatcher	16.00	16.00	12.00	14.00	2.00	16.7%
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	—%
Public Safety Program Manager	2.00	2.00	1.00	1.00	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total Police	149.00	149.00	124.33	133.13	8.80	7.1%
Public Works						
Administrative Assistant	1.00	1.00	0.50	0.50	—	—%
Administrative Associate I	0.10	0.10	—	—	—	—%
Administrative Associate II	2.65	2.65	2.65	2.65	—	—%
Administrative Associate III	0.01	0.01	—	—	—	—%
Assistant Director Public Works	0.73	0.73	0.73	0.73	—	—%
Building/Planning Technician***	—	—	—	0.50	0.50	100.0%
Building Serviceperson-Lead	1.00	1.00	1.00	1.00	—	—%
Cement Finisher	2.00	2.00	2.00	2.00	—	—%
Cement Finisher-Lead	0.26	0.26	0.26	0.26	—	—%
Coordinator Public Works Projects	1.50	1.50	1.50	1.50	—	—%
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	—	—%
Electrician	0.80	0.80	0.80	0.80	—	—%
Engineer	0.36	0.48	0.48	0.48	—	—%
Engineering Technician III	1.47	1.75	1.75	1.75	—	—%
Environmental Specialist*	—	—	—	0.33	0.33	—%
Equipment Operator	2.46	2.46	2.46	2.46	—	—%
Facilities Carpenter	1.00	1.00	1.00	1.00	—	—%
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	—	—%
Facilities Painter	1.75	1.75	1.75	1.75	—	—%

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Facilities Technician	4.05	4.05	4.05	4.05	—	—%
Heavy Equipment Operator	2.33	2.33	2.10	2.10	—	—%
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	—	—%
Inspector, Field Services	0.11	0.11	0.11	0.11	—	—%
Landscape Architect Park Planner	0.60	0.60	0.60	0.60	—	—%
Management Analyst*	0.70	1.45	1.45	0.70	(0.75)	(0.52)%
Manager Environmental Control Program*	—	—	—	0.33	0.33	—%
Manager Facilities	0.90	0.90	0.90	0.90	—	—%
Manager Maintenance Operations	1.20	1.20	1.20	1.20	—	—%
Manager Urban Forestry	0.96	1.00	1.00	1.00	—	—%
Manager Watershed Protection	0.05	0.05	0.05	0.05	—	—%
Project Manager***	2.65	2.65	2.00	2.50	0.50	0.25%
Senior Engineer	0.59	0.60	0.60	0.60	—	—%
Senior Management Analyst	1.11	1.11	1.11	1.11	—	—%
Supervisor Inspection and Surveying	0.10	0.10	0.10	0.10	—	—%
Surveyor, Public Works	0.33	0.33	0.33	0.33	—	—%
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	—	—%
Traffic Controller Maintainer II	2.00	2.00	1.00	1.00	—	—%
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	—%
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	—	—%
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	—	—%
WGW Heavy Equipment Operator	—	—	0.23	0.23	—	—%
Total Public Works	49.41	50.61	48.35	49.26	0.91	1.9%
Total General Fund	574.93	574.43	506.80	552.81	46.01	9.1%
Enterprise Fund						
Public Works						
Account Specialist	0.30	0.30	—	—	—	—%
Accountant	0.40	0.40	0.70	0.70	—	—%
Administrative Associate I	0.10	0.10	—	1.00	1.00	—%
Administrative Associate II	2.15	2.15	2.15	2.15	—	—%
Administrative Associate III	0.10	0.10	0.20	0.20	—	—%
Assistant Director Public Works	1.30	1.30	1.30	1.30	—	—%
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	—%
Associate Engineer	2.99	3.00	3.00	3.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Chemist	3.00	3.00	2.00	2.00	—	—%
Deputy Chief/Fire Marshal	0.07	0.07	0.07	—	(0.07)	(100.0)%
Electrician	3.00	3.00	3.00	3.00	—	—%
Electrician-Lead	2.00	2.00	2.00	2.00	—	—%
Engineer	0.90	0.90	0.90	0.90	—	—%
Engineering Technician III	0.25	0.25	0.25	0.25	—	—%
Environmental Specialist*	2.00	2.00	2.00	2.33	0.33	16.5%
Equipment Operator	0.54	0.54	0.54	0.54	—	—%
Facilities Maintenance Lead	1.00	1.00	1.00	1.00	—	—%
Facilities Technician	1.50	1.50	1.50	2.50	1.00	66.7%
Fire Marshal**	—	—	—	0.07	0.07	—%
Hazardous Materials Inspector	0.04	0.04	0.04	0.04	—	—%
Heavy Equipment Operator	0.90	0.90	0.90	0.90	—	—%
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	—	—%
Industrial Waste Inspector	2.99	3.00	3.00	3.00	—	—%
Industrial Waste Investigator	1.15	1.15	1.15	1.15	—	—%
Laboratory Technician WQC	3.00	3.00	3.00	3.00	—	—%
Landfill Technician	1.00	1.00	1.00	1.00	—	—%
Management Analyst	2.30	2.30	2.30	2.30	—	—%
Manager Airport	1.00	1.00	1.00	1.00	—	—%
Manager Environmental Control Program*	4.90	5.00	5.00	5.33	0.33	6.6%
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	—%
Manager Maintenance Operations	1.96	1.96	1.96	1.96	—	—%
Manager Solid Waste	1.00	1.00	1.00	1.00	—	—%
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	—	—%
Manager Watershed Protection	0.95	0.95	0.95	0.95	—	—%
Plant Mechanic	7.00	7.00	7.00	7.00	—	—%
Program Assistant I	1.00	1.00	1.00	1.00	—	—%
Program Assistant II	2.00	2.00	2.00	2.00	—	—%
Project Engineer	1.83	1.83	1.83	1.83	—	—%
Project Manager	1.35	1.35	1.35	1.35	—	—%
Senior Accountant	0.30	0.30	0.30	0.30	—	—%
Senior Buyer	1.00	1.00	1.00	1.00	—	—%
Senior Chemist	1.00	1.00	2.00	2.00	—	—%

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Senior Engineer	3.76	3.76	3.76	3.76	—	—%
Senior Industrial Waste Investigator	0.99	1.00	1.00	1.00	—	—%
Senior Management Analyst	0.21	0.21	0.21	0.21	—	—%
Senior Mechanic	1.00	1.00	1.00	1.00	—	—%
Senior Operator WQC	6.00	6.00	6.00	6.00	—	—%
Senior Technologist	1.00	1.00	1.00	1.00	—	—%
Storekeeper	1.00	1.00	1.00	1.00	—	—%
Street Maintenance Assistant	1.00	1.00	1.00	1.00	—	—%
Street Sweeper Operator	1.63	1.63	1.63	1.63	—	—%
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	—	—%
Surveyor, Public Works	0.12	0.12	0.12	0.12	—	—%
Technologist	1.00	1.00	1.00	1.00	—	—%
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	—	—%
WQC Plant Operator II	16.00	16.00	16.00	16.00	—	—%
Zero Waste Coordinator	1.00	1.00	1.00	1.00	—	—%
Total Public Works	101.19	101.32	101.32	103.98	2.66	2.6%
Utilities						
Account Specialist	1.70	1.70	1.00	1.00	—	—%
Accountant	0.60	0.60	1.30	1.30	—	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	6.00	6.00	6.00	6.00	—	—%
Assistant City Attorney*	—	—	—	1.00	1.00	—%
Assistant Director Administrative Services	0.25	0.25	0.25	0.25	—	—%
Assistant Director Utilities Customer Support Services	1.00	1.00	1.00	1.00	—	—%
Assistant Director Utilities Engineering	1.00	1.00	1.00	1.00	—	—%
Assistant Director Utilities Operations	1.00	1.00	1.00	1.00	—	—%
Assistant Director Utilities/Resource Management	1.00	1.00	1.00	1.00	—	—%
Associate Sustainability Program Administrator**	—	—	—	1.00	1.00	—%
Business Analyst	6.00	6.00	6.00	6.00	—	—%
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	—	—%
Cathodic Technician	1.00	1.00	1.00	1.00	—	—%
Cement Finisher	2.00	2.00	2.00	2.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Contracts Administrator	0.70	0.70	0.70	0.70	—	—%
Coordinator Utilities Projects*	6.00	6.00	6.00	8.00	2.00	33.3%
Customer Service Representative	7.00	7.00	7.00	7.00	—	—%
Customer Service Specialist	2.00	2.00	2.00	2.00	—	—%
Customer Service Specialist-Lead	2.00	2.00	2.00	2.00	—	—%
Deputy Chief/Fire Marshal	0.08	0.08	0.08	—	(0.08)	(100.0)%
Deputy City Attorney*	1.00	1.00	1.00	—	(1.00)	(100.0)%
Director Administrative Services/CFO	0.20	0.20	0.20	0.20	—	—%
Electric Heavy Equipment Operator	—	2.00	2.00	1.00	(1.00)	(50.0)%
Electric Project Engineer*	4.00	4.00	4.00	8.00	4.00	100.0%
Electric Underground Inspector	2.00	2.00	2.00	2.00	—	—%
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	—	—%
Electrical Equipment Technician	1.00	1.00	1.00	1.00	—	—%
Electrician Assistant I	3.00	3.00	3.00	3.00	—	—%
Engineer	4.00	4.00	4.00	4.00	—	—%
Engineering Manager - Electric	1.00	1.00	1.00	1.00	—	—%
Engineering Manager - WGW	1.00	1.00	1.00	1.00	—	—%
Engineering Technician III	3.00	3.00	3.00	3.00	—	—%
Environmental Specialist*	—	—	—	0.34	0.34	—%
Equipment Operator	—	—	—	1.00	1.00	—%
Fire Marshal**	—	—	—	0.08	0.08	—%
Gas and Water Meter Measurement and Control Technician	4.00	4.00	4.00	4.00	—	—%
Gas and Water Meter Measurement and Control Technician - Lead	1.00	1.00	1.00	1.00	—	—%
Hazardous Materials Inspector	0.06	0.06	0.06	0.06	—	—%
Heavy Equipment Operator	6.70	—	—	—	—	—%
Heavy Equipment Operator - Install/Repair	4.00	4.00	4.00	4.00	—	—%
Human Resources Representative	—	—	1.00	1.00	—	—%
Industrial Waste Investigator	0.50	0.50	0.50	0.50	—	—%
Inspector, Field Services	5.00	5.00	—	—	—	—%
Inspector, WGW Utilities Field Svc	—	—	5.00	5.00	—	—%
Lineperson/Cable Specialist	11.00	10.00	10.00	10.00	—	—%
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	—	—%
Maintenance Mechanic-Welding	2.00	2.00	2.00	2.00	—	—%

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Management Analyst**	—	—	—	1.00	1.00	—%
Manager Communications	1.00	1.00	1.00	1.00	—	—%
Manager Customer Service	1.00	1.00	1.00	1.00	—	—%
Manager Electric Operations	1.00	1.00	1.00	1.00	—	—%
Manager Environmental Control Program*	—	—	—	0.34	0.34	—%
Manager Treasury, Debt & Investments	0.40	0.40	0.40	0.40	—	—%
Manager Utilities Compliance	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Credit & Collection	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Operations WGW	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Program Services*	1.00	1.00	1.00	2.00	1.00	100.0%
Manager Utilities Strategic Business	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	—%
Meter Reader	6.00	6.00	6.00	6.00	—	—%
Meter Reader-Lead	1.00	1.00	1.00	1.00	—	—%
Metering Technician*	3.00	3.00	3.00	2.00	(1.00)	(33.3)%
Metering Technician-Lead	1.00	1.00	1.00	1.00	—	—%
Offset Equipment Operator	0.48	0.48	0.48	0.48	—	—%
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	—	—%
Power Engineer*	1.00	1.00	1.00	—	(1.00)	(100.0)%
Principal Business Analyst	1.00	1.00	1.00	1.00	—	—%
Principal Utilities Program Manager***	—	—	—	1.00	1.00	100.0%
Program Assistant I	1.50	1.50	1.50	1.50	—	—%
Program Assistant II	1.00	1.00	1.00	—	(1.00)	(100.0)%
Project Engineer	5.00	5.00	5.00	5.00	—	—%
Project Manager	0.75	0.75	0.75	0.75	—	—%
Resource Planner	5.00	5.00	5.00	5.00	—	—%
Restoration Lead	1.00	1.00	1.00	1.00	—	—%
SCADA Technologist	2.00	2.00	2.00	—	(2.00)	(100.0)%
Senior Accountant	0.70	0.70	0.70	0.70	—	—%
Senior Business Analyst	3.00	3.00	3.00	3.00	—	—%
Senior Electrical Engineer	4.00	4.00	5.00	5.00	—	—%
Senior Engineer*	5.00	5.00	5.00	6.00	1.00	20.0%
Senior Management Analyst	0.70	0.70	0.70	0.70	—	—%
Senior Mechanic	1.00	1.00	1.00	1.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Senior Performance Auditor	1.00	1.00	—	—	—	—%
Senior Resource Planner	6.50	6.50	6.50	7.00	0.50	7.7%
Senior Utilities Field Service Representative	1.00	1.00	1.00	1.00	—	—%
Senior Water Systems Operator	2.00	2.00	2.00	2.00	—	—%
Storekeeper	1.00	1.00	1.00	1.00	—	—%
Storekeeper-Lead	0.80	0.80	0.80	0.80	—	—%
Street Light, Traffic Signal & Fiber Technician	5.00	5.00	5.00	4.00	(1.00)	(20.0)%
Street Light, Traffic Signal & Fiber-Lead	2.00	2.00	2.00	2.00	—	—%
Substation Electrician	6.00	6.00	6.00	6.00	—	—%
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	—%
Supervising Electric Project Engineer	1.00	1.00	—	—	—	—%
Sustainability Programs Administrator	—	—	4.00	5.00	1.00	25.0%
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	—%
Utilities Chief Operating Officer	1.00	1.00	1.00	1.00	—	—%
Utilities Compliance Technician	2.00	3.00	3.00	3.00	—	—%
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	—	—%
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	—	—%
Utilities Director	1.00	1.00	1.00	1.00	—	—%
Utilities Engineer Estimator	5.00	5.00	5.00	5.00	—	—%
Utilities Field Services Representative	5.00	5.00	5.00	5.00	—	—%
Utilities Install Repair-Lead-Welding Certified	2.00	2.00	2.00	3.00	1.00	50.0%
Utilities Install Repair-Welding Certified	3.00	3.00	3.00	3.00	—	—%
Utilities Install/Repair	10.00	10.00	10.00	10.00	—	—%
Utilities Install/Repair Assistant	1.00	1.00	1.00	1.00	—	—%
Utilities Install/Repair-Lead	5.00	5.00	5.00	4.00	(1.00)	(20.0)%
Utilities Key Account Representative	3.00	3.00	3.00	3.00	—	—%
Utilities Locator	3.00	3.00	3.00	3.00	—	—%
Utilities Marketing Program Administrator	4.00	4.00	—	—	—	—%
Utilities Safety Officer	1.00	1.00	1.00	1.00	—	—%
Utilities Supervisor	12.00	12.00	12.00	12.00	—	—%
Utilities System Analyst**	—	—	—	2.00	2.00	—%
Utilities System Operator	5.00	5.00	5.00	6.00	1.00	20.0%
Utility Engineering Estimator - Lead	1.00	1.00	1.00	1.00	—	—%
Warehouse Supervisor	0.80	0.80	0.80	0.80	—	—%

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Water System Operator II	4.00	4.00	4.00	4.00	—	—%
WGW Heavy Equipment Operator	—	4.70	4.70	4.70	—	—%
Total Utilities	257.42	257.42	257.42	267.60	10.18	4.0%
Total Enterprise Fund	358.61	358.74	358.74	371.58	12.84	3.6%
Other Funds						
Capital Project Fund						
Administrative Assistant	0.15	0.15	0.65	0.65	—	—%
Administrative Associate I	0.80	0.80	—	—	—	—%
Administrative Associate III	0.89	0.89	0.80	0.80	—	—%
Assistant Director Public Works	0.72	0.72	0.72	0.72	—	—%
Associate Engineer	2.49	2.50	1.65	1.65	—	—%
Associate Planner	0.30	0.30	0.35	0.35	—	—%
Building Serviceperson	0.75	1.00	1.00	1.00	—	—%
Building Serviceperson-Lead	1.40	1.40	1.40	1.40	—	—%
Cement Finisher-Lead	0.74	0.74	0.74	0.74	—	—%
Chief Transportation Official	0.30	0.30	0.30	0.30	—	—%
Contracts Administrator	0.60	0.60	0.60	0.60	—	—%
Coordinator Public Works Projects	1.30	1.30	1.30	1.30	—	—%
Coordinator Transportation Systems Management	0.75	0.75	1.35	1.35	—	—%
Engineer	3.10	3.10	2.10	3.10	1.00	47.6%
Engineering Technician III	0.50	0.50	0.50	0.50	—	—%
Facilities Technician	1.50	1.50	1.50	1.50	—	—%
Inspector, Field Services	1.21	1.21	1.21	1.21	—	—%
Landscape Architect Park Planner	0.90	0.90	0.90	0.90	—	—%
Management Analyst	0.94	0.95	0.95	0.95	—	—%
Manager Facilities	0.10	0.10	0.10	0.10	—	—%
Manager Maintenance Operations	0.65	0.65	0.65	0.65	—	—%
Parking Operations-Lead	0.40	0.40	0.30	0.30	—	—%
Project Engineer	7.59	7.62	7.92	7.92	—	—%
Project Manager	1.15	1.15	0.80	0.80	—	—%
Senior Engineer*	2.99	4.04	4.04	4.64	0.60	14.9%
Senior Management Analyst	0.60	0.60	0.60	0.60	—	—%
Senior Planner	0.50	0.50	0.80	0.80	—	—%

TABLE OF ORGANIZATION

Table of Organization

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Senior Project Manager	1.00	—	—	—	—	—%
Supervisor Inspection and Surveying	0.63	0.65	0.65	0.65	—	—%
Surveyor, Public Works	0.55	0.55	0.55	0.55	—	—%
Traffic Engineering-Lead*	0.55	0.55	0.60	—	(0.60)	(100.0)%
Transportation Planning Manager	0.35	0.35	0.45	0.45	—	—%
Total Capital Project Fund	36.40	36.77	35.48	36.48	1.00	2.8%
Printing and Mailing Services						
Manager Revenue Collections	0.10	0.10	0.10	0.10	—	—%
Offset Equipment Operator	1.52	1.52	1.52	1.52	—	—%
Total Printing and Mailing Services	1.62	1.62	1.62	1.62	—	—%
Special Revenue Funds						
Account Specialist	1.87	1.87	1.37	1.37	—	—%
Account Specialist-Lead	0.55	0.55	0.55	0.55	—	—%
Administrative Assistant	0.35	0.35	0.25	0.25	—	—%
Administrative Associate II	0.20	0.20	0.20	0.20	—	—%
Associate Planner	0.25	0.25	—	—	—	—%
Community Service Officer	0.50	0.50	0.37	0.37	—	—%
Coordinator Public Works Projects	0.20	0.20	0.20	0.20	—	—%
Electrician	0.20	0.20	0.20	0.20	—	—%
Facilities Maintenance-Lead	0.15	0.15	0.15	0.15	—	—%
Facilities Painter	0.25	0.25	0.25	0.25	—	—%
Facilities Technician	0.45	0.45	0.45	0.45	—	—%
Management Analyst	0.35	0.35	0.35	0.35	—	—%
Manager Community Services Senior Program	1.00	1.00	1.00	1.00	—	—%
Manager Maintenance Operations	0.19	0.19	0.19	0.19	—	—%
Manager Revenue Collections	0.28	0.28	0.28	0.28	—	—%
Parking Operations-Lead	0.60	0.60	0.65	0.65	—	—%
Senior Planner	0.40	0.40	0.40	0.40	—	—%
Street Maintenance Assistant	2.00	2.00	2.00	2.00	—	—%
Street Sweeper Operator	0.37	0.37	0.37	0.37	—	—%
Transportation Planning Manager	0.50	0.50	0.50	0.50	—	—%
Total Special Revenue Funds	10.66	10.66	9.73	9.73	—	—%
Technology Fund						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%

TABLE OF ORGANIZATION

Table of Organization

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Adopted Budget	FY 2023 Change FTE	FY 2023 Change %
Assistant Director Administrative Services	0.10	0.10	0.10	0.10	—	—%
Business Analyst	1.00	1.00	1.00	1.00	—	—%
Desktop Technician	6.00	6.00	6.00	6.00	—	—%
Director Information Technology/CIO	1.00	1.00	1.00	1.00	—	—%
Manager Information Technology	3.00	3.00	3.00	3.00	—	—%
Manager Information Technology Security	1.00	1.00	—	—	—	—%
Principal Business Analyst	1.00	1.00	—	—	—	—%
Senior Business Analyst	2.00	2.00	2.00	2.00	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Senior Technologist*	18.00	18.00	14.00	16.00	2.00	14.3%
Technologist	1.00	1.00	—	—	—	—%
Total Technology Fund	36.10	36.10	29.10	31.10	2.00	6.9%
Vehicle Replacement and Maintenance Fund						
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	—%
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	—%
Equipment Maintenance Service Person	2.00	2.00	1.00	1.00	—	—%
Fleet Services Coordinator	1.00	1.00	1.00	1.00	—	—%
Management Analyst	0.20	0.20	0.20	0.20	—	—%
Management Assistant	1.00	1.00	1.00	1.00	—	—%
Manager Fleet	1.00	1.00	1.00	1.00	—	—%
Motor Equipment Mechanic II	6.00	6.00	5.00	5.00	—	—%
Motor Equipment Mechanic-Lead	2.00	2.00	2.00	2.00	—	—%
Project Manager	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	0.08	0.08	0.08	0.08	—	—%
Total Vehicle Replacement and Maintenance Fund	15.53	15.53	13.53	13.53	—	—%
Workers' Compensation Program Fund						
Senior Human Resources Administrator	1.00	1.00	1.00	1.00	—	—%
Total Workers' Compensation Program Fund	1.00	1.00	1.00	1.00	—	—%
Total Other Funds	101.31	101.68	90.46	93.46	3.00	3.3%
Total Citywide Positions	1,034.85	1,034.85	956.00	1,017.85	61.85	6.5%

TABLE OF ORGANIZATION

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget.

**The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

***Positions approved by Finance Committee and/or City Council subsequent to the presentation of the FY 2023 Proposed Budget.

Administrative Services

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Budget Book	\$35.00 each	\$40.00 each	14.3%	Fees aligned to cover minimum material and staffing costs

Community Services Department

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Auditorium and Stage	Resident Fee: \$250.00 per hour; Non-Resident Fee: \$375.00 per hour	Resident Fee: \$270.00 per hour; Non-Resident Fee: \$405.00 per hour	8.0%	Align fee to actual costs
Field Trips	\$152.00 per group	\$200.00 per group	31.0%	
Palo Alto Junior Museum & Zoo Attendant	Regular time: \$34.00 per hour; Overtime & Holiday: \$51.00 per hour	Regular time: \$44.00 per hour; Overtime & Holiday: \$66.00 per hour	29.4%	
Tennis Courts (USTA and Palo Alto Tennis Club Only)	Resident Fee: \$7.00 per hour; Non-Resident Fee: \$9.00 per hour	Resident Fee: \$8.00 per hour; Non-Resident Fee: \$10.00 per hour	12.7%	
Rehearsal Hall	Resident Fee: \$50.00 per hour; Non-Resident Fee: \$75.00 per hour	Resident Fee: \$54.00 per hour; Non-Resident Fee: \$81.00 per hour	8.0%	
Peers Park, Mitchell Park Field House)	\$28.00 per hour	Resident Fee: \$174.00 per day; Non-Resident Fee: \$235.00 per day	-	Fee structure change from hourly to daily

Fire

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Paramedic Internship Fee	\$1,394.00 each	\$1,000 each	-28.3%	Fee set low to keep competitive with other agencies

Office of Transportation (OOT)

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
All Downtown and SOFA Lots and Garages Annual Parking Permit	\$806.00 per year	\$900.00 per year	11.7%	FY 2023 Pricing based on CMR#11795
California Avenue Area All Garages and Lots Annual Parking Permit	\$403.00 per year	\$650.00 per year	39.0%	
Downtown RPP - Annual Resident Parking Permit	\$50.00 per year	\$50.00 per year	-	
Downtown RPP - Reduced-Price Employee Parking Permit	\$50.00 per six months	\$131.25 per six months	162.5%	
Downtown RPP Full Price Employee Parking Permit	\$403.00 per six months	\$525.00 per six months	30.3%	
Evergreen Park - Mayfield RPP Annual Resident Parking Permit	\$50.00 per year	\$50.00 per year	-	
Evergreen Park - Mayfield RPP Full Price Employee Parking Permit	\$201.50 per six months	\$375.00 per six months	86.1%	
Evergreen Park - Mayfield RPP Reduced-Price Employee Parking Permit	\$25.00 per six months	\$93.75 per six months	275.0%	
Southgate RPP - Annual Resident Parking Permit	\$50.00 per year	\$50.00 per year	-	
Southgate RPP - Full Price Employee Parking Permit	\$201.50 per six months	\$375.00 per six months	86.1%	
Southgate RPP - Reduced Price Employee Parking Permit	\$25.00 per six months	\$93.75 per six months	275.0%	

Planning and Community Environment

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Community Center Impact Fee	Single Family \$4,438.00 per unit; Multi-Family \$3,283.00 per unit	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		Finance Committee recommendation to Council on May 3, 2022 to determine appropriate method to update the fees
Community Center Impact Fee	Commercial/Industrial \$1,301.00 per net new 1,000 sq. ft.; Hotel/Motel \$222.00 per net new 1,000 sq. ft.	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Library Impact Fee	Single Family \$2,645.00 per unit; Multi-Family \$1,956.00 per unit	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Library Impact Fee	Commercial/Industrial \$776.00 per net new 1,000 sq. ft.; Hotel/Motel \$132.00 per net new 1,000 sq. ft.	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Park Impact Fee	Single Family \$57,420.00 per unit; Multi-Family \$42,468.00 per unit	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		
Park Impact Fee	Commercial/Industrial \$16,837.00 per net new 1,000 sq. ft.; Hotel/Motel \$2,866.00 per net new 1,000 sq. ft.	Updated Fee pending Finance Committee recommendation to Council on May 3, 2022		

Public Works

Fee Title	FY 2022 Adopted	FY 2023 Proposed	% Change	Justification
Home Improvement Exception – Trees	\$739.00 per application	\$432.00 per application	-41.5%	Fees aligned to modified salary costs of staff time required for this service
IR Review – Trees	\$319.00 per application	\$672.00 per application	110.7%	
A. Pavement Condition: Poor	\$11.00 per square foot	\$12.00 per square foot	9.1%	Fees aligned to increased cost of supplies
B. Pavement Condition: Fair/At-Risk	\$13.00 per square foot	\$15.00 per square foot	15.4%	
C. Pavement Condition: Good	\$16.00 per square foot	\$18.00 per square foot	12.5%	
D. Pavement Condition: Very Good - Excellent	\$23.00 per square foot	\$25.00 per square foot	8.7%	

Fiscal Year 2023 Update on the Sustainability and Climate Action Plan (S/CAP)

As the work on the S/CAP update has continued, budget proposals have been included in both the FY 2022 Mid-Year (CMR 13801) and FY 2023 Budget to reflect the priorities identified through the work of the S/CAP Ad Hoc Committee and the S/CAP's status as one of the 2022 Council Priorities.

The S/CAP is a cross-departmental effort primarily involving the Office of Transportation, Planning and Development Services, Public Works, and Utilities Departments. As the S/CAP work has progressed, it has become clear that reaching the City's goal of reducing carbon emissions 80 percent from 1990 levels by 2030 (80X30 goal) relies on electrification of transportation, homes, and businesses. Electrification of single-family homes has been identified as a particular focus, because conversions from gas to electric heat pump appliances in homes has been found to be cost-effective and analysis has shown that effectively 100 percent of single-family homes need to be electrified to meet the 80X30 goal.

As staff considers the development of programs that will ultimately be scalable to provide for the transformation that is needed, the progress can be thought of as occurring in three phases:

Discussion → Strategy → Operations

To date, development of S/CAP electrification programs has primarily been in the Discussion phase, with certain incentive and education programs underway, and ongoing exploration with the S/CAP Ad Hoc Committee and community engagement helping to inform next steps. The S/CAP Working Group Teams are currently working to define an advanced pilot program for significant numbers of citywide heat pump water heater installations, and staff and the Ad Hoc Committee plan to bring the details of this program to City Council in September. This program will move into the Strategy phase, with a structure intended to be scalable to the Operations phase to support the production levels needed for full electrification of residential water heaters by 2030.

The Discussion phase conversations have also helped staff to identify certain key functional areas that must be integrated and responsive to allow S/CAP programs to progress to the Operations phase, even though they are located in different organizational units and/or departments. These functional areas are: Programs, Utility Integration, Permitting, Communications, and Finance.

- **Programs:** Utilities added \$2.8 million in the FY 2023 budget to support the launch and operation of programs to help residents and businesses electrify equipment. The programs include analysis, contract management, program administration, program monitoring and improvement, managing customer experience, and sales and marketing. Much day to day program operation is performed by contractors, but oversight and coordination of these vendors and the programs themselves requires significant staff work.
- **Utility Integration:** This includes 1) the review of incoming applications for new electrified devices or all-electric buildings, upgrading the local electric grid to accommodate it, and modifying the local gas system as needed (e.g. removing gas service lines), and 2) planning for systematic grid modernization to accommodate even more widespread electrification. Staffing is a significant challenge for this program, with high vacancy rates in Utilities Electric Engineering and Operations. Significant shares of this work will be performed by contractors, but even staff capacity to manage contractors is limited due to recruitment and retention issues.

ATTACHMENT B

- **Permitting:** This includes 1) review of incoming electrification applications for code compliance, 2) permit streamlining efforts, including partnerships with Utilities program operators, and 3) development of new codes, such as Energy Reach Codes.
- **Communications:** This includes engagement and outreach efforts to make the community aware of the need for action on climate change and the things residents can do. It includes partnerships with local volunteer organizations. General communications efforts also are coordinated with sales and marketing of specific electrification programs.
- **Finance:** This includes coordinating the funding of all other program areas. With funding sources limited, programs need to be designed and prioritized based on their ability to generate emissions reductions cost-effectively and in a way that keeps the need for additional funding such as highly impactful rate increases or major tax increases to a minimum and makes efficient use of available funding sources like grants and State emissions reduction programs.

Many of these programs are aligned with the responsibilities of existing organizational units and will be staffed by reorganizing work plans of these units. The staffing requests in the FY 2022 mid-year and FY 2023 budget will complement these reorganizations by providing additional project management and operational capacity where needed.

- **1.0 Sustainability Programs Administrator (Utilities, FY 2023 Budget):** This position adds staff capacity in the Programs area, which is primarily being managed by Utilities Program Services, a workgroup within the Utilities Resource Management Division, enabling it to expand residential electrification programs.
- **1.0 Manager, Utilities Program Services (Utilities, FY 2022 Mid-year):** This working manager provides both staff capacity and leadership capacity in the Programs Area (Utilities Program Services) for non-residential electrification programs and partnerships with major employers.
- **1.0 Manager, Environmental Programs and 1.0 Environmental Specialist (Public Works, FY 2022 Mid-year):** These positions expand the Sustainability Office to facilitate inter-departmental coordination on climate change and non-climate sustainability efforts, to coordinate with the Chief Communication Officer and team on sustainability communications, and to facilitate expanded City partnerships with non-governmental organizations, the State, and other agencies.
- **3.0 Electric Project Engineers (Utilities, FY 2022 Mid-year):** These positions provide the needed staff capacity to manage impacts to utility systems from electrification while managing regular investment. Additional action on recruitment and retention issues is needed to make full use of these positions due to the challenges of attracting and retaining power engineering staff.
- **1.0 Senior Engineer (Public Works, FY 2022 Mid-year) and 1.0 Principal Utilities Programs Administrator (Utilities, FY 2023 Budget):** These positions will provide inter-departmental oversight of the climate action element of the S/CAP and coordination of Utilities inter-Divisional coordination of technical and operational aspects of the plan. The management structure for the Operational phase of the S/CAP incorporating these positions is still in development

There were also staffing reclassifications in the FY 2022 mid-year and FY 2023 budget to better reflect their role in Climate Action Plan implementation (Metering Technician to Utilities Project Coordinator, Program Assistant II to Associate Sustainability Program Administrator, and Power Engineer to one of the three Electric Project Engineer listed above) and the addition of 0.5 FTE of Senior Resource Planning staff (bringing two 0.75 FTE positions to 1.0 each) to manage the sustainability elements of the S/CAP.



City of Palo Alto

Finance Committee Staff Report

(ID # 14112)

Meeting Date: 6/7/2022
Report Type: Action Items

Title: Accept June 30, 2021 Actuarial Valuation of Palo Alto's Retiree Healthcare and Other Post Employment Benefits, Approve Annual Actuarially Determined Contributions for Fiscal Years 2023 and 2024, and Affirm Additional Payments to Employers' Benefit Trust Fund

From: City Manager**Lead Department: Administrative Services****RECOMMENDATION**

Staff recommends that the Finance Committee recommend the City Council:

1. Review and accept the June 30, 2021 actuarial valuation of Palo Alto's Retiree Healthcare Plan;
2. Approve full funding of the annual Actuarial Determined Contribution (ADC) for Fiscal Year 2023 and Fiscal Year 2024 using the staff recommended adjusted assumptions; and
3. Affirm the continued the practice of transmitting amounts at a lower 5.75 percent discount rate as an additional discretionary payment to the City's California Employers' Retiree Benefit Trust (CERBT) Fund.

EXECUTIVE SUMMARY

In accordance with the Governmental Accounting Standards Board (GASB), the City Council is required to review and approve the actuarial valuation for retiree healthcare plan on a bi-annual basis for the upcoming two fiscal years and approve funding of the annual Actuarial Determined Contribution (ADC). This current study presents the fund's status as of June 30, 2021 and will be used to inform the FY 2023 and FY 2024 annual operating budgets. This report was finalized after the development of the FY 2023 Proposed Budget. Therefore, funding levels in the FY 2023 Proposed Budget reflect the out years of the prior study completed on June 30, 2019 (CMR [11284](#)). Funding levels recommended by the Finance Committee as part of this discussion will be included as an amendment to the FY 2023 Proposed Budget and included for City Council adoption of the budget on June 20, 2022.

The City continues to selecta Strategy 1 asset allocation, currently projected at a 6.25 percent discount rate for the California Employers' Retirement Benefit Trust (CERBT) Fund, managed by CalPERS. Beginning with the June 30, 2019, valuation (CMR 11284), the City Council directed staff to calculate additional discretionary payments ("prefunding") equivalent to a 6.25 percent discount rate and transmit amounts above payments at a 6.75 percent discount rate to the

CERBT Fund. The CERBT was subsequently reduced from 6.75 percent to 6.25 percent; therefore, this new target beginning with the June 30, 2021 valuation, is in-line with the prefunding assumptions used in the prior valuation. Through FY 2022, a total of \$3.5 million in additional contributions are expected to be made to the CERBT.

The June 30, 2021, valuation includes several changes that have favorably impacted the CERBT fund status, primarily due to healthcare and economic fluctuations resulting from the COVID-19 pandemic and continued proactive funding contributions:

- 2020-21 investment returns of 27.5 percent (6.25 percent target);
- Lower than anticipated healthcare premiums; and
- Accumulated contributions (full ADC payments and prefunding)

These favorable changes are advised to be taken in consideration of an uncertain environment. Current portfolio earning is not expected to meet target return this year (FY 2022) and it is not known whether the recent change in healthcare premiums will be ongoing or an anomaly due to the significant governmental support of healthcare costs over the past two years. Because we do not know whether these favorable changes are the beginning of a trend, or merely a temporary anomaly, this report includes several options to fund Other Post-Employment Benefit (OPEB) obligations for Finance Committee review and discussion beyond the typical recommended “baseline” strategy.

- *Recommended Funding*: consider alternative assumptions that are intended to better align with the current economic outlook and proactive funding of long-term liabilities.
- *Alternative 1 (“baseline”)*: reflects the ADC for current City Council approved funding levels and actuary assumptions.

The below table provides a summary of the options and a comparison of costs to the FY 2023 Proposed Budget in all funds. A more detailed discussion of these options is included in this report. All options reflect expected savings when compared to assumptions currently built in the FY 2023 Proposed Budget as reviewed by the Committee in May. Staff recommends that any savings remain unallocated and fall to respective funds fund balance/reserves based on standing policies, unless otherwise directed.

Table 1: Funding for the FY 2023 OPEB Obligations

		FY 2023 OPEB Funding	\$ Change
FY 2023 Proposed Budget (based on June 30, 2019 valuation)		\$16.9M	-
<u>Recommended Funding Adjusted Assumptions</u>	<ul style="list-style-type: none"> • Zero percent return 2021-22 • Proactive contribution at lower discount rate of 5.75 in ADC • Shorten Amortization period (from 22 to 15 years) • Additional funding for FY 2023 Proposed staffing 	\$16.3M	(\$0.6M)

Alternative: Baseline	<ul style="list-style-type: none"> • Current approved funding levels assuming a 6.25 percent discount rate • No proactive contribution at lower discount rate • Assumed earnings in 2021-22 at planned levels (6.25 percent) 	\$11.4M	(\$5.5M)
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*Approximately 65 percent of costs are allocated to the General Fund.

BACKGROUND

The City of Palo Alto offers its employees and retirees a Retiree Healthcare benefit plan which is managed and administered by the California Public Employees' Retirement System (CalPERS), a State of California Retiree Healthcare Trust program. Bi-annually staff contracts with an actuary firm that provides an actuarial report detailing the latest status of the City of Palo Alto's Retiree Healthcare plans for employees and retirees. The actuarial report is used to calculate the annual ADC to the trust. In addition, updates on the rate of return, funding status, and changes to the trust based on various impacts are detailed in the report. Unlike the pension actuary reports, this actuary details impacts by Fund, Department, Employee Group, and Healthcare Plans selected.

There are four groups of benefits within the CalPERS Retiree Healthcare benefit plans. Table 1 below outlines the different benefits levels by Group. These benefit levels are negotiated and approved as part of the employee contracts. Employees and retirees have an open enrollment window in October each year in which they can make changes to their healthcare plans that take effect in January of the following year.

Table 2: City of Palo Alto Retiree Healthcare Benefit Plans and Tiers

	Miscellaneous	Safety: Fire	Safety: Police
Group 1	Retired before January 1, 2007; eligibility starting at the age 50 and 5 years of service; full premium up to family coverage	Retired before January 1, 2007; eligibility starting at the age of 50 and 5 years of service; full premium up to family coverage	Retired before March 1, 2009; eligibility starting at the age of 50 and 5 years of service; full premium up to family coverage
Group 2	Retired between January 1, 2007 and May 1, 2011; eligibility starting at the age 50 and 5 years of service; same as Group 1, but premium limited to 2 nd most expensive medical plan	Retired between January 1, 2007 and December 1, 2011; eligibility starting at the age 50 and 5 years of service; same as Group 1, but premium limited to 2 nd most expensive medical plan	Retired between March 1, 2009 and April 1, 2015 (POA), between January 1, 2007 and June 1, 2012 (PMA); eligibility starting at the age 50 and 5 years of service; same as Group 1, but premium limited to 2 nd most expensive medical plan
Group 3 (Retirees)	Retired after Group 2, did not elect into Group 4, benefit same as active employees		
Group 3 (Active EEs)	Currently active, not in Group 4. Flat Dollar Caps equal to actives	N/A (All active Group 3 IAFF & FCA elected into Group 4)	N/A (All active Group 3 POA & PMA elected into Group 4)
Group 4	Vesting Schedule: 10 years gets 50%, 20 years gets 100%, formula amount	Vesting Schedule: 10 years gets 50%, 20 years gets 100%, formula amount	Vesting Schedule: 10 years gets 50%, 20 years gets 100%, formula amount

CalPERS Projected Contribution Levels

The actuary report has two components to the annual billing of the employer portion of retiree healthcare contributions that comprise the Actuarial Determined Contribution (ADC), 1) the Normal Cost (NC), and 2) the Unfunded Actuarial Accrued Liability (UAAL).

- *NC*: This reflects a rate of contribution for the plan of retirement healthcare benefits provided to current employees based on the current set of assumptions.
- *Employer Amortization of UAAL*: This is an annual payment calculated to pay down an agency's unfunded accrued liability. Assuming every assumption in the actuarial valuation was accurate, an organization would eliminate its unfunded pension liability if it made these payments annually for 30 years. The City Council approved a closed period to amortize the entire net pension liability over a specific timeframe, and 22 years of payments remain as of June 30, 2021. The total liability will vary from one year to the next because of assumption changes and actuarial experience that is different from anticipated, such as actual investment returns that do not meet expectations.

As established by the City Council, the City's CERBT Fund is invested in a Strategy 1 asset allocation at a 6.25 percent discount rate. Beginning with the June 30, 2019, valuation (CMR 11284), consistent with the City's proactive pension funding policy, the City Council approved the calculation of ADC at a lower 6.25 percent discount rate, transmitting the amounts above a 6.75 percent discount rate as an additional discretionary payment ("prefunding") to the CERBT Fund. Other proactive measures to mitigate the increasing costs of healthcare plans for current and future retirees include cost sharing with employees, capping the plans covered, and establishing a flat contribution that can be adjusted with each labor agreement for active employees.

The City's CERBT Fund was established in May 2008 at a level of \$33 million and it has grown to \$164 million as of March 31, 2022.

DISCUSSION

Summary of Actuarial Report June 30, 2021

Staff contracted with Bartel Associates, LCC (BA) for this retiree healthcare actuarial report (Attachment A) to determine the City's retiree healthcare liability and the ADC for Fiscal Years 2023 and 2024. The actuarial analysis is based on current employees' accrued benefit, and retired employees as of June 30, 2021.

This updated valuation includes several changes that have favorably impacted the CERBT fund status, primarily due to healthcare and economic fluctuations resulting from the COVID-19 pandemic. Most notably, investment returns for 2020-21 reached an unprecedented level of 27.5 percent for the period. This level of return had a significant impact on the overall status of the fund and is not expected to continue in future periods. Healthcare premiums were lower

than anticipated likely due to government funding of pandemic-related healthcare costs, deferral of individual healthcare visits during the pandemic due to personal safety decisions and public health orders and use of CalPERS reserves to keep premiums down.

The full impact on healthcare costs resulting from the pandemic is yet to be determined and is expected to be factored into future valuation reports based on actual experience in costs. As an actuarial study, the calculation is based on the information at this time, which reflects this significantly lower cost. Staff and Bartel Associates are skeptical on the longevity of these lower costs, versus the immediate result of the variables noted previously.

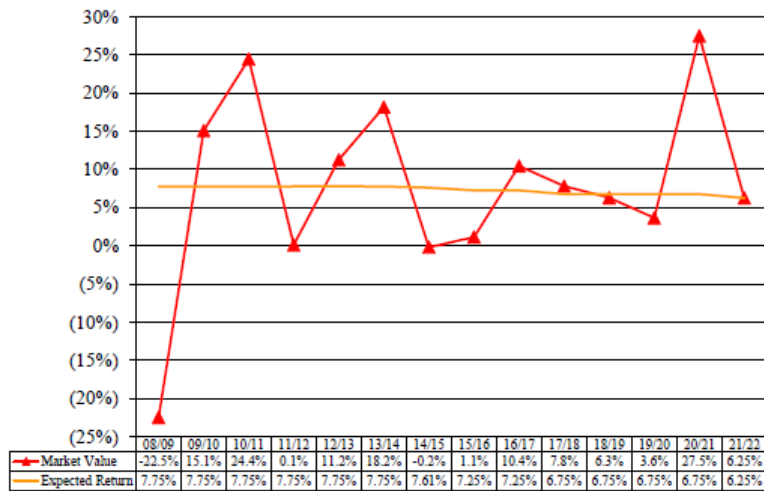
Beginning with this valuation, based on the favorable changes, baseline projections reflect accumulated contributions to the CERBT may be used to pay a portion of the annual retiree medical costs. This is a result of asset growth, where returns generated on higher asset levels are sufficient to contribute toward a portion of the annual benefit payments. The ability to use returns for this purpose is a goal of the prefunding strategy and a sign that a good practice is in place. Achieving this status was anticipated to occur as a result of prefunding, however, has occurred sooner than anticipated due to the favorable impacts discussed above.

Discount Rate Assumptions

The City Council has taken great interest to ensure long-term liability assumptions and costs for pension and OPEB are being proactively addressed, including the adoption of a Pension Policy that assumes a 6.2 percent discount rate for pension costs compared to CalPERS rate of 7.0 percent (CMR 11722) and starting in FY 2023 a potential phased-in reduction to 5.3 percent or alternative rate as designated by Council, to better align with market survey results included in the most recent CalPERS Asset Liability Management (ALM) study. Additionally, the City Council has taken actions to invest at an estimated discount rate for OPEB of 6.75 percent and transmit additional contributions to prefund OPEB obligations at the equivalent of a 6.25 percent discount rate. The CERBT has subsequently reduced the discount rate from 6.75 to 6.25 percent; therefore, no prefunding is necessary to meet this target beginning with the June 30, 2021 valuation. Through FY 2022, a total of \$3.5 million in additional contributions are expected to be contributed to the CERBT.

Discussed above, the ADC is impacted when actual experience differs from assumptions. One of the more significant impacts to ADC occurs when actual investment returns do not meet expectations. The following graph presents historical returns, looking back to 2008-09.

**Figure 1: Historical Returns of the OPEB Trust
(Market Value of Plan Assets (MVA) and Expected Return)**



Projected Unfunded Actuarial Accrued Liability

This actuarial report includes the plan's "Funded Status." As of June 30, 2021, the CERBT Trust is funded at 70 percent, up 1,200 basis points from 58 percent in the June 30, 2019 actuarial valuation.

As of June 30, 2021, the Unfunded Actuarial Accrued Liability (UAAL) was \$80.0 million for all funds and \$51.5 million for the General Fund. Beginning with the June 30, 2013 valuations, the City aligned its actuarial analysis to align with GASB's rules regarding the "implied subsidy". The calculation of implied subsidy requires an agency to recognize that it pays the same medical premiums for active employees as those that are retired. The implied subsidy identifies and accounts for the agency paying the same blended premium for both active employees and retirees, even though the medical cost for active employees is lower than retirees.

Palo Alto had 874 active employees and 1,009 retirees as of June 30, 2021. The calculation increases the UAAL by \$15.1 million or 18.9 percent; without the implied subsidy the UAAL for all funds would be at \$64.9 million.

Table 3: Unfunded Actuarial Accrued Liability (UAAL)

	As of June 30, 2019*	As of June 30, 2021	Projected June 30, 2022
Citywide – UAAL	\$122,972	\$80,027	\$76,159
General Fund – UAAL	\$82,624	\$51,522	\$49,032
Funded Ratio)	49.0%	67.2%	70.0%
Citywide UAAL % Change from prior valuation		-35.0%	-38.1%

* The June 30, 2019 values are based on a 6.75 percent discount rate. Beginning June 30, 2021, the discount rate has been reduced from 6.75 to 6.25 percent

Sensitivity Analysis: Discount Rate and Amortization Period
CalPERS recognizes the varying assumptions that may impact a plan's unfunded actuarial

accrued liability and therefore a retiree healthcare plan's funding status, especially the implications of the discount rate and amortization assumptions. Therefore, in addition to the actuarial assumptions used to develop this annual evaluation, BA includes a sensitivity analysis of the retiree healthcare plan. Table 4 below reflects the impact on UAAL resulting from a reduction in the discount rate. Table 5 reflects the impact on ADC if the UAAL is amortized over different timeframes. It should be noted that the Council has adopted a Pension Funding Policy seeking to reach a 90 percent funded level in what remains to be approximately 14-15 years, a shorter period than the sensitivity scenarios below.

Table 4: Discount Rate Sensitivity

	6.25% (Current)	5.75%	5.25%
Citywide – UAAL	\$80,027	\$94,571	\$110,567
General Fund – UAAL	\$51,522	\$60,886	\$71,184
Funded Ratio	67.2%	63.4%	59.8%

Table 5: Amortization Sensitivity

	22 Years (Current)	20 Years	18 Years
Normal Cost	\$6,316	\$6,316	\$6,316
UAAL Amortization	\$5,112	\$5,459	\$5,887
Total ADC	\$11,428	\$11,775	\$12,203
ADC (% of payroll)	10.3%	10.6%	11.0%
* Includes administrative expenses			

Funding for the FY 2023 Including Actuarial Determined Contribution (ADC)

This section outlines staff's recommended funding level for OPEB obligations beginning in FY 2023 for Finance Committee review and discussion and an alternative. Due to the uncertainties noted previously that are unique to this report and given the limited data on the impacts of COVID-19, staff recommend alternative assumptions that are rooted in the City's Pension Funding Policy, may be adjusted later in a subsequent fiscal year, and position the City to smooth potential volatility in projected liabilities. A key result of the recovery period as the pandemic moves into an endemic is a need to foster and work towards stability as an organization; this stability helps ensure continued focus on high priority projects, supports recruitment and retention efforts in a competitive labor market, and ensures a readiness and nimbleness to adapt to changes. Acknowledging these lessons, staff recommends the Finance Committee consider an alternative funding approach that adjusts assumptions based on current data and the principles noted above. Staff have also outlined an alternative, or "baseline" scenario for consideration. This funding level may be adjusted annually based on City Council direction, so long as the baseline ADC is met.

Staff Recommended Funding for FY 2023 OPEB Obligations

Staff recommend adjusting funding from the typical baseline calculation to better align with the current economic outlook, the current instability in the assumptions used to calculate the

baseline and continue to proactively fund long-term liabilities. Recommended revisions to baseline assumptions include:

- *Assume a zero percent investment return for the current 2021-22 period:*
The most recent March 31, 2022 quarterly report from CERBT reported year-to-date investment returns of negative 1.39 percent as compared to a 6.25 percent target. This scenario assumes investment returns of zero percent for the period ending June 30, 2022 to hedge against returns that may not be realized.
- *Exclude proactive contributions at a lower discount rate towards the ADC:*
Consistent with the pension proactive funding, this would treat the proactive contributions assuming a lower discount rate of 5.75 as if in a separate “trust” or “saving account.” ADC calculations will remain at consistent levels and these proactive contributions remain additive to baseline calculations of liability.
- *Assume a shortened amortization period from 22 to 15 years:*
This change in the amortization period will more closely align OPEB with the City’s Pension Policy goals to reach a 90 percent funded status over 15 years (by FY 2036). The City Council previously approved a 30-year closed amortization period of which 22 years remain as of June 30, 2021.
- *Assume additional normal costs or “pay-go” costs:*
Adjust funding to include costs for the recommended additional staffing as approved or being considered for approval in FY 2023.

This option results in an FY 2023 Proposed ADC of \$16.3 million citywide (\$9.9 million in the General Fund), a \$0.6 million reduction from the \$16.9 million ADC in the FY 2023 Proposed Operating Budget.

Baseline

The baseline calculation reflects standard actuarial calculations and existing City Council direction assuming the Strategy 1 asset allocation at a 6.25 percent discount rate. Since this rate reflects the 6.25 percent discount rate approved by the City Council to assume for additional discretionary payments to the CERBT Fund, no additional prefunding payments are assumed in the baseline calculation. Unlike the CalPERS pension plan, additional City contributions do not go into a separate Section 115 trust; instead, they remain in the plan and are included as assets in the CERBT each subsequent year, impacting the calculation of the ADC. This treatment of prefunding contributions included in assets and effectively reduce the ADC each future year.

Overall, this baseline reflects an FY 2023 Proposed ADC of \$11.4 million citywide (\$7.1 million in the General Fund), a \$5.5 million reduction from the \$16.9 million ADC in the FY 2023 Proposed Operating Budget.

FY 2023 Proposed Staffing Additional Normal Cost Contributions

To be factored in all calculations of funding for FY 2023 is the potential addition of nearly 60 full-time staff since the June 30, 2021 valuation date: 20 full-time positions during FY 2022, and

nearly 40 full-time positions in the FY 2023 Proposed Budget (mostly in the General Fund). As reported in this valuation, the average salary of active employees is approximately \$120,000 and the variable portion of ADC, or normal cost for current employees, is 5.6 percent of payroll. Under these assumptions, the retiree healthcare cost of the additional staffing is approximately \$400,000. Staff recommends that this associated retiree health cost be included in the final budget for Council consideration for FY 2023 adoption in alignment with the assumptions in the recommended option above.

Stakeholder Engagement

The transmittal of the actuarial valuation as of June 30, 2021 begins conversations regarding the fiscal outlook for the City's OPEB liabilities and the appropriate contribution for the FY 2023 Actuarial Determined Contribution. Public discussion will be held with the Finance Committee on June 7, 2022, prior to City Council review and adoption of the FY 2023 Budget, currently scheduled for June 20, 2022.

Resource Impact

The FY 2023 Proposed Budget includes an ADC of \$16.9 million, an increase of \$0.5 million from FY 2022 Adopted levels of \$16.4 million. Staff recommendations in this report result in funding levels of \$16.3 million, a net savings of \$0.6 million from the FY 2023 Proposed Budget in all funds. Funding levels recommended by the Finance Committee will be included as an amendment to the FY 2023 Proposed Budget for City Council adoption of the budget on June 20, 2022. Staff will incorporate this direction on an ongoing basis beginning in FY 2024.

Future funding is subject to City Council approval through the annual budget process. The recent market fluctuations and overall impact of the current pandemic are yet to be fully realized. These reports are calculated bi-annually and reflect market conditions at that point in time. This Trust experienced gains in this most recent report, however, will continue to be closely monitored.

Environmental Review

This report is not considered a project for the purposes of the California Environmental Quality Act (CEQA). Environmental review is not required.

Attachments:

Partners

December 16, 2019

City of East Palo Alto

City of Menlo Park

City of Palo Alto

Santa Clara County

Palo Alto Unified
School District

Ravenswood City
School District

Sequoia Union High
School District

Kiwanis Club
of Palo Alto

Palo Alto University
Rotary Club

Rotary Club
of Palo Alto

Youth Empowerment
Strategies for Success
(YESS)

Project: Safety Net

East Palo Alto
Re-entry Coalition

Minka Van Der Zwaag
Office of Human Services
Cubberley Community Center
4000 Middlefield Road, T2
Palo Alto, CA 94303

Dear Minka,

We are writing to express our appreciation at Youth Community Service (YCS) for the \$50,000 annual City of Palo Alto contract for our Youth Connectedness Initiative (YCI). That three-year contract runs from July 2017 to June 2020 and has an annual \$50,000 match from Santa Clara County for a leveraged budget of \$100,000. We're writing to share this **2017-2019 Impact Report** on our work on YCI to date in the Palo Alto community with youth ages 14 to 18 and with parents and adult allies.

The three-year YCI was a response to surveys showing a need for Palo Alto youth to develop more protective factors against stress, including the CDC Epi-Aid Suicide Prevention Report that reported a youth suicide rate in Palo Alto at 14.1 per 100,000 persons, the highest rate in the County and more than double than that of the County. The YCI project was designed with evidence-based strategies from CDC Epi-Aid recommendations, program strategies from the Search Institute "Developmental Relationships framework," and decades of Youth Community Service experience.

YCI engages youth and adults in service learning and parent/adult education with the aim of building meaningful relationships. YCI is unique in its two pronged approach; a Peer Leader program where youth work on service learning projects centered on wellness, and the Parent Program where YCI hosts workshops for parents and youth-serving adults to educate on increasing protective factors.

The **2017-2019 Impact Report** includes the following information:

- YCI Parent Program survey results demonstrating growing parent engagement and satisfaction, as well as increasing impact through collaboration with multiple wellness program partners
- YCI Youth Peer Leader Program description of our peer leader team, events and achievements
- Budget information on YCS financial strategies to leverage the annual City budget for greater Palo Alto community impact.

We believe that this Impact Report makes a strong case for renewal of an additional 2020 to 2023 three-year contract for the following reasons:

1. The program staff and student peer leader team have established strong momentum and leveraged impact through a growing network of school, City and community partners. We shared costs for our most recent parent educator from Search Institute with YMCA Project Cornerstone, and the event was co-sponsored by over 20 youth and adult wellness partners.
2. YCI program leaders continue to demonstrate outcomes with the four contract deliverables for youth peer leaders, youth participants, and engaged parents and adult allies.
3. Recent surveys continue to express the need for continuation of our work with prevention strategies that build protective factors like connectedness, positive perception of self, service to others, and caring developmental relationships with peers and adults. California Healthy Kids Survey (CHKS) 2018 survey results for 11 graders in Palo Alto report 33 percent who do not "feel like I am part of this school," 29 percent with "chronic sad or hopeless feelings," 14 percent who "seriously considered attempting suicide in past 12 months."

With appreciation for our continuing City partnership in this critical work.



Leif Erickson
Executive Director



Ashley Yee-Mazawa
Palo Alto Program Director



Youth Community Service Youth Connectedness Initiative Impact Report

2017 to 2019

Youth Community Services | 780 Arastradero Rd., Room V-14 | PO Box 61000
Palo Alto, CA 94306 | IRS EIN 20-8099150 | (650) 858-8019
ycs@youthcommunityservice.org

Youth Connectedness Initiative (YCI)

This report is intended to express our appreciation at Youth Community Service (YCS) for the \$50,000 annual City of Palo Alto contract for our Youth Connectedness Initiative (YCI). That three-year contract runs from July 2017 to June 2020 and has an annual \$50,000 match from Santa Clara County for a leveraged budget of \$100,000. We're writing to share this 2017-2019 Impact Report on our work to date in the Palo Alto community with youth ages 14 to 18 and with parents and other adult allies.

The three-year YCI was a response to surveys showing a need for Palo Alto youth to develop more protective factors against stress, including the CDC Epi-Aid Suicide Prevention Report that reported a youth suicide rate in Palo Alto at 14.1 per 100,000 persons, the highest rate in the County and more than double than that of the County. The YCI project was designed with evidence-based strategies from CDC Epi-Aid recommendations, program strategies from the Search Institute "Developmental Relationships framework," and decades of Youth Community Service experience.

YCI engages youth and adults in service learning and parent/adult education with the aim of building meaningful relationships. YCI is unique in its two pronged approach; a Peer Leader program where youth work on service learning projects centered on wellness, and the Parent Program where YCI hosts workshops for parents and youth-serving adults to educate on increasing protective factors.

The program's strength is in its unique structure of two pronged approach with youth and adults. See the student-produced video created for the parent program:

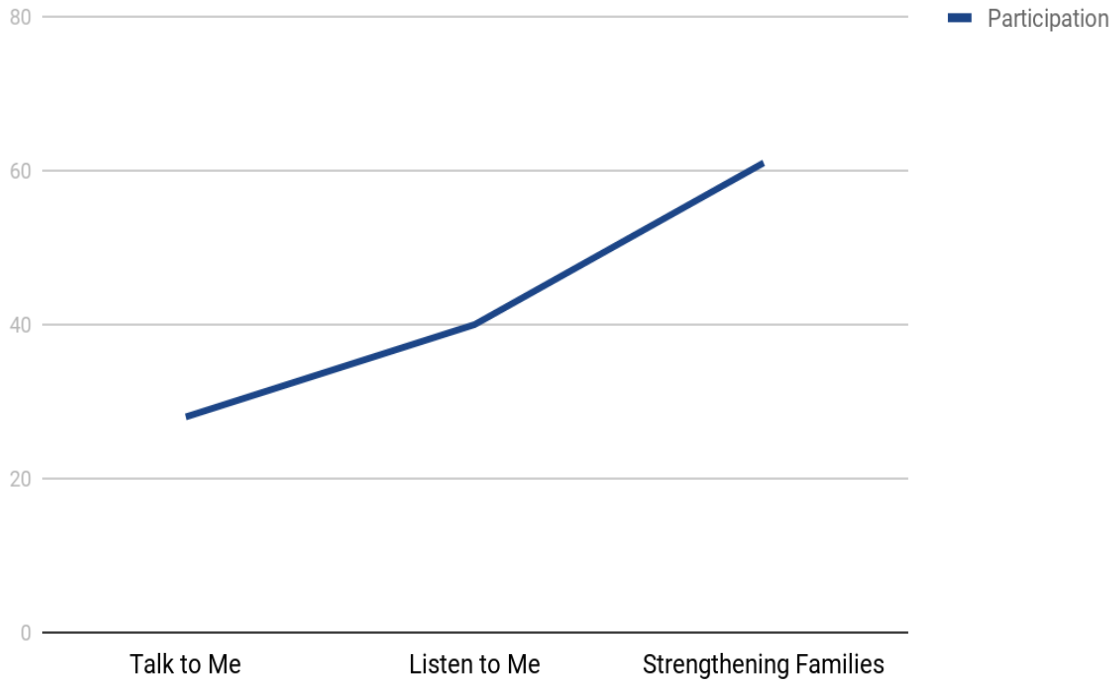
<https://www.youtube.com/watch?v=zDr7aW8IfPc>



Parent Program:

Deliverable: Increase parents and adults' awareness of ways to help build youth connectedness and developmental relationships.

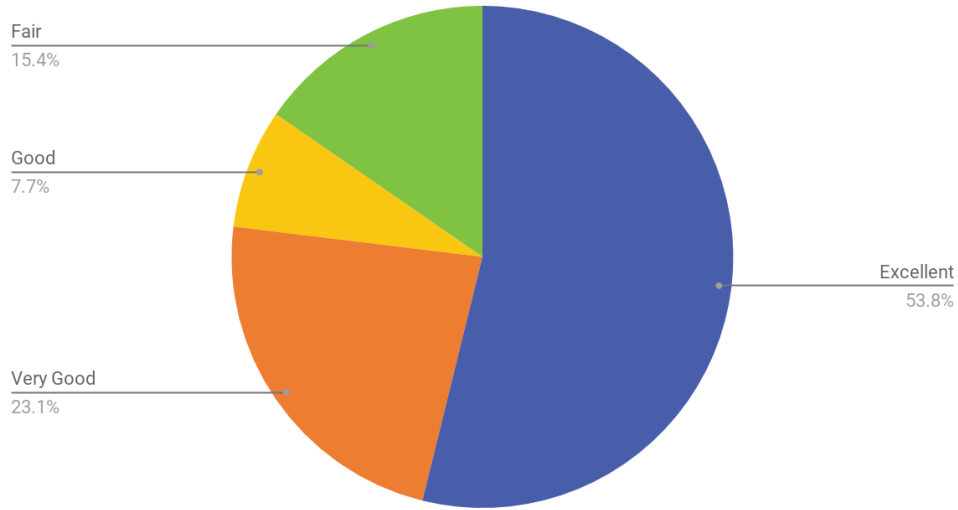
Parent Program Participation



See the following pages for YCS Youth Connectedness Workshops and Events details

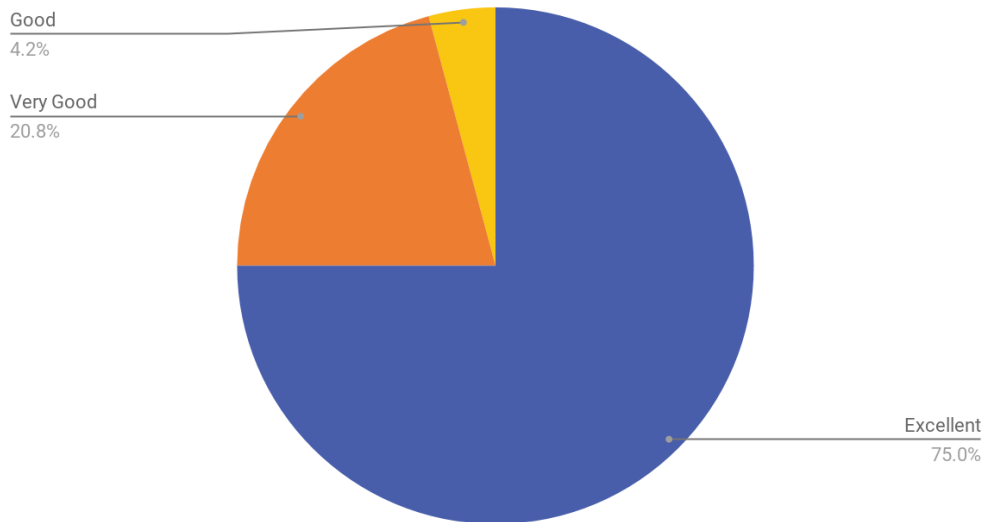
Talk to Me: 12/5/18	28 participants (20 adults, 8 youth)
Description: a facilitated conversation between adults and youth to raise awareness of the importance of youth feeling like they belong and building relationships that help youth thrive.	

Talk to Me: Overall Program Rating--Adults



Listen to Me: 3/26/19	40 participants (30 adults, 10 youth)
Description: A Facilitated conversation and presentation from Susan Stone Belton on how to communicate and develop skills in listening and talking. Guest speaker: Susan Stone Belton	

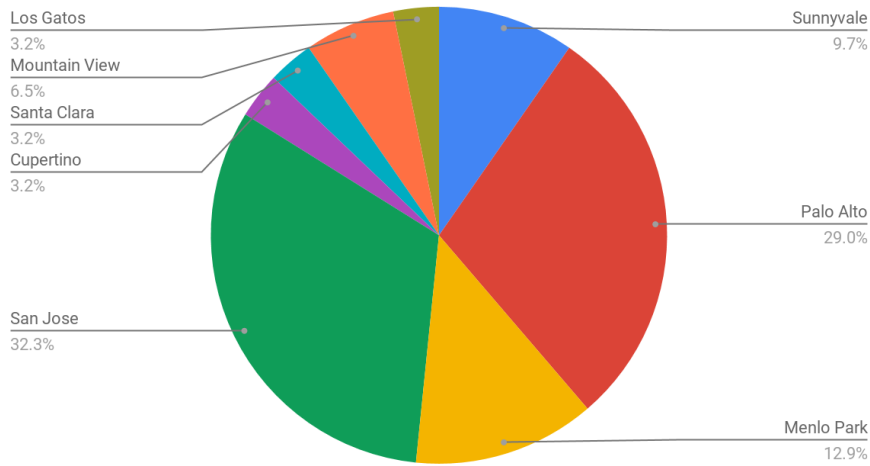
Listen to Me: Overall Program Rating--Adults



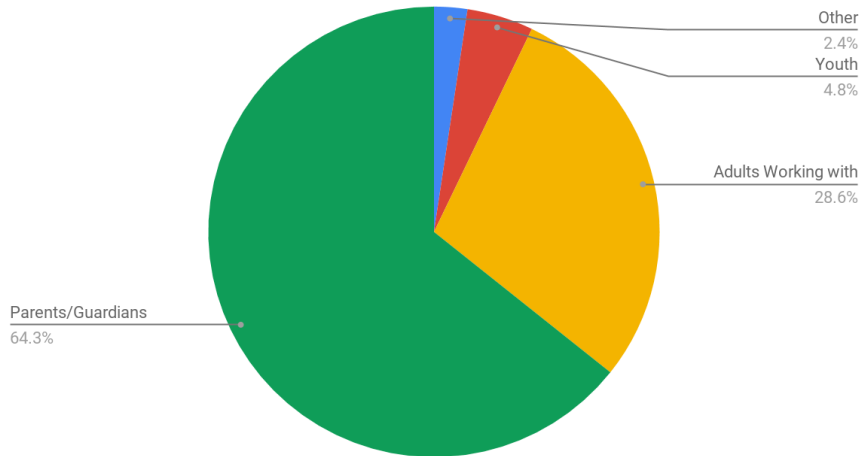
Connect with Me: Planned for December 2019, Connect with Me will offer participants a space to share stories with one another through a facilitated conversation from a parenting expert and therapist. During the event, YCI Peer Leaders will debut their depression awareness video they created in collaboration with the Gunn and Paly Wellness Centers.

<p>Strengthening Families & Developmental Relationships: 11/2/19</p>	<p>61 participants (59 adults, 2 youth)</p>
<p>Description: The workshop addressed families and relationships. The Search Institute facilitated the workshop and taught participants about the Developmental Relationships Framework. Participants will reflect on their own relationships and families through the lens of Search Institute’s innovative research. Our keynote speaker was Jim Conway, who brought over 25-years experience in the youth development field to the workshop with our community.</p>	

Participants City of Residents



Strengthening Families Participants



Strengthening Families: YCS Partners



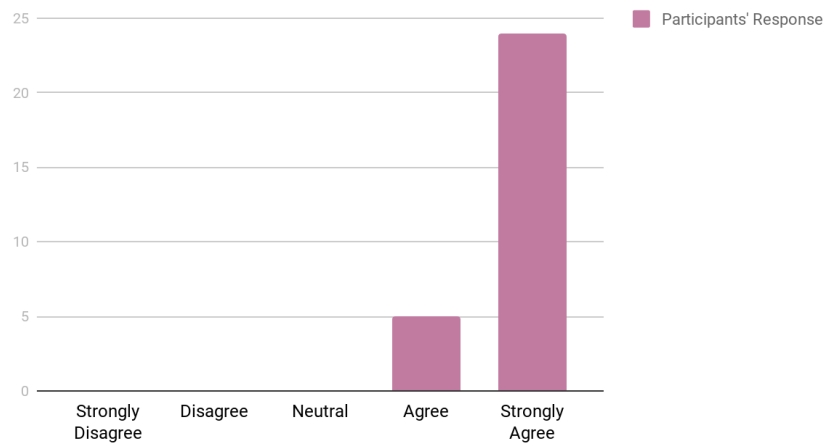
Partners in Attendance and Their Clients' Locations

Organization	Region
* CASSY : Counseling and Support Services for Youth www.cassybayarea.org	Palo Alto, Milpitas, Los Gatos, & Campbell
* Gunn & Paly High Wellness Centers https://gunn.pausd.org/wellness-counseling/wellness https://paly.net/counseling-wellness/wellness-center-counseling-resources	Palo Alto
Palo Alto Family YMCA : Dedicated to building healthy, confident, connected children, adults, and families www.ymcasv.org/locations/palo-alto-family-ymca	Palo Alto
Palo Alto Medical Foundation : Dedicated to improving health in communities www.sutterhealth.org/pamf	Southern San Mateo County and Northern Santa Clara County
* Parents Place : “One-stop-shop for all your parenting needs” www.parentsplace.jfcs.org/location/peninsula	San Francisco, San Mateo, and Santa Clara Counties
Project Cornerstone : Helping all children and teens feel valued, respected, and known. www.ymcasv.org/ymca-project-cornerstone	Santa Clara County and Southern San Mateo County
* Safe Space : Youth programs and mental health services www.safespace.org/	San Mateo County

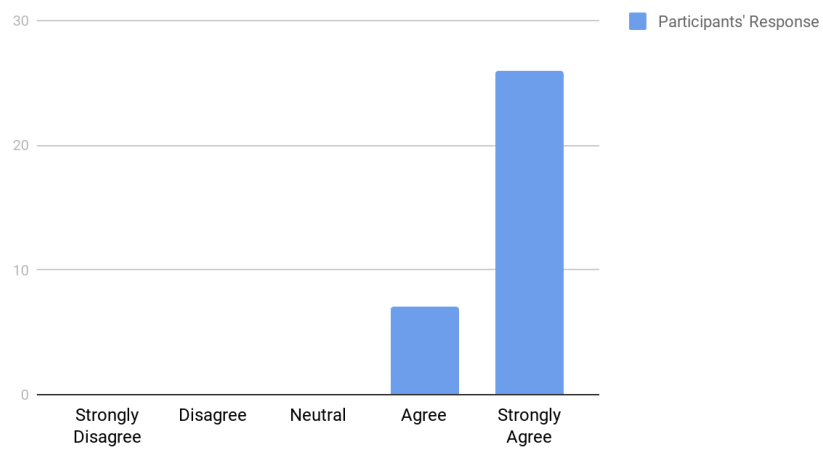
*New partnership with YCS

Strengthening Families: Results

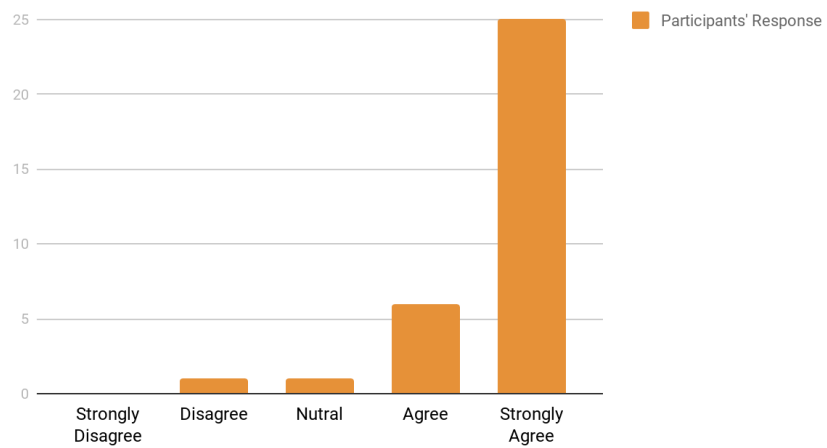
Strengthening Families: Overall Program Satisfaction



Better understanding of Developmental Relationships



Participants Come Away with Tools for Adult/Youth Relationships



Peer Leaders:



A dedicated group of youth in the Peer Leader program create service learning projects and build healthy relationships that help youth thrive. The high school student participants have weekly activities for which they are compensated with stipends or service hours.

Deliverables:

- A) Engage other participating youth/peers in community service and learning to build protective factors and connectedness to community, school, and family.
- B) Youth will demonstrate their understanding of ways to plan and implement workshops and activities to increase protective factors and connectedness among youth peers.
- C) Participating youth will demonstrate an increase in indicators for protective factors and connectedness.

Number of students:

2018-19: 14 Peer Leaders

2019-20: 17 Peer Leaders with additional students starting in January 2020

Peer Leader Projects:

2018-19	<p>Food Drive</p> <ul style="list-style-type: none"> ● Food Drive for Ecumenical Hunger Program (EHP) worked in collaboration with Sacred Space and community members to find donations ● Deliverable(s) Demonstrated: B <p>Thank You Grams with Gunn Wellness Center and ROCK</p> <ul style="list-style-type: none"> ● Peer Leaders decided to do Thank you Grams for students as finals are upcoming and it would be a nice reminder to send everyone on how special they are. ● Deliverable(s) Demonstrated: B, C, D <p>Youth Takeover for Wellness</p> <ul style="list-style-type: none"> ● The intention of this event was to open the Palo Alto City Hall Chamber with music and collaboration among youth group. Goal was for youth to occupy the space where power is held and make it their own. The youth
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	<p>were the leaders with adult staff supporting. There were resource tables and workshops as well as music and fun. This event was open to all youth (middle school to recent high school graduates). YCI Peer Leaders participated along with students from two Gunn High School groups named ROCK (Reach Out Care Know) and Bring Change 2 Mind. 89% of youth surveyed were interested in attending a similar event in the future.</p> <ul style="list-style-type: none"> • Deliverable(s) Demonstrated: C, D <p>Talk to Me Video: Awareness and Communication</p> <ul style="list-style-type: none"> • The Talk to Me video was made to raise awareness on how different styles of parenting affect their kids, and how to approach issues differently. The video was shown at the two Parent events that were put on last year, and also shared on the website. On YouTube, it currently has 151 views. The peer leaders completed the video on their own, without collaborations. • Deliverable(s) Demonstrated: B, C <p>Presentation at NYLC</p> <ul style="list-style-type: none"> • Two Peer Leaders traveled to Philadelphia to present at the National Youth Leadership Conference (NYLC), a national service learning conference. Their workshop, “From Blues to Belonging,” was on their work and to inform participants about trauma and stress and how to build resilience and wellness through service learning. They shared their Anxiety video and co-presented with the Youth Coordinator, YCS Executive Director, and former YCS Board Chair. • Deliverable(s) Demonstrated: C
Fall 2019	<p>Open Mic</p> <ul style="list-style-type: none"> • The open mic event “Bands and Brew” will be held at a coffee shop on Stanford campus. The theme of the event is connectedness. They are encouraging every artist that signs up to incorporate the theme in some way. Their ultimate goal with the event is to create a “connected” environment through art and music and people of all ages are welcome to listen and participate. • Deliverable(s) Demonstrated: C, D <p>Depression Awareness Video</p> <ul style="list-style-type: none"> • The depression awareness video is a video that shares the stories of a few Palo Alto students and their experiences with depression. Peer Leaders are currently collaborating with the Paly and Gunn Wellness Centers. The intended audience is anyone who might find comfort hearing similar stories and similar events. There is an option for youth to be anonymous and have their faces blurred out and voice masked. The video will be shared on our website, and also shown at YCI events, such as possibly our open mic, and parent events. • Deliverable(s) Demonstrated: B, C

Youth Connectedness Initiative Testimonials

"YCI has really helped me learn about my community and how to connect people together in order to create change"

–Ashley Q. Peer Leader

"I like YCI because there's a big sense of community and you can really see that in all your interactions with other peers"

–Valeria W., Peer Leader

"The leaders were really able to connect with all the people and I felt like I was in a safe place to talk with them."

–Youth Takeover for Wellness youth participant

"It is not too late to learn how to connect with my children"

–Talk to Me adult participant

"Empathy, listen the way you want to be listened to"

–Listen to Me adult participant

"Thank you for bringing this workshop to the community"

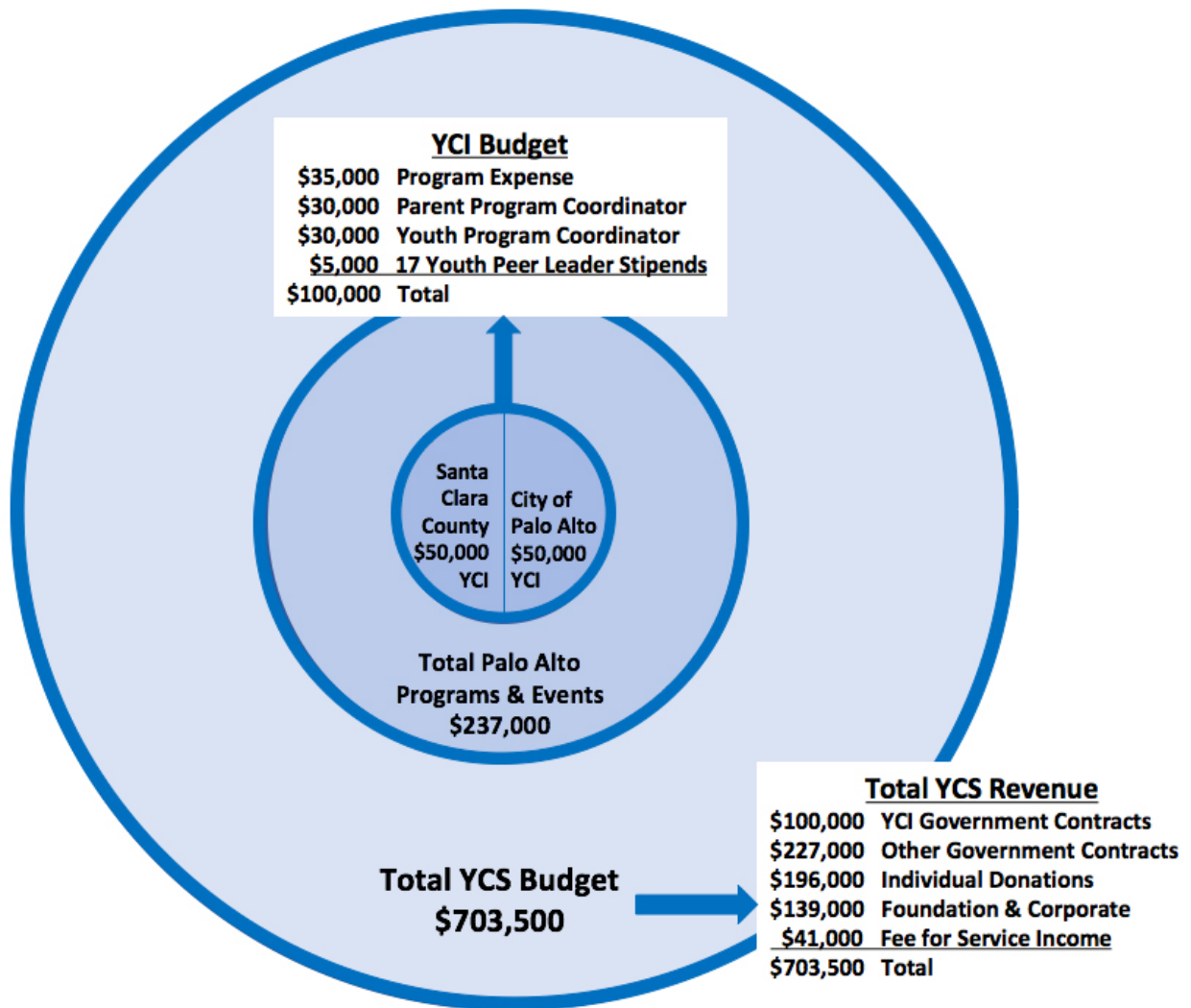
–Strengthening Families participant

"What was done today is an amazing experience"

–Strengthening Families participant

2019-20 Youth Connectedness Initiative (YCI) and YCS Annual Budgets

Youth Community Service is pleased to accept the \$50,000 annual contract from the City Palo Alto, and leverage it, as shown below, with a matching \$50,000 YCI contract with Santa Clara County Behavioral Health Services, in the broader context of our \$237,000 budget for YCS programs addressing young people in Palo Alto, and the total YCS program budget of \$703,000. The work of YCS paid staff is further leveraged for wider community impact through extensive use of collaborative partners, in-kind support (office space and transportation), and engaged adult and youth volunteers in our service and wellness programs and events. Expense budget detail for the combined \$100,000 YCI program budget is shown below.



Report Summary

The 2017-2019 Impact Report included the following information:

- A description and overview of the purpose and objectives of the three year contract with the City of Palo Alto.
- YCI Parent Program survey results demonstrating growing parent engagement and satisfaction in Palo Alto, as well as increasing impact through collaboration with multiple wellness program partners
- YCI Youth Peer Leader Program description of our Palo Alto peer leader team, events and achievements
- Budget information on YCS financial strategies to leverage support and overall reach

The Continued Need

We believe that this Impact Report makes a strong case for renewal of an additional 2020 to 2023 three-year contract for the following reasons:

1. The program staff and student peer leader team have established strong momentum and leveraged impact through a growing Palo Alto-based network of school, City and community partners. We shared costs for our most recent parent educator from Search Institute with YMCA Project Cornerstone, and the event was co-sponsored by over 20 youth and adult wellness partners.
2. YCI program leaders report to City staff on a monthly and quarterly basis to align our work and demonstrate outcomes with the four contract deliverables for youth peer leaders, youth participants, and engaged parents and adult allies. Project leaders also coordinate our Palo Alto strategies with County-wide meetings of School-Linked Services Stakeholders and Bi-Monthly Meetings, as well as Suicide Prevention Stakeholders Meetings with Mego Lien.
3. Recent surveys continue to demonstrate the need for continuation of our work with prevention strategies that build protective factors like connectedness, positive perception of self, service to others, and caring developmental relationships with peers and adults. California Healthy Kids Survey (CHKS) 2018 survey results for 11 graders in Palo Alto report 33 percent who do not “feel like I am part of this school,” 29 percent with “chronic sad or hopeless feelings,” 14 percent who “seriously considered attempting suicide in past 12 months.”

We look forward to working with City staff to renew our contract application for inclusion as a City match to the County contract in the new year’s budget.



City of Palo Alto
City Council Staff Report

(ID # 14143)

Report Type: Action Items

Meeting Date: 6/20/2022

Summary Title: CDBG FY 2023 Annual Action Plan & Substantial Amendment to FY2021 Annual Action Plan

Title: PUBLIC HEARING: Adoption of the Community Development Block Grant Funds (CDBG) Fiscal Year 2022-23 Annual Action Plan and Adoption of a Resolution Approving Use of CDBG Funds for FY 2022-23; Approval of a Substantial Amendment to the CDBG Fiscal Year 2020-21 Annual Action Plan and Adoption of an Associated Resolution; and Budget Amendment in the FY 2023 Operating Budget in the CDBG Fund

From: City Manager

Lead Department: Planning and Development Services

Recommendation:

- A. The Human Relations Commission (HRC) and staff recommend City Council take the following actions:
1. Adopt the draft Fiscal Year 2022-23 Annual Action Plan (Attachment A) and the associated resolution (Attachment B) allocating Community Development Block Grant (CDBG) funding for Fiscal Year 2022-23;
 2. Authorize the City Manager to execute the Fiscal Year 2022-23 CDBG application to fund the Fiscal Year 2022-23 Annual Action Plan and any other necessary documents concerning the application, and to otherwise bind the City with respect to the applications and commitment of funds; and
 3. Authorize staff to submit the Fiscal Year 2022-23 Annual Action Plan (Attachment A) to U.S. Department of Housing and Urban Development (HUD) by the July 12, 2022 deadline.
- B. Staff recommend City Council take the following actions:

1. Approve CDBG Substantial Amendment to the Fiscal Year 2020-21 Annual Action Plan to reallocate \$194,501 of CDBG-CV funding to two new projects;
2. Adopt a Resolution (Attachment C) reallocating CDBG-CV funding as recommended in the above action and as described in this report; and
3. Authorize staff to submit CDBG Substantial Amendment to the Fiscal Year 2020-2021 Annual Action Plan to HUD.
4. Approve and authorize the City Manager to accept \$653,168 in grant funding from the U.S. Department of Housing and Urban Development (HUD)
5. Approve an amendment to the Fiscal Year 2023 Operating Budget Appropriation for the Community Development Block Grant Fund (requires 2/3 approval) by:
 - a. Increasing the revenue estimate by \$847,669; and
 - b. Increase expense appropriations by \$761,307; and
 - c. Increase estimated ending fund balance by \$86,362.

Executive Summary:

This report discusses two distinct actions for the CDBG program, one for the adoption for the FY2023 Annual Action Plan and one for the approval of a Substantial Amendment to the FY2021 Annual Action Plan (AAP).

FY2023 Annual Action Plan

The City is preparing for its second year of a two-year CDBG funding cycle for FY2023. On March 10, 2022, the HRC reviewed the eligible programs and recommended the funding allocations for each project as reflected in the draft AAP (Attachment A). The Council is requested to review the draft FY2023 AAP and approve the recommended funding allocations identified in the document. Council's approval of the AAP will be recorded by Resolution, see Attachment B.

The CDBG federal appropriations for FY2023 were released by the U.S. Department of Housing and Urban Development (HUD) on May 13, 2022. The total amount available for allocation in FY2023 is \$653,168, which includes the City's entitlement grant (\$513,168) and estimated program income (\$140,000).

FY2021 Annual Action Plan Substantial Amendment

The City was informed by the CDBG subrecipient LifeMoves that they no longer needed the remaining funds allocated to them in fiscal year 2020-21. These funds supported a Rental Assistance Program and specifically came from CDBG-Coronavirus (CDBG-CV) grants. The remaining funds total \$194,501 Staff investigated other funding opportunities for eligible

CDBG-CV activities for the reallocation of the \$194,501. The staff recommendation is to fund \$160,300 for [Move Mountain View](#) to support a safe parking program and \$34,201 for [LifeMoves](#) to administer a COVID-19 testing program.

Background:

The CDBG program, administered by HUD, provides annual grants on a formula basis to states, cities, and counties. These grants are allocated to develop viable urban communities by providing decent housing, a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The HUD regulations require all CDBG funded activities to meet one of the three national objectives listed below:

1. Benefit low-and very-low-income persons;
2. Aid in the prevention or elimination of slums or blight; or
3. Meet other community development needs having particular urgency or posing a serious and immediate threat to the health or welfare of the community.

The Palo Alto CDBG program has primarily been focused on meeting the first objective of benefiting low- and very-low-income persons. The applications recommended for funding are consistent with this objective. For general information on the CDBG program, please visit: <https://www.hudexchange.info/programs/cdbg-entitlement/>.

Consolidated Plan & Annual Action Plan

HUD requirements include the preparation of a five-year strategic plan of action, referred to as a Consolidated Plan. This plan addresses priority housing and community development needs and sets goals for attaining identified objectives. Currently, Palo Alto's CDBG program is guided by the 2020-2025 Consolidated Plan¹ adopted by Council in 2020. Every year, an AAP is prepared to identify the specific projects to be funded by the CDBG program; these projects must further the implementation of the Consolidated Plan strategies. As Council reviews the proposed projects and recommends funding allocations, consistency with the Consolidated Plan goals is a primary consideration.

Annual Action Plan Amendments

Under specific circumstances, when the City's CDBG funding situation changes, amendments to the AAP may be required. There are two types of amendments:

1. Minor Amendments: Changes to a previously adopted Consolidated Plan or Annual Action Plan that does not meet the thresholds to qualify as a Substantial Amendment. Minor amendments are typically processed at a staff level.

¹2020-2025 Consolidated Plan:

<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=49340.42&BlobID=79655>

2. Substantial Amendments:

- (a) A change in the use of CDBG funds from one eligible activity to another;
- (b) The implementation of an activity not previously identified in sufficient detail to provide affected citizens an opportunity to submit comments; or
- (c) A change in an activity's program budget which exceeds ten percent of the City's latest annual entitlement grant; and
- (d) Staff seeks Council approval for substantial amendments.

The recommendations for the reallocation of \$194,501 CDBG-CV funds require a Substantial Amendment, which is explained in more detail in the Discussion section below.

FY2023 Application Review Process

Funding applications for "Public Improvements and Facilities" projects were made available on December 13, 2021. A notice of funding availability (NOFA) was published in the Palo Alto Weekly on December 13, 2021, with completed applications due by January 14, 2022. A mandatory pre-proposal conference was conducted on January 7, 2022, to assist applicants with program regulations and project eligibility questions. For FY2023, the second year of a two-year funding cycle, the City did not receive any new funding applications for Public Improvements and Facilities projects.

Typically, when new applications are received, the initial step in the review process is the determination that the applications are compliant with HUD's eligible activities² and National Objectives.³ This process involves staff reviewing the application materials and communicating with the applicant as needed to clarify details in the application.

For FY2022 (year one of funding cycle), the City approved eight funding applications. Seven of those projects were carried over into the 2022-23 CDBG program year. These seven projects were reviewed on February 24, 2022, by the HRC Selection Committee who made the initial project funding recommendations to the full HRC. At the regularly scheduled public hearing on March 10, 2022, the HRC made the funding recommendations reflected in the draft AAP for Council consideration. Once adopted, the AAP will be submitted to HUD by the deadline (July 12, 2022) as the last step in the process.

Annual Action Plan Citizen Participation

² CDBG Matrix Codes:

<https://files.hudexchange.info/resources/documents/Matrix-Code-Definitions.pdf>

³ CDBG National Objectives:

<https://www.hudexchange.info/sites/onecpd/assets/File/CDBG-National-Objectives-Eligible-Activities-Chapter-3.pdf>

As per HUD's regulations and the City's adopted *Citizen Participation Plan*⁴, the City must ensure adequate citizen participation in the CDBG funding process. Prior to the submission of the AAP to HUD, the City must hold two public hearings; one hearing, followed by a 30-day circulation and public comment period, followed by one more public hearing.

The HRC meeting on March 10, 2022 served as the first public hearing, and the City Council meeting on June 20, 2022 will serve as the second public hearing. After the presentation of the draft FY2023 AAP (Attachment A) to the HRC, the AAP was circulated for public review and comments for a required 30-day period that began on April 2, 2022, and concluded on May 2, 2022. Due to unforeseen changes in circumstance with one subrecipient (i.e. Downtown Streets Team), the AAP was modified and recirculated for public comment from May 20, 2022 through June 20, 2022. At the time of this report, staff did not receive any public comments on the draft AAP.

HRC Review - Recommended Allocation for FY2023

At the time of the HRC review, the CDBG federal appropriations for FY2023 was not known. For budgeting purposes, staff estimated the City's HUD Entitlement Grant for FY2023 based on a 10% reduction from the FY2022 entitlement grant. The estimated total amount available for allocation in FY2023 was \$665,459, which included the entitlement grant, program income, and previous year's resources. The recommended allocations continue to address housing and the needs of housing-insecure individuals and households. For more information, please review the associated [report](#) for the meeting.

On March 10, 2022, the HRC considered the funding recommendations of the HRC Selection Committee and voted 4-1 to recommend Council approve the draft FY2023 AAP. The HRC discussed the estimated funding allocations based on program budget, availability of additional resources, the federal spending caps, and total available CDBG funds. The HRC inquired about the criteria that was used by the Selection Committee for funding recommendations.

Additionally, since the City's CDBG grant amount was not known at the time of the meeting, HRC recommendations were based on estimated allocations and a funding contingency plan as follows:

If the City receives additional funds beyond the estimated allocation, the HRC supports the funding contingency plan to (1) allocate additional funds to projects within the Public Services to match what was funded this year (FY2022), and (2) allocate

⁴ Adopted Citizen Participation Plan 2020:

<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=51199.36&BlobID=79447>

additional un-capped funds to the 50-unit low-income housing project at 525 E. Charleston Road, with the following modifications:

- a. For the programs in the Public Services category, Project Sentinel shall be given first priority for full funding to match FY2022 allocation, and*
- b. Staff shall consider additional funding for Rebuilding Together Peninsula.*

The FY2023 allocation amounts have been updated based on the HRC's recommendations and updated funding sources and are summarized in the Discussion section of this report. At the time of this report no minutes were available online but a video recording is available for viewing: [HRC Meeting - March 10, 2022 - YouTube](#).

Discussion:

This report section is divided into the two topics, one for the FY2023 AAP and the other for the FY2021 AAP Substantial Amendment.

FY2023 Annual Action Plan

Summaries of the FY2023 CDBG grant amount, project funding categories, and proposed allocations are provided below.

Funds Available for Allocation in FY2023

The CDBG federal appropriations for FY2023 was received on May 13, 2022. The total amount available for allocation in FY2023 is \$653,168, which includes the entitlement grant and estimated program income, as summarized below in Table 1. The recommended allocations continue to address housing and the needs of housing-insecure individuals and households.

Table 1: Summary of FY2023 CDBG Funding

FY2022-2023 Entitlement Grant	\$513,168
Estimated Program Income in FY2022-23 from Alta Housing generated from loan repayments and rental income in excess of expenses on specific properties acquired or rehabilitated with CDBG funds	\$140,000
Total Available for Allocation	\$653,168

CDBG Funding Categories and Funding Applications

The CDBG program has five primary activity areas to allocate funds to: (1) Public Services, (2) Planning and Administration, (3) Economic Development, (4) Housing Rehabilitation, and (5) Public Improvements and Facilities. Federal regulations limit the amount that can be spent on two categories: planning and administration and public services. No more than 20% of the City's entitlement grant and estimated program income for the following year can be spent on planning and administration. Similarly, there is a maximum spending cap of 15% of the grant

allocation and 15% of any program income received during the previous fiscal year on the public services category. The amount available to allocate in each of the activity area is summarized below.

Table 2: CDBG Funding Categories and Allocation Amounts

Funding Categories	Allowed Allocation
Public Services (15% cap)	\$97,975
Planning and Administration (20% cap)	\$130,633
Economic Development, Housing Rehabilitation, and Public Improvements and Facilities (un-capped)	\$424,560
Total Available for Allocation	\$653,168

Recommended Changes to “Public Services” and “Planning and Administration” Categories

In past years, the Planning and Administration funding category was used to cover both the City’s administration cost (part-time staff and consultants) and fund Project Sentinel (Fair Housing Services). In November 2021, the part-time CDBG position became vacant, and City began using consultant services (Michael Baker International) to fully manage the program for the City. With this staffing change, and because the program administration is fully funded by the CDBG grant, additional budget is needed to maintain the program administration. In past years, the City’s administration allocation has been approximately \$99,000. For this coming fiscal year, staff is requesting \$121,816 for the City’s program administration. \$86,362 dollars is programmed in the FY 2023 budget, which is subject to City Council approval through the annual budget process.

With the City’s administration role requiring more funding, the level of funding for Project Sentinel must be reduced from the Planning and Administration category. Because of Project Sentinel’s program activity, fair housing services, they are also eligible to be funded from the Public Services category, which is what is recommended. Adding Project Sentinel to the Public Services category does, however, impact the funding for the other service providers; allocations must be split between five providers instead of four.

Downtown Streets Team/Workforce Development Program

Since the HRC meeting and recommendation on the allocations, some concerns have arisen about the eligibility of the Downtown Streets Team (DST) program for program funding. To qualify for the recommended \$160,477 allocation in the Economic Development category, DST must maintain a Community Based Development Organization (CBDO) status – this is a HUD requirement for funding in the un-capped Economic Development category (otherwise the program could be funded from Public Services). In order to qualify as a CBDO, Downtown Streets must meet specific characteristics required by HUD:

1. Is an association or corporation organized under State or local law to engage in community development activities (which may include housing and economic development activities) primarily within an identified geographic area of operation within the jurisdiction of the recipient; and
2. Has as its primary purpose the improvement of the physical, economic, or social environment of its geographic area of operation by addressing one or more critical problems of the area, with particular attention to the needs of persons of low and moderate income; and
3. May be either non-profit or for-profit, provided any monetary profits to its shareholders or members must be only incidental to its operations; and
4. Maintains at least 51 percent of its governing body's membership for low- and moderate-income residents of its geographic area of operation, owners or senior officers of private establishments and other institutions located in and serving its geographic area of operation, or representatives of low- and moderate-income neighborhood organizations located in its geographic area of operation; and
5. Is not an agency or instrumentality of the recipient and does not permit more than one-third of the membership of its governing body to be appointed by, or to consist of, elected or other public officials or employees or officials of an ineligible entity; and
6. Requires the members of its governing body to be nominated and approved by the general membership of the organization, or by its permanent governing body; and
7. Is not subject to requirements under which its assets revert to the recipient upon dissolution; and
8. Is free to contract for goods and services from vendors of its own choosing.

However, if an organization does not meet one of the criteria set forth by HUD, the organization along with the City can file for an exemption. The exemption would describe how the organization can still undertake the activities but may not meet one or more of the requirements of a CBDO. Downtown Streets requested for the City to support an exemption. This process takes time and based on staff's engagement with HUD on the matter, approval is uncertain.

The proposed FY2023 allocations still include the DST program with the provision that DST's CBDO status is confirmed by August 31, 2022. There is some risk to the City in making this allocation if the CBDO status is not assured or the exemption is not granted. The risk to the City is a potential reduction in future CBDG funding if the City is not able to disburse a specified percentage of federal funds within a certain timeframe. For this reason, staff recommends a deadline to DST to either comply with the CBDO program requirements or obtain an exemption (which the City is working with DST to obtain). In the event resolution is not provided by the deadline, staff will seek another eligible program to fund.

In any event, staff will not provide any CBDG reimbursement payments until the CBDO status has been validated by HUD.

Allocations

With the changes described above about the administration allocation, the strategy for funding for the Public Service providers was to allocate funds to match the FY2022 allocations (or get as close as possible). As recommended in the HRC motion above, priority was given to funding Project Sentinel first. Of the five programs, with the recommendation provided in the AAP, three would match the FY2022 allocation amounts, while two would receive a reduction. See Table 3 for details.

The HRC included in their motion to consider additional funds for the Rebuilding Together Peninsula program. Staff reviewed the programs existing progress and checked in with the program representatives; additional funding for this program does not seem warranted at this time. The program can work with the proposed allocation amount to meet their goals.

There are seven programs recommended for FY2023 allocations that are summarized in the Table 3 below. Detailed descriptions of the funding recommendations and agencies are provided in Attachments A and B. Please note that the City does have to apply for the administration funding to manage the program.

Table 3: Summary of Applications and Funding Recommendations

Agency/Program Name	FY 2022 Funded Amount	FY 2023 Recommended Amount
<i>Public Services</i>		
Alta Housing – SRO Resident Support	\$24,535	\$22,413
Catholic Charities/ Ombudsman Program for the rights of seniors in long term care facilities.	\$10,000	\$10,000
LifeMoves (formerly Inn Vision)/Opportunity Services Center	\$31,545	\$26,660
Silicon Valley Independent Living Center/Housing and Emergency Services	\$14,020	\$14,021
Project Sentinel/Fair Housing Services	n/a	\$24,881
<i>Public Services Total (Not to Exceed \$97,975)</i>	\$80,100	\$97,975
<i>Planning & Administration</i>		
City of Palo Alto/CDBG Administration	\$99,304	\$121,816*
Project Sentinel/Fair Housing Services	\$33,698	\$8,817

<i>Planning & Administration Total (Not to Exceed \$130,633)</i>	\$133,002	\$130,633
<i>Economic Development</i>		
Downtown Streets Team/Workforce Development Program	\$160,477	\$160,477
<i>Economic Development Total</i>	\$160,477	\$160,477
<i>Rehabilitation</i>		
Rebuilding Together Peninsula/ Critical health and safety related home repair needs for low-income homeowners.	\$73,135	\$73,135
Mitchell Park – 525 E. Charleston – Affordable Housing (Construction)	n/a	\$190,948
<i>Rehabilitation Total</i>	\$73,135	\$264,083
<i>New CDBG-CV Allocation</i>		
MOVE Mountain View – Safe Parking Program	n/a	\$160,300
LifeMoves – COVID-19 Testing Program	n/a	\$34,201
<i>New CDBG-CV Allocation Total</i>	n/a	\$194,501
GRAND TOTAL		\$847,669

*Of the total FY 2023 administration expenses, \$86,362 is already programmed as salary and benefit and allocated charge expenses in the CDBG Fund, subject to the approval of the FY 2023 Operating Budget by the City Council.

Substantial Amendment to FY2021 Annual Action Plan

This section includes information on the CARES Act, AAP amendments, and recommended CDBG-CV funding allocations.

CARES Act

The United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020. The CARES Act expedites the use of CDBG funds to prevent and respond to COVID-19. Through the CARES Act, the City received a total of \$746,413 in two separate grant allocations. These funds are to be used specifically for responding to the COVID- 19 pandemic.

On June 15, 2020, Council allocated a portion of the first allocation of CARES Act funding (CDBG-CV1) in the amount of \$294,900 to LifeMoves to provide rental assistance to eligible

low-income Palo Alto families (i.e. 80% Area Media Income and below) who have suffered documented income loss due to COVID-19. Of this amount, LifeMoves was able to spend \$99,499.50, and is now giving the remaining \$194,501 back to the City to reallocate.

To ensure the expedited use of the CARES Act funds, HUD requires all grantees to expend at least 80% of all the CDBG-CV funds by October 27, 2023; the remaining 20% funds are available to use through FY2026. The City anticipates meeting the 80% expenditure requirement with the funding of the two projects noted below.

The City received separate CARES Act funding from the State of California that was allocated to areas of public safety and other department responses to the pandemic ([CMR 11596](#)).

AAP Substantial Amendments

There are two activities noted below that trigger a Substantial Amendment to the FY2021 AAP.

Project Cancelled/Funds Returned

The approved FY2021 AAP included funding of \$294,000 for a project by LifeMoves. This project was for their Rental Assistance Program that provided households that have been financially affected by the COVID-19 pandemic with direct monetary assistance to pay for rent in order to keep them housed. In a letter dated May 3, 2022, LifeMoves informed the City that they were returning the funds because of a decrease in the need for COVID related rental assistance and the inability to expend the funds in a timely manner. This project was part of [Resolution No. 9893](#) adopted by the Council on June 15th, 2020.

In accordance with the CDBG guidelines and City's adopted Citizen Participation Plan, the withdrawal of a project as described above requires a Substantial Amendment to the AAP to show that the funds have been returned on a certain project and reallocated. See Table 4 for the recommended reallocation.

Recommended Funding Allocations

Staff communicated with two organizations under the public services category to develop new programs to fund with CDBG-CV, MOVE Mountain View for their Safe Parking Program and LifeMoves for their COVID-19 Testing Program. Based on the available funding and proposed programs, staff has prepared funding recommendations described below and identified in Table 4.

MOVE Mountain View - Safe Parking Program

Staff Recommendation: Fund \$160,300

MOVE Mountain View (MMV) is the lead agency operating Safe Parking Programs in Palo Alto and Mountain View. They have been serving the homeless and marginalized vehicle-dwellers in

the area since June 2018. The program provides reserved off-street parking for participants, as well as permanent housing solutions through intensive case management. MMV operates four 24/7 RV Safe Parking lots and three Congregational Safe Parking locations. The total capacity of these lots in Palo Alto and Mountain View is 109 vehicles.

The Palo Alto site associated with this funding is the Geng Road Safe Parking Lot. There are 12 RV safe parking spaces with eight spaces for client commuter car parking. A unique resource on this lot is the presence of two buildings housing a library, laundry, kitchen, showers, and office spaces. These services provide great benefits for the clients in the program. MMV would like CDBG-CV funding to add staffing and help pay for utilities. The Safe Parking Program will assist at least 100 persons over a course of a year.

The expansion of services made possible by Palo Alto CDBG-CV funding will serve clients referred to Safe Parking in Palo Alto. The estimated 40+ client caseload will be managed by a full-time Case Manager dedicated to Palo Alto clients. In addition, the Case Manager will be the liaison between the Palo Alto Unified School District (PAUSD) and safe parking resources for unhoused families. The Case Manager will also reinforce street outreach efforts to unhoused persons in Palo Alto. The free laundry and showers supported by this grant add to available direct services to Safe Parking clients. This increased use of the facility will require a Lot Manager dedicated to Palo Alto clients to supervise, organize, and monitor the Safe Parking Program at that site. Additionally, a Coordinator for Volunteers is needed to help manage and carry out the volunteer program.

MOVE Mountain View is requesting CDBG-CV funds from the City of Palo Alto in the amount of \$160,300 to cover the following costs:

Case Manager:	\$79,061
Facilities Manager:	\$32,895
Coordinator for Volunteers:	\$24,172
Utilities:	\$24,172
Total	\$160,300

LifeMoves - COVID-19 Testing Program (at the Opportunity Services Center)

Funding Recommended: \$34,201

LifeMoves needs an effective way to test clients in a drop-in setting effectively and quickly for COVID-19. They are requesting \$34,201 in CDBG-CV funding to purchase approximately 450 [Cue Health Tests](#) that test for COVID-19 and deliver accurate results in 20 minutes. Tests can be administered to qualifying residents at any time that the Opportunity Services Center is open, whether the client is symptomatic or asymptomatic.

In general, Cue’s test is the most accurate COVID-19 self-test on the market. In a clinical study with lay users, the Cue COVID-19 Test for Home and Over The Counter (OTC) Use demonstrated sensitivity of 97% (% positive agreement) and specificity of 99% (% negative agreement). Importantly, the study showed the test was 100% accurate in people infected with the virus who were asymptomatic.

LifeMoves is requesting CDBG-CV funds from the City of Palo Alto in the amount of \$34,200.50 to cover the following costs:

- Purchase of CUE Tests: \$34,201

Table 4: CDBG-CV Reallocation Funding Recommendations¹

Agency	Old CDBG-CV Allocation	New CDBG-CV Allocation	Total Funding Allocation
Public Services			
MOVE Mountain View - Safe Parking Program	\$0	\$160,300	\$160,300
LifeMoves - COVID-19 Testing Program	\$0	\$34,201	\$34,201
Total	\$0	\$194,501	\$194,501

Policy Implications:

All programs recommended for funding for the FY2023 AAP and FY2021 AAP Substantial Amendment are consistent with the priorities established in the City’s adopted 2020-2025 Consolidated Plan.

Resource Impact:

FY2023 AAP - As per HUD’s regulations, up to 20% of the total CDBG funding can be used for the CDBG program administration. The City relies on the annual grant funding to pay for the staff that administers the CDBG program. As described above, for FY2023 staff is requesting additional funding within the HUD allocation to support the program administration. These additional funds are needed to pay for a consultant to manage the program. If the City does not have enough CDBG funding to cover all of the administrative costs necessary to properly run the program, it may require assistance from the General Fund to make up the difference and staff would return to City Council with that request.

Additionally, staff is requesting City Council approval of a cost neutral budget amendment to increase both revenue and expense to support FY 2023 CDBG activity of \$847,669. This action increases revenues by \$847,669, which includes FY 2023 program revenue of \$653,168 and

\$194,501 from FY 2020-21 allocation which was not spent. This action also increases expenses by \$761,307, which will augment \$86,362 of expenses already programmed in the FY 2023 budget, which is subject to City Council approval through the annual budget process, for a total expense appropriation in the CDBG Fund of \$847,669. The actions recommended in this report will allow for the distribution of this grant funding.

FY2021 AAP Substantial Amendment - Staff is requesting City Council reallocate existing CDBG-CV funding from one project to two new projects to allow for the distribution of this grant funding. There are no anticipated resource impacts associated with this action.

Timeline:

The funding recommendations made by the City Council will be incorporated into the FY2023 AAP. Subsequently, the adopted FY2023 AAP will be submitted to HUD by the July 12, 2022, deadline. The consequence of submitting the AAP late to HUD is a delay in City receiving funds for reimbursement to the programs.

Stakeholder Engagement:

Prior to the submission of the FY2023 AAP to HUD, the City must hold two public hearings; one hearing, followed by a 30-day circulation and public comment period, followed by one more public hearing.

The HRC meeting on March 10, 2022, served as the first public hearing, and the City Council meeting on June 20, 2022 will serve as the second public hearing. After the presentation of the draft FY2023 AAP to the HRC, the AAP was posted on the City's webpage for public review and comments for a required 30-day period that began on April 2, 2022 and concluded on May 2, 2022. Due to unforeseen changes in circumstances with one subrecipient (i.e. Downtown Streets Team), the AAP was modified and reposted for public comment from May 20, 2022 through June 20, 2022. At the time of this report, staff did not receive any public comments on the draft AAP.

The FY2021 AAP Substantial Amendment was also posted for a 30-day public comment period from May 20 through June 20, 2022. The City Council meeting on June 20, 2022 is the respective public hearing for this item.

For both the FY2023 AAP and the FY2021 AAP Substantial Amendment, the City published a notice on May 2, 2022 in the Daily Post. The notice informed the public of the June 20 public hearing and the 30-day public review comment period; information was also posted on the City's CDBG webpage and via email blasts to stakeholders.

Environmental Review:

For purposes of the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA), budgeting by itself is not a project. Prior to commitment or release of funds for each of the proposed projects, staff will carry out the required environmental reviews or assessments and certify that the review procedures under CEQA, HUD and NEPA regulations have been satisfied for each project.

Attachments:

- Attachment29.a: Attachment A - Draft Fiscal Year 2022-23 Annual Action Plan
(DOCX)**
- Attachment29.b: Attachment B - Fiscal Year 2022-23 CDBG Resolution (DOCX)**
- Attachment29.c: Attachment C - FY 2020-21 CDBG-CV Substantial Amendment
Resolution (DOCX)**
- Attachment29.d: Attachment D - MOVE Mountain View Safe Parking Program Project
Details (DOCX)**
- Attachment29.e: Attachment E - LifeMoves COVID-19 Testing Program Project Details
(DOCX)**
- Attachment29.f: Attachment F - Draft FY2021 CDBG-CV Substantial Amendment
(DOCX)**



CDBG

COMMUNITY DEVELOPMENT BLOCK GRANT



FISCAL YEAR 2022-23 ANNUAL ACTION PLAN

DRAFT 05/27/2022

PUBLIC COMMENT PERIOD
May 20, 2022 – June 20, 2022

ADMINISTERED BY: PLANNING AND DEVELOPMENT SERVICES

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Executive Summary

AP-05 Executive Summary - 91.200(c), 91.220(b)

Introduction

The City of Palo Alto (City) Fiscal Year (FY) 2022-23 One Year Action Plan contains the City's one-year plan to carry out housing and community development activities funded by Federal formula grant funds received from the U.S. Department of Housing and Urban Development (HUD), Community Development Block Grant (CDBG) program. This Action Plan covers the third of five program years covered by the City's 2020-2025 Consolidated Plan which was adopted by the Palo Alto City Council on June 15, 2020.

The Department of Planning and Development Services is the lead agency for the Consolidated Plan and submits the Annual Action Plan for the City's CDBG program.

HUD requires entitlement jurisdictions to submit an Annual Action Plan to report the distribution of federal entitlement grant funds over the Consolidated Plan's five-year period identifying how funding allocations help meet the goals covered in the Consolidated Plan.

The CDBG federal appropriations for FY2022-2023 were released by HUD on May 13, 2022. The total amount available for allocation in FY2022-2023 is \$653,168, which includes the entitlement grant (\$513,168) and program income (\$140,000), and is available for funding projects and programs during the 2022 Program Year.

The City's Action Plan covers the time period from July 1, 2022, to June 30, 2023, (HUD Program Year 2022). The City's FY 2022-23 Action Plan reports on the status of needs and outcomes the City expects to achieve in the coming year. All of the activities mentioned in this Action Plan are based on current priorities. By addressing these priorities, the City hopes to meet those objectives stated in the 2020-2025 Consolidated Plan. All the proposed projects and activities are intended to principally benefit residents of the City who have extremely low-, low- and moderate-income, and populations that have special needs, such as the elderly, disabled, and homeless.

Summary of the objectives and outcomes identified in the Plan

The City is part of the San Francisco Metropolitan Bay Area, located 35 miles south of San Francisco and 14 miles north of San José. The City is located within the County of Santa Clara, borders San Mateo County, and encompasses an area of approximately 26 square miles, one-third of which consists of open space¹.

¹ U.S. Census Bureau:
<https://www.census.gov/quickfacts/fact/table/paloaltocity>

According to Quick facts data provided by the U.S. Census Bureau¹, the City's total resident population is 68,572, per the Census on April 1, 2020. The City has the most educated residents in the country and is one of the most expensive cities to live in. In Silicon Valley, the City is considered a central economic focal point and is home to over 9,483 businesses.

The Action Plan provides a summary of how the City will utilize its CDBG allocation to meet the needs of the City's lower income population. According to the U.S. census data, 6.1% of all residents within the City had incomes below the federal poverty level.

Additionally, according to the 2019 Point in Time Homeless Census², there are 299 unsheltered homeless individuals living within the City of Palo Alto. This number represents an increase of 17% from the 256 individuals that were counted in 2017.

As mentioned previously, a total of \$653,168 is available for funding projects and programs during FY2022-23. In FY 2022-23 the City received \$513,168 from the federal CDBG program and approximately \$140,000 in program income. Table 1, "Fiscal Year 2023 CDBG Budget" below summarizes the uses of the funds proposed during FY 2022-23.

Table 1: Fiscal Year 2023 CDBG Budget

Applicant Agency	Allocation
Public Services	
Alta Housing - SRO Resident Supportive Services	\$22,413
Catholic Charities of Santa Clara County – Long Term Care Ombudsman	\$10,000
LifeMoves – Case Management at Opportunity Center	\$26,660
Silicon Valley Independent Living Center – Case Management Services	\$14,021
Project Sentinel – Fair Housing Services	\$24,881
<i>Sub-total</i>	\$97,975
Planning and Administration	
City of Palo Alto Administration	\$121,816
Project Sentinel/Fair Housing Services	\$8,817
<i>Sub-total</i>	\$130,633
Economic Development	
Downtown Streets – Workforce Development Program	\$160,477
<i>Sub-total</i>	\$160,477

² South County Homeless Census and Survey Comprehensive Report:

<https://www.sccgov.org/sites/osh/ContinuumofCare/ReportsandPublications/Documents/2015%20Santa%20Clara%20County%20Homeless%20Census%20and%20Survey/2019%20SCC%20Homeless%20Census%20and%20Survey%20Report.pdf>

Public Facilities and Improvement	
Mitchell Park – 525 East Charleston Project	\$190,948
<i>Sub-total</i>	\$190,948
Housing Rehabilitation	
Rebuilding Together Peninsula	\$73,135
<i>Sub-total</i>	\$73,135
Grand Total	\$653,168

Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee (the City) to choose its goals or projects.

The City is responsible for ensuring compliance with all rules and regulations associated with the CDBG entitlement grant program. The City’s Annual Action Plans and Consolidated Annual Performance and Evaluation Reports (CAPER) have provided many details about the goals, projects and programs completed by the City. A review of past CAPERs reveals a strong record of performance in the use of CDBG funds. For example, during the 2015-2020 Consolidated Plan period, 244 affordable rental units were rehabilitated, 130 jobs were created or retained, and nearly 2,600 households were assisted through public service activities for low- and moderate-income housing.

The City evaluates the performance of subrecipients on a semiannual basis. Subrecipients are required to submit semiannual progress reports, which include client data, performance objectives, as well as data on outcome measures. Prior to the start of the program year, program objectives are developed collaboratively by the subrecipient and the City, ensuring that they are aligned with the City's overall goals and strategies. The City utilizes the semiannual reports to review progress towards annual goals.

Summary of citizen participation process and consultation process

The City solicited input throughout the development of the FY 2022-23 Annual Action Plan. As required by HUD, the City provides multiple opportunities for public review and comment on the Action Plan and on any substantial amendments to it. Per the City’s adopted Citizen Participation Plan, the City held a 30-day public review comment period for the Action Plan. The City published notifications of upcoming public hearings and the 30-day public review comment period in a local newspaper of general circulation, on the City’s CDBG webpage and via email blasts to stake holders. The City held two advertised public hearings on March 10, 2022, and May 20, 2022. The Action Plan 30-day public review period occurred from May 20, 2022, through June 20, 2022.

Summary of public comments *[To be updated after close of comment period]*

There were no public comments received during the public review period.

Summary of comments or views not accepted and the reasons for not accepting them *[To be updated after close of comment period]*

There were no public comments received during the public review period. The City accepts and responds to all comments that are submitted. As mentioned above, no public comments were received regarding the FY2022-23 Action Plan.

Summary

Please see above.

The Process

PR-05 Lead and Responsible Agencies - 91.200(b)

Describe agency/entity responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

Table 2: Responsible Agencies

Agency Role	Name	Department/Agency
CDBG Administrator	Palo Alto	City of Palo Alto: Department of Planning and Development Services

Narrative

The City is the Lead and Responsible Agency for the United States Department of Housing and Urban Development's (HUD) entitlement programs in Palo Alto. The Department of Planning and Development Services is responsible for administering the City's CDBG program. The City joined the HOME Consortium in 2015 and receives federal HOME Investment Partnership (HOME) funds through the County.

Entitlement jurisdictions receive entitlement funding (i.e., non-competitive, formula funds) from HUD. HUD requires the City to submit a five-year Consolidated Plan and Annual Action Plan to HUD listing priorities and strategies for the use of its federal funds.

The Consolidated Plan helps local jurisdictions to assess their affordable housing and community development needs and market conditions to meet the housing and community development needs of its populations. As a part of the Consolidated Plan process for 2020-2025, the City collaborated with the County of Santa Clara (County) as the Urban County representing the cities of Campbell, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga; the cities of Cupertino, Gilroy, Mountain View, Sunnyvale, San José, and Santa Clara; and the Santa Clara County Housing Authority (SCCHA) to identify and prioritize housing and community development needs across the region, and to develop strategies to meet those needs. The FY 2022-23 Annual Action Plan represents the third year of CDBG funding of the 2020-2025 Consolidated Plan.

Consolidated Plan Public Contact Information

Clare Campbell, Manager of Long Range Planning
City of Palo Alto
Department of Planning and Development Services
250 Hamilton Avenue, 5th Floor
Palo Alto, CA 94301
E-mail: clare.campbell@cityofpaloalto.org
Phone: (650) 617-3191

DRAFT

AP-10 Consultation - 91.100, 91.110, 91.200(b), 91.300(b), 91.215(I) and 91.315(I)

Introduction

The Action Plan is a one-year plan which describes the eligible programs, projects, and activities to be undertaken with funds expected during FY 2022-23 and their relationship to the priority housing, homeless and community development needs outlined in the 2020-25 Consolidated Plan.

Provide a concise summary of the jurisdiction's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health, and service agencies (91.215(I)).

During Fiscal Year 2022-23, the City will continue to work with non-profit organizations to provide programs and services for low-income households; private industry, including financial and housing development groups, to encourage the development of affordable housing opportunities regionally and within the City; and other local jurisdictions, including the County of Santa Clara, in carrying out and monitoring regional projects in a coordinated and cost-effective manner. The City will provide technical assistance to the public service agencies it funds with CDBG dollars and will continue to attend the biweekly Regional CDBG/Housing Coordinators meetings.

Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness

The Santa Clara County Office of Supportive Housing is the administrator of the regional Continuum of Care (CoC). The City's Office of Human Services Manager is in contact with the Santa Clara County Office of Supportive Housing and Destination Home regarding issues of homelessness in the community. The Santa Clara County CoC is a group comprising of stakeholders throughout the County, including governmental agencies, homeless service and shelter providers, homeless population, housing advocates, affordable housing developers, and various private parties, including businesses and foundations.

City staff attend a bi-weekly CDBG/Housing Coordinator meeting. Members of the CoC meet monthly to plan CoC programs, identify gaps in homeless services, establish funding priorities, and pursue a systematic approach to addressing homelessness.

The CoC is governed by the CoC Board, which takes a systems-change approach to preventing and ending homelessness. This same CoC Board is comprised of the same individuals who serve on the Destination: Home (Destination Home) Leadership Board. Destination Home is a public-

private partnership that is committed to collective impact strategies to end chronic homelessness.

Regional efforts of the CoC include the development of The Community Plan to End Homelessness, which identifies strategies to address the needs of people experiencing homelessness in the County, including chronically homeless individuals and families, families with children, veterans, and unaccompanied youth. The plan also addresses the needs of persons at risk of homelessness. The new community plan to end homelessness can be viewed at <https://destinationhomesv.org/community-plan>.

Also, during the development of the 2020-25 Consolidated Plan, the City consulted both the CoC and County Office of Supportive Housing for their expertise and experience for identifying community needs.

Describe consultation with the Continuum(s) of Care that serves the jurisdiction's area in determining how to allocate ESG funds, develop performance standards and evaluate outcomes, and develop funding, policies, and procedures for the administration of HMIS

The City is not an ESG entitlement jurisdiction and therefore does not receive ESG funds. However, the City does administer federal grant programs that help homeless and low-income families in Santa Clara County. The City also helps fund and conduct the Point in Time (PIT) count, the biennial regional collaborative effort to count and survey people experiencing homelessness. The latest count and survey were conducted on February 24, 2022. The data from the 2022 County of Santa Clara PIT count is used to plan, fund, and implement actions for reducing chronic homelessness and circumstances that bring about homelessness.

The Santa Clara County Office of Supportive Services takes the role of Homeless Management Information System (HMIS) administration. The County, and its consultant Bitfocus, work jointly to operate and oversee HMIS. Both software and HMIS system administration are now provided by Bitfocus. Funding for HMIS in Santa Clara County comes from HUD, the County of Santa Clara, and the City of San Jose. The County's HMIS is used by many City service providers across the region to record information and report outcomes.

Describe Agencies, groups, organizations, and others who participated in the process and describe the jurisdictions consultations with housing, social service agencies and other entities

Table 3: Agencies, Groups, Organizations Who Participated

1	Agency/Group/Organization	Boys and Girls Clubs of Silicon Valley
	Agency/Group/Organization Type	Services-Children
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan

	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended Santa Clara focus group meeting on 11/7/19 as part of the 2020-25 Consolidated Plan process.
2	Agency/Group/Organization	Healthier Kids Foundation Santa Clara County
	Agency/Group/Organization Type	Services-Children
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended Santa Clara focus group meeting on 11/7/19 as part of the 2020-25 Consolidated Plan process
3	Agency/Group/Organization	Community Services Agency
	Agency/Group/Organization Type	Services-Elderly Persons
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended stakeholder consultation conference call on 11/15/19 as part of the 2020-25 Consolidated Plan process
4	Agency/Group/Organization	San Jose Conservation Corps Charter
	Agency/Group/Organization Type	Services-Education
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended Gilroy focus group meeting on 11/18/19 as part of the 2020-25 Consolidated Plan process

5	Agency/Group/Organization	CommUniverCity San Jose
	Agency/Group/Organization Type	Services-Education
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended stakeholder consultation conference call on 11/25/19 and regional forum meeting in San Jose on 11/20/19 as part of the 2020-25 Consolidated Plan process.
6	Agency/Group/Organization	The Health Trust
	Agency/Group/Organization Type	Services-Persons with Disabilities Services-Persons with HIV/AIDS Services-Health
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended stakeholder consultation on 11/21/19 as part of the 2020-25 Consolidated Plan process
7	Agency/Group/Organization	Rebuilding Together, Silicon Valley
	Agency/Group/Organization Type	Housing
	What section of the Plan was addressed by Consultation?	Strategic plan and needs assessment
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended stakeholder consultation conference call on 11/21/19 and San Jose regional forum on 11/20/19 as part of the 2020-25 Consolidated Plan process
8	Agency/Group/Organization	City of Cupertino
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency was contacted for consultation as a partner in addressing the needs of the County as part of the 2020-25 Consolidated Plan process

9	Agency/Group/Organization	City of Gilroy
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency was consulted and provided emailed feedback as part of the 2020-25 Consolidated Plan process
10	Agency/Group/Organization	City of Mountain View
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended regional forum meeting at Palo Alto on 11/7/19 as part of the 2020-25 Consolidated Plan process
11	Agency/Group/Organization	Bill Wilson Center
	Agency/Group/Organization Type	Services-Children
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended Santa Clara focus group meeting on 11/7/19, community meetings on 11/4/19 at Morgan Hill and 11/20/19 at Roosevelt as part of the 2020-25 Consolidated Plan process
12	Agency/Group/Organization	Heart of the Valley
	Agency/Group/Organization Type	Services-Elderly Persons
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency was consulted through interview questions. Agency provided emailed feedback as part of the 2020-25 Consolidated Plan process

13	Agency/Group/Organization	City of San Jose
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency was contacted for consultation as a partner in addressing the needs of the County as part of the 2020-25 Consolidated Plan process
14	Agency/Group/Organization	City of Morgan Hill
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended regional forum meeting at Morgan Hill on 11/4/19 as part of the 2020-25 Consolidated Plan process
15	Agency/Group/Organization	City of Sunnyvale
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended regional forum meeting at Palo Alto on 11/7/19 and provided emailed feedback as part of the 2020-25 Consolidated Plan process
16	Agency/Group/Organization	Servant Partners
	Agency/Group/Organization Type	Neighborhood Organization Neighborhood Organization
	What section of the Plan was addressed by Consultation?	Needs Assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Attended community meeting on 11/13/19 at Hillview library as part of the 2020-25 Consolidated Plan process

17	Agency/Group/Organization	Senior Adults Legal Assistance (SALA)
	Agency/Group/Organization Type	Service-Fair Housing Legal
	What section of the Plan was addressed by Consultation?	Needs assessment and strategic plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended Palo Alto and San Jose public engagement meeting on 11/17/19 and 11/19/19, regional forum meeting on 11/4/19 at Morgan Hill and 11/7/19 at Palo Alto as part of the 2020-25 Consolidated Plan process
18	Agency/Group/Organization	HomeFirst
	Agency/Group/Organization Type	Services-homeless
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended regional forum meeting at Morgan Hill on 11/4/19 as part of the 2020-25 Consolidated Plan process
19	Agency/Group/Organization	Santa Clara County Office of Supportive Housing
	Agency/Group/Organization Type	Other government - County Continuum of Care
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended regional forum meeting at Morgan Hill on 11/4/19 and at Palo Alto on 11/7/19 as part of the 2020-25 Consolidated Plan process
20	Agency/Group/Organization	City of Santa Clara
	Agency/Group/Organization Type	Other government - Local
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan

	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended regional forum meeting at Morgan Hill on 11/4/19 and provided emailed feedback as part of the 2020-25 Consolidated Plan process
21	Agency/Group/Organization	Vista Center for the Blind and Visually Impaired
	Agency/Group/Organization Type	Services-Persons with Disabilities
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended stakeholder consultation on 12/9/19 as part of the 2020-25 Consolidated Plan process
22	Agency/Group/Organization	Destination: Home
	Agency/Group/Organization Type	Services-homeless
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended stakeholder consultation on 11/11/19 as part of the 2020-25 Consolidated Plan process
23	Agency/Group/Organization	Community Solutions
	Agency/Group/Organization Type	Services-Victims of Domestic Violence
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended the AFH and ConPlan joint meeting on 12/11/19 at the Gilroy Council Chambers as part of the 2020-25 Consolidated Plan process
24	Agency/Group/Organization	St Mary Parish
	Agency/Group/Organization Type	Neighborhood Organization Neighborhood Organization
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan

	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency attended the AFH and ConPlan joint meeting on 12/11/19 at the Gilroy Council Chambers as part of the 2020-25 Consolidated Plan process
25	Agency/Group/Organization	Community and Neighborhood Revitalization Committee - Gilroy
	Agency/Group/Organization Type	Community Organization
	What section of the Plan was addressed by Consultation?	Needs assessment and Strategic Plan
	How was the Agency/Group/Organization consulted and what are the anticipated outcomes of the consultation or areas for improved coordination?	Agency co-hosted the AFH and ConPlan joint meeting on 12/11/18 at the Gilroy Council Chambers as part of the 2020-25 Consolidated Plan process

Identify any Agency Types not consulted and provide rationale for not consulting
Not applicable.

Other local/regional/state/federal planning efforts considered when preparing the Plan

Table 4: Other Local / Regional / Federal Planning Efforts

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Continuum of Care	Regional Continuum of Care Council	Identifies housing inventory count to facilitate the provision of housing services to those experiencing homelessness.
City of Palo Alto Housing Element (2015-2023)	City of Palo Alto	Identifies barriers to affordable housing, such as land-use controls, inefficiencies of the development review process, and strategies to alleviate such barriers.
2012-2014 Comprehensive HIV Prevention and Care Plan	Santa Clara County HIV Planning Council for Prevention and Care	This plan provides a roadmap for the Santa Clara County HIV Planning Council for Prevention and Care to provide a comprehensive and compassionate system of HIV prevention and care services for the County. This effort aligns with the Strategic Plan's goal to support activities that strengthen neighborhoods through the provision of community services and public improvements.

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
SCCHA Moving to Work Annual Plan	Santa Clara County Housing Authority	Addresses housing authority updates and strategies pertaining to public housing and vouchers.
Regional Housing Need Plan for San Francisco Bay Area	Association of Bay Area Governments	This plan analyzes the total regional housing need for the County and all of the Bay Area. This effort aligns with the Strategic Plan's goal to assist in the creation and preservation of affordable housing.
Community Plan to End Homelessness in Santa Clara	Destination: Home	The Community Plan to End Homelessness in the County is a five-year plan to guide governmental actors, nonprofits, and other community members as they make decisions about funding, programs, priorities and needs. This effort aligns with the Strategic Plan's goal to support activities to end homelessness
Palo Alto's Infrastructure: Catching Up, Keeping Up, and Moving Ahead	City of Palo Alto Infrastructure Blue Ribbon Plan	This plan details recommendations for infrastructure maintenance and replace, as well as identifies potential sources of funding. This effort aligns with the Strategic Plan's goal to support activities that strengthen neighborhoods through the provision of community services and public improvements
City of Palo Alto Comprehensive Plan (2030)	City of Palo Alto	This plan is the primary tool for guiding future development in Palo Alto. It provides a guide for long-term choices and goals for the City future. This effort aligns with the Strategic Plan's goal to support activities that strengthen neighborhoods through the provision of community services and public improvements

Narrative

Please see above.

AP-12 Citizen Participation - 91.105, 91.115, 91.200(c) and 91.300(c)

Summary of citizen participation process/Efforts made to broaden citizen participation. Summarize citizen participation process and how it impacted goal-setting

The Planning and Development Services Department is the lead agency for overseeing the development of the Consolidated Plan and Action Plan. Per the City's adopted Citizen Participation Plan, the City is to allow a 30-day public review and comment period for the Action Plan. The City has published notifications of upcoming public hearings and the 30-day public review comment period in the local newspaper of general circulation, on its CDBG webpage and via email blasts. The City held two advertised public hearings on March 10, 2022, and June 20, 2022. The Action Plan 30-day public review comment period occurred from May 20, 2022, through June 20, 2022. **The City has not received any public comments to-date.**

Citizen Participation Outreach

Table 5: Citizen Participation Outreach

Mode of Outreach	Target of Outreach	Summary of response	Summary of comments received	Summary of comments not accepted/reason
Public Hearing	Nontargeted/ broad community	The Human Relations Commission met on March 10, 2022 to discuss the FY2022-23 funding allocations and review the draft FY2022-23 Annual Action Plan	Two members of the public provided comments on the funding allocation. Three members representing three funding applicants provided comments at the meeting.	All comments were accepted.
Public Hearing	Nontargeted/ broad community	The City Council met on June 20, 2022, to discuss the FY2022-23 funding allocations and adopt the draft FY2022-23 AAP.	Update After Meeting	Update After Meeting

Mode of Outreach	Target of Outreach	Summary of response	Summary of comments received	Summary of comments not accepted/reason
Newspaper Ad	Nontargeted/ broad community	Notice of Human Relations Commission Public Hearing and Public Comment period on the First Draft FY2022-23 CDBG Funding Allocations was published in the Daily Post on February 24, 2022.	Two members of the public provided comments on the programs being funded.	
Newspaper Ad	Nontargeted/ broad community	Notice of Public Hearing and Public comment period on the Second Draft AAP was published in the Daily post on April 2, 2022 and May 20, 2022	Update if comments received	
Website	Nontargeted/ broad community	Draft AAP FY2022-23 posted at: https://www.cityofpaloalto.org/CDBG	Update if comments received	

Expected Resources

AP-15 Expected Resources - 91.420(b), 91.220(c)(1,2)

Introduction

In FY2022-23, the City will allocate \$653,168 to eligible activities that address the needs identified in the Consolidated Plan. It should be noted that while the HUD CDBG allocations are critical, the allocations are not sufficient to overcome barriers and address all needs that low- income individuals and families face in attaining self-sufficiency. The City will continue to leverage additional resources as described below to provide support and services to the populations in need within the community. The following section discusses the anticipated resources available for community development activities during the next remaining three years of the City’s 5-Year Consolidated Plan.

Anticipated Resources

Table 6: Expected Resources FY2022-23 – Priority Table

Source of Funds	Uses of Funds	Expected Amount Available Year 2				Narrative Description
		Program: CDBG				
		Annual \$	Program Income: \$	Prior Year: \$	Total: \$	
Public - Federal	Admin and Planning Economic Development Housing Public Improvement Public Services	513,168	140,000	0	653,168	CDBG funds will be used for the creation and preservation of affordable rental units, improvements in lower income neighborhoods, and public services that benefit low income and special needs households

Explain how federal funds will leverage those additional resources (private, state, and local funds), including a description of how matching requirements will be satisfied

Entitlement Funds

Leverage, in the context of the CDBG and HOME Investment Partnerships Program (HOME), means bringing other local, state, and federal financial resources to maximize the reach and impact of the City's HUD Programs. HUD, like many other federal agencies, encourages the recipients of federal monies to demonstrate that efforts are being made to strategically leverage additional funds in order to achieve greater results.

The City joined the Santa Clara County's HOME Consortium in 2015 and does not receive federal HOME funds on an entitlement basis from HUD. The HOME Consortia consists of the cities of Cupertino, Gilroy, Palo Alto, and the Urban County. HOME funds can be used to fund eligible affordable housing projects for acquisition, construction, and rehabilitation. Starting in FY 2015-16 developers of affordable housing projects were eligible to competitively apply through an annual RFP process directly to the County for HOME funds to help subsidize affordable housing projects in Palo Alto. Applications will be directly submitted through the County's request for proposal process for available HOME funds. Certain nonprofit organizations known as Community Housing Development Organizations (CHDOs) may also apply for funding from State HCD for housing projects located within Palo Alto. The City received one HOME grant from 1992 HOME funding for the Barker Hotel project. Proceeds from HOME loan repayments must be deposited into a HOME Program Income Fund and used in accordance with the HOME program regulations.

In addition, the County will only fund a project that has the local support of the City. If the City receives HOME dollars from its participation in the HOME consortium, the required 25% matching funds will be provided from the City's Affordable Housing Fund, which is comprised of two sub-funds: The Commercial Housing Fund and the Residential Housing Fund. To date, no projects within the City have been funded through the HOME Consortium. Moving forward, the City plans to increase outreach to developers in the City to provide additional information on the HOME Consortium and available funding.

Other State and Federal Grant Programs

In addition to the CDBG entitlement dollars, the federal government has several other funding programs for community development and affordable housing activities. These include Section 8 Housing Choice Voucher Program, Section 202, Section 811, the Federal Home Loan Bank Affordable Housing Program (AHP), and others. It should be noted that in most cases the City would not be the applicant for these funding sources as many of these programs offer assistance to affordable housing developers rather than local jurisdictions.

The State of California has recently passed approximately 20 bills with the intent of increasing or preserving affordable housing with the State. According to the Governor's State of the State

address, bills that help increase housing production, both market-rate and affordable, will be a priority in 2020. The City will continue to track and look for opportunities to leverage State resources for the City.

Local Housing and Community Development Sources

Other local resources that support housing and community development programs include:

- Palo Alto Commercial Housing Fund, which is for the development of below market rate (BMR) housing units and paid by mitigation fees on commercial and industrial projects; and
- Palo Alto Residential Housing Fund, which is for the development of below market rate (BMR) housing units and paid by miscellaneous funding sources.

The City will continue to seek opportunities for projects that meet local bond requirements in order to bring additional resources to help the City's affordable housing shortage.

If appropriate, describe publicly owned land or property located within the jurisdiction that may be used to address the needs identified in the plan

The City has no surplus public land. However, in 2019, the Governor Newsome signed Executive Order N-06-19 that ordered the California Department of General Services (DGS) and the California Department of Housing and Community Development (HCD) to identify and prioritize excess state-owned property and aggressively pursue sustainable, innovative, cost-effective housing projects. There is no excess state property in the City of Palo Alto.

Discussion

Please see information provided in previous sections.

Annual Goals and Objectives

AP-20 Annual Goals and Objectives - 91.420, 91.220(c)(3) and(e)

Goals Summary Information – FY2022-23

Table 7: Goals Summary

Goal Name	Start	End	Category	Area	Needs Addressed	Fund	Goal Outcome Indicator
Affordable Housing	2020	2025	Affordable Housing	Citywide	Affordable Housing	CDBG: \$264,083	Homeowner Housing Rehabilitated: 6 Household Housing Units Low/Moderate Income Housing Benefit: 2077 Persons Assisted
Homelessness	2020	2025	Homeless	Citywide	Homelessness	CDBG: \$49,073	Public service activities other than Low/Moderate Income Housing Benefit: 119 Persons Assisted
Strengthen Neighborhoods	2020	2025	Non-Homeless Special Needs Non-Housing Community Development	Citywide	Community Services and Public Improvements	CDBG: \$24,021	Public service activities other than Low/Moderate Income Housing Benefit: 50 Persons Assisted

Fair Housing	2020	2025	Non-Housing Community Development	Citywide	Fair Housing	CDBG: \$33,698	Public service activities other than Low/Moderate Income Housing Benefit: 15 Persons Assisted
Economic Development	2020	2025	Non-Housing Community Development	Citywide	Economic Development	CDBG: \$160,477	Jobs created/retained: 14 Jobs

Goal Descriptions

1	Goal Name	Affordable Housing
	Goal Description	Assist in the creation and preservation of affordable housing for low income and special needs households.
2	Goal Name	Homelessness
	Goal Description	Support activities to prevent and end homelessness, such as funding affordable housing opportunities, resource centers for homeless individuals, and support for tenants of single-room occupancy units.
3	Goal Name	Strengthen Neighborhoods
	Goal Description	Provide community services and public improvements to benefit low-income and special needs households. This includes assisting those with disabilities to transition from unstable housing to permanent housing, supporting residents of long-term care facilities, and supporting individuals experiencing domestic violence.
4	Goal Name	Fair Housing
	Goal Description	Promote fair housing choice by funding fair housing organizations to provide fair housing services, such as education, tenant-landlord mediation, and testing.
5	Goal Name	Economic Development
	Goal Description	Support economic development activities that promote employment growth and help lower-income people secure and maintain jobs. This includes funding nonprofits working toward developing the skills of low-income and homeless individuals.

AP-35 Projects - 91.420, 91.220(d)

Introduction

The Consolidated Plan goals below represent high priority needs for the City of Palo Alto (City) and serve as the basis for the strategic actions the City will use to meet these needs. The goals, listed in no particular order, are:

1. Assist in the creation and preservation of affordable housing for low income and special needs households.
2. Support activities to end homelessness.
3. Support activities that strengthen neighborhoods through the provision of community services and public improvements to benefit low income and special needs households.
4. Promote fair housing choice.
5. Expand economic opportunities for low-income households.

It is important to note, Project Sentinel, whom will be providing fair housing services will be under two categories, Planning and Administration and Public Services.

Table 8: Project Information

No.	Project Name
1.	Catholic Charities of Santa Clara County - Long Term Care Ombudsman
2.	LifeMoves - Opportunity Services Center and Hotel De Zink (HDZ): Case Management
3.	Alta Housing - Single Room Occupancy (SRO) Support Services
4.	Silicon Valley Independent Living Center- Housing and Emergency Services for Persons with Disabilities
5.	Project Sentinel - Fair Housing Services
6.	City of Palo Alto - Planning and Administration
7.	Downtown Streets Inc. - Workforce Development Program.
8.	Rebuilding Together Peninsula – Safe at Home
9.	Mitchell Park Place – 525 E. Charleston – 50 Unit Development of Affordable Housing

Describe the reasons for allocation priorities and any obstacles to addressing underserved needs

The City awards CDBG funding to projects and programs that will primarily benefit low-income, homeless, and special needs households. The City operates on a two-year grant funding cycle for CDBG public service grants and a one-year cycle for CDBG capital housing rehabilitation and public facilities and improvement projects. Projects are only considered for funding within the Consolidated Plan period if they address the goals discussed above.

AP-38 Project Summary

Project Summary Information

1	Project Name	Catholic Charities of Santa Clara County: Long Term Care Ombudsman
	Target Area	Citywide
	Goals Supported	Strengthen Neighborhoods
	Needs Addressed	Community Services and Public Improvements
	Funding	CDBG: \$10,000
	Description	Long-Term Care Ombudsman Program. Eligible Activity (Matrix Code):05A. CDBG National Objective: LMC
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	The program will provide advocacy and complaint investigation for 50 elderly residents of long-term care facilities in Palo Alto.
	Location Description	Long-term care and skilled nursing facilities throughout the City.
	Planned Activities	Regular contact with Palo Alto Residential Care Facilities to observe and monitor conditions of care.
2	Project Name	LifeMoves - Opportunity Services Center and Hotel De Zink (HDZ): Case Management
	Target Area	Citywide
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	CDBG: \$26,660
	Description	Opportunity Services Center Eligible Activity (Matrix Code):03T CDBG National Objective: LMC
	Target Date	6/30/2023

	Estimate the number and type of families that will benefit from the proposed activities	30 unduplicated individuals (homeless and/or very low-income individuals per year) will receive case management services including assistance with housing/job searches, referrals and mentoring at the Opportunity Services Center and Hotel De Zink.
	Location Description	33 Encina Way, Palo Alto, CA 94301
	Planned Activities	Case management services will be provided to Opportunity Services Center and Hotel De Zink clients in locating housing and/or employment and be connected to benefits.
3	Project Name	Alta Housing
	Target Area	Residents of Barker Hotel (25 units) and Alma Place (106 units)
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	CDBG: \$22,413
	Description	SRO Resident Support Program. Eligible Activity (Matrix Code):050 CDBG National Objective: LMC
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	Case management and support counseling services will be provided to residents of Barker Hotel and Alma Place
	Location Description	439 Emerson Street, Palo Alto, CA 94301 735 Alma Street Palo Alto, CA 94301
	Planned Activities	Alta Housing engages a service coordinator to provide 40 hours weekly services to provide case management and support counseling services to residents at Alma Place and Barker Hotel to help them maintain housing stability. Activities include financial counseling, health maintenance, information and referral, problem solving, employment assistance, crisis intervention and case management. Both Alma Place and Barker Hotel are single-room occupancy facilities.
4	Project Name	Silicon Valley Independent Living Center: Housing and Emergency Housing Services
	Target Area	Citywide

	Goals Supported	Strengthen Neighborhoods
	Needs Addressed	Community Services and Public Improvements
	Funding	CDBG: \$14,021
	Description	Housing and Emergency Housing Services. Eligible Activity (Matrix Code):05B. CDBG National Objective: LMC
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	27 unduplicated Palo Alto residents will benefit from one-on-one housing assistance.
	Location Description	Citywide
	Planned Activities	Silicon Valley Independent Living Center provides assistance for individuals with disabilities and their families to transition from homelessness, health care facilities, unstable or temporary housing to permanent affordable, accessible, integrated housing with emergency assistance, security deposits, rent, information, and referral, and other basic essentials.
5	Project Name	Project Sentinel - Fair Housing Services
	Target Area	Citywide
	Goals Supported	Fair Housing
	Needs Addressed	Fair Housing
	Funding	CDBG: \$33,698 (\$24,881 Public Services & \$8,817 Planning & Administration)
	Description	Planning & Administration - Fair Housing Services. Eligible Activity (Matrix Code):21D. CDBG National Objective: LMC . Public Service - Fair Housing Services. Eligible Activity (Matrix Code):05J. CDBG National Objective: LMC.
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	15 unduplicated individuals will be provided with fair housing services of complaint counseling, investigation, and where appropriate enforcement referral.

	Location Description	Citywide
	Planned Activities	Project Sentinel will provide community education and outreach regarding fair housing law and practices, investigation, counseling, and legal referral for victims of housing discrimination, and analyses for City staff and officials regarding fair housing practices. California and federal fair housing laws assure specific protected classes the right to be treated in terms of their individual merits and qualifications in seeking housing. Unfortunately, some people are not aware of the law or their rights.
6	Project Name	City of Palo Alto - Planning and Administration
	Target Area	Citywide
	Goals Supported	Affordable Housing Homelessness Strengthen Neighborhoods Fair Housing Economic Development
	Needs Addressed	Affordable Housing Homelessness Community Services and Public Improvements Fair Housing Economic Development
	Funding	CDBG: \$121,816
	Description	Planning and Administration: CDBG Citation: 570.206(a)
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	The City will provide general administrative support to the CDBG program.
	Location Description	Citywide
	Planned Activities	Administer the Administrative costs for the overall management, coordination, and evaluation of the CDBG program, and the project delivery costs associated with bringing projects to completion.
7	Project Name	Downtown Streets Inc. - Workforce Development Program.
	Target Area	Citywide
	Goals Supported	Economic Development

	Needs Addressed	Economic Development
	Funding	CDBG: \$160,477
	Description	Workforce Development Program. Eligible Activity (Matrix Code): 05H. CDBG National Objective: LMC
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	14 unduplicated homeless and unemployed persons will be placed in jobs through job training/employment readiness classes and outreach to local employers.
	Location Description	Citywide
	Planned Activities	The Workforce Development Program will provide a transition from unemployment and homelessness to regular employment and housing through case management, job training, mentoring, housing, and transportation assistance. Downtown Streets Team will screen and prepare applicants and will use their community connections to provide training and job opportunities.
8	Project Name	Rebuilding Together Peninsula – Safe at Home
	Target Area	Citywide
	Goals Supported	Affordable Housing
	Needs Addressed	Affordable Housing
	Funding	CDBG: \$73,135
	Description	Preserves affordable housing by transforming homes through critical repairs and accessibility modifications, at no cost to the service recipient. The majority of the low-income homeowners served will be elderly seniors and/or people with disabilities, who are physically and financially unable to maintain safe living conditions for themselves and their families Eligible Activity (MatrixCode):14A. CDBG National Objective: LMC
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	4 households

	Location Description	Citywide
	Planned Activities	Provide home safety repairs, mobility, and accessibility improvements for low-income households in Palo Alto with the primary consideration being the correction of safety hazards.
9	Project Name	Mitchell Park Place – 525 E. Charleston Road
	Target Area	N/A
	Goals Supported	Affordable Housing
	Needs Addressed	Affordable Housing
	Funding	CDBG: \$190,948
	Description	Eden Housing is developing 50 units of affordable housing. Approximately half the units are for persons with disabilities. The parcel is owned by the County and will be a long-term lease with the developer. The City intends to use CDBG funding for predevelopment costs as per HUD regulations. Eligible Activity (MatrixCode):12. CDBG National Objective: LMC
	Target Date	6/30/2023
	Estimate the number and type of families that will benefit from the proposed activities	50 Low-Income Households
	Location Description	525 E. Charleston Road
	Planned Activities	Provide affordable housing for persons with disabilities.

AP-50 Geographic Distribution - 91.420, 91.220(f)

Description of the geographic areas of the entitlement (including areas of low-income and minority concentration) where assistance will be directed

The City allocates CDBG funds to benefit low-moderate income (LMI) households and does not have target areas. Instead, the City focuses its services and capital improvements across the City as a whole.

Geographic Distribution

Table 9: Geographic Distribution

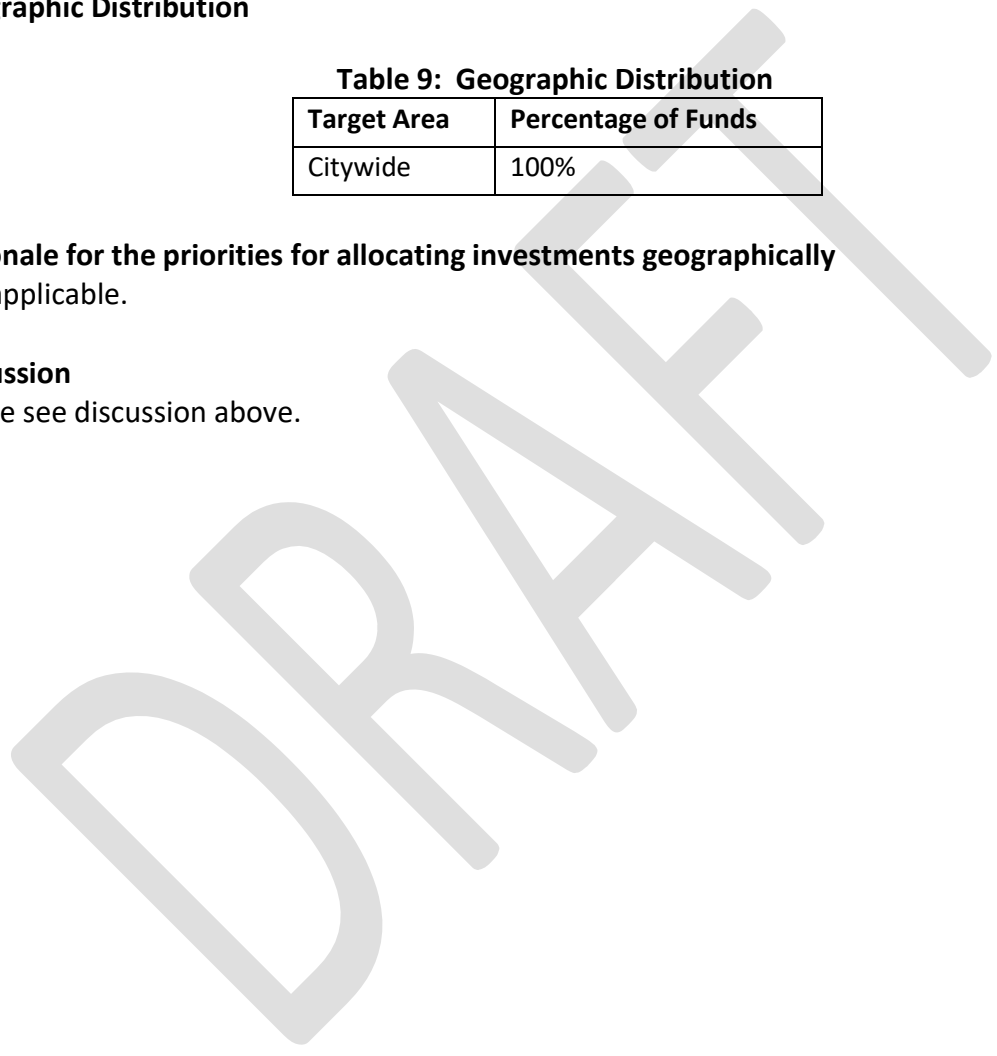
Target Area	Percentage of Funds
Citywide	100%

Rationale for the priorities for allocating investments geographically

Not applicable.

Discussion

Please see discussion above.



AP-75 Barriers to affordable housing -91.420, 91.220(j)

Introduction

The incorporated and unincorporated jurisdictions within the County face barriers to affordable housing that are common throughout the Bay Area. High on the list of market barriers is the lack of developable land, which increases the cost of available lands and increases housing development costs. Local opposition is another common obstacle as many neighbors have strong reactions to infill and affordable housing developments. Their opposition is often based on misconceptions, such as a perceived increase in crime; erosion of property values; increase in parking and traffic congestion; and overwhelmed schools. However, to ensure a healthy economy the region must focus on strategies and investment that provide housing for much of the region's workforce – for example, sales clerks, secretaries, waiters, baristas, teachers, and health service workers – whose incomes significantly limit their housing choices.

It should be noted that in a constrained housing supply market, when housing developments produce housing that is relatively affordable, higher income buyers and renters generally outbid lower income households. A home's final sale or rental price will typically exceed the projected sales or rental costs. Public subsidies are often needed to guarantee affordable homes for low- and moderate-income households.

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

Palo Alto is addressing the barriers to affordable housing through:

- **Density Bonus Ordinance:** The City recently updated its Density Bonus ordinance which lowered the eligibility requirements to qualify for a higher density bonus percentage up to 80% as well as providing more exceptions to applicable zoning and development standards. One significant update is if a 100% affordable development is located within a half a mile of a major transit stop, the City cannot impose any density limits and entitled to a maximum height increase of three additional stories or 33 feet.
- **Below Market Rate (BMR) Housing Program:** Established in 1974, the City's BMR requires developers to provide a certain percentage of units as BMR in every approved project of three units or more. The program originally required that for developments on sites of less than five acres, the developer must provide 15 percent of the total housing units as BMR housing units. If the site was larger than five acres, the developer was required to provide 20 percent of the units as BMR housing. The City of Palo Alto have historically used in-lieu fees and the use of development impact fees charged on new, market-rate housing and/or commercial development to finance 100% affordable developments. The City updated its Commercial and Residential Impact Fee Nexus Studies

and adopted two ordinances to make changes to its BMR program and adopted a new fee structure. The ordinances became effective on June 19, 2017.

- **Fair Housing:** The City provides funding to Project Sentinel. Project Sentinel provides expertise in fair housing law and tenant-landlord disputes. Services include information, referrals, community outreach and education. In addition, Project Sentinel resolve fair housing complaints via investigation, mediation, education and outreach to both property owners and tenants about fair housing policies.
- **Housing Incentive Program (HIP):** Effective May 2, 2019, this Ordinance adopted changes to the following zoning districts: Citywide – where multifamily uses are permitted, Multifamily Residential Districts (RM), Downtown (CD-C), California Avenue (CC ((2))), and El Camino Real (CS and CN).
- **Affordable Housing (AH) Combining District:** In 2018, The City Council adopted the Affordable Housing Combining District to provide flexible development standards beyond the State Density Bonus Law to allow 100% affordable housing projects located in a commercial zoned area.
- **Workforce Housing (WH) Combining District:** The City Council also adopted in 2018 the Workforce Housing Combining District to encourage the development of housing within half-mile of major fixed rail transit by modifying flexible development standards for the public facilities (PF) zoning district.

Discussion

Please see above.

AP-85 Other Actions - 91.420, 91.220(k)

Introduction

This section discusses the City's efforts in addressing the underserved needs, expanding, and preserving affordable housing, reducing lead-based paint hazards, and developing institutional structure for delivering housing and community development activities.

Actions planned to address obstacles to meeting underserved needs

The diminishing amount of funds continues to be the most significant obstacle to addressing the needs of underserved populations. To address this, the City supplements its CDBG funding with other resources and funds, such as:

- In FY2020-21, The City's Human Service Resource Allocation Process (HSRAP) provided \$549,306 from the General Fund in support of human services. The HSRAP funds, in conjunction with the CDBG public service funds, are distributed to local non-profit agencies. Additionally, approximately \$50,000 was provided to nonprofit organizations serving Palo Alto residents with short-term and/or urgent funding to address emergency, critical or emerging human services needs through the Emerging Needs Fund.

- The Palo Alto Commercial Housing Fund is funded with mitigation fees provided under Palo Alto's BMR housing program from developers of commercial and industrial projects and used to assist new housing development or the acquisition, rehabilitation, or the preservation of existing housing for affordable housing

- The Palo Alto Residential Housing Fund is funded with mitigation fees provided under Palo Alto's BMR housing program from residential developers and money from other miscellaneous sources, such as proceeds from the sale or lease of City property. The Residential Housing Fund is used to assist new housing development or the acquisition, rehabilitation, or the preservation of existing housing for affordable housing.

- The City's Below Market Rate Emergency Fund was authorized in 2002 to provide funding on an ongoing basis for loans to BMR owners for special assessment loans and for rehabilitation and preservation of the City's stock of BMR ownership units.

- HOME Program funds are available on an annual competitive basis through the State of California HOME program, and the County's HOME Consortium.

- The Housing Authority of the County of Santa Clara (HACSC) administers the federal Section 8 program countywide. The program provides rental subsidies and develops affordable housing for low-income households, seniors and persons with disabilities living within the County.

Actions planned to foster and maintain affordable housing

The City will foster and maintain affordable housing by continuing the following programs and ordinances:

- The Below Market Rate Emergency Fund which provides funding on an ongoing basis for loans to BMR owners for special assessment loans and for rehabilitation and preservation of the City's stock of BMR ownership units.

- The Commercial Housing Fund and Residential Housing Fund are used to assist new housing development or the acquisition, rehabilitation, or the preservation of existing housing for affordable housing.
- The Density Bonus Ordinance adopted by the City Council in January 2014. The density bonus regulations allow for bonuses of 20 to 35 percent, depending on the amount and type of affordable housing provided.
- The City's participation in the County's HOME Consortium will allow developers of affordable housing projects to be eligible to competitively apply through an annual RFP process directly to the County for HOME funds to help subsidize affordable housing projects in Palo Alto, including acquisition, construction, and rehabilitation.

Actions planned to reduce lead-based paint hazards

The City's housing and CDBG staff provides information and referral to property owners, developers, and non-profit organizations rehabilitating older housing about lead-based paint (LBP) hazards. Any house to be rehabilitated with City financial assistance is required to be inspected for the existence of LBP and LBP hazards. The City will provide financial assistance for the abatement of LBP hazards in units rehabilitated with City funding. The City also requires that contractors are trained and certified in an effort to decrease the risk of potential use of LBP in new units. All development and rehabilitation projects must be evaluated according to HUD's Lead Safe Housing Rule 24CFR Part 35.

Actions planned to reduce the number of poverty-level families

The City, in its continuing effort to reduce poverty, will prioritize funding agencies that provide direct assistance to the homeless and those in danger of becoming homeless. In FY 2022-2023, these programs will include the following:

- LifeMoves provides basic necessities for persons who are homeless or at risk of becoming homeless. The Opportunity Services Center is a comprehensive, one-stop, multi-service, day drop-in center that provides critical services for homeless Palo Alto residents. Specifically, the facility provides showers, laundry, clothing, snacks, case management, and shelter/housing referral services.
- Alta Housing will provide counseling and supportive case management services for low-income residents of single-room occupancy facilities to help them maintain housing stability. Activities include financial counseling, health maintenance, information and referral, problem solving, employment assistance, crisis intervention, and case management.
- Downtown Streets Team works to reduce homelessness through a "work first" model. Downtown Streets Team uses its community connections to provide training and job opportunities to homeless people, specifically in the downtown area.

Actions planned to develop institutional structure

The City is striving to improve intergovernmental and private sector cooperation to synergize efforts and resources and develop new revenues for community service needs and the production of affordable housing. Collaborative efforts include:

- Regular bi-weekly meetings between entitlement jurisdictions at the CDBG Coordinators Meeting and Regional Housing Working Group.
- Joint jurisdiction Request for Proposals and project review committees.
- Coordination on project management for projects funded by multiple jurisdictions.
- HOME Consortium meetings between member jurisdictions for affordable housing projects.

Actions planned to enhance coordination between public and private housing and social service agencies

The City benefits from a strong jurisdiction and region-wide network of housing and community development partners, such as the County and the Continuum of Care. To improve intergovernmental and private sector cooperation, the City will continue to participate with other local jurisdictions and developers in sharing information and resources.

In addition to the actions listed above, the City will continue to coordinate with the City's human services funding efforts to comprehensively address community needs.

Discussion

Please see discussions above.

Program Specific Requirements

AP-90 Program Specific Requirements - 91.420, 91.220(I)(1,2,4)

Introduction

The following provides additional information about the CDBG program income and program requirements.

Community Development Block Grant Program (CDBG) Reference 24 CFR 91.220(I)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed	\$140,000
2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan.	0
3. The amount of surplus funds from urban renewal settlements	0
4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan	0
5. The amount of income from float-funded activities	0
Total Program Income:	\$ 140,000

Other CDBG Requirements

1. The amount of urgent need activities	0
2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income.	100 %

Discussion

Please see discussion above.

APPENDIX A
PUBLIC COMMENTS

The Draft FY2022-23 Annual Action Plan was circulated for Public Comments and Review from May 20, 2022, through June 20, 2022. During the 30 days public comment and review period time, no comments were received

APPENDIX B

PUBLIC HEARING NOTIFICATIONS



CITY OF
**PALO
ALTO**

CITY OF PALO ALTO
NOTICE OF FUNDING AVAILABILITY FOR
PUBLIC SERVICES, HOUSING AND
PUBLIC FACILITIES REHABILITATION PROJECTS
FISCAL YEAR 2022-23
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Attendance at the Pre-Proposal Conference is **MANDATORY** for all applicants.

PRE-PROPOSAL VIRTUAL CONFERENCE SCHEDULE:

FRIDAY, JANUARY 7, 2022 AT 10:00 A.M.

APPLICATIONS DUE: BY 3:00 P.M. ON FRIDAY, JANUARY 14, 2022

Applications are now available for the City of Palo Alto's FY 2022-23 Community Development Block Grant (CDBG) for Public Services, Housing and Public Facility Rehabilitation Projects only. The applications are for funding under the City's one-year funding cycle that includes FY 2022-23 (July 1, 2022 to June 30, 2023). The City expects to distribute locally an **estimated \$410,000** in funds for these two funding categories from the U.S. Department of Housing and Urban Development (HUD) for the CDBG Program.

The CDBG Program is directed toward expanding and maintaining the affordable housing supply; promoting housing opportunities and choices; maintaining and improving community facilities; increasing economic opportunities, accessibility, energy efficiency and sustainability; and providing supportive services specifically for persons of low and very low income. Targeted groups might include persons who are homeless, seniors, persons with disabilities, and other special needs groups.

Mandatory Pre-Proposal Conference is scheduled for 10:00 a.m. on Friday, January 7, 2022 via a Zoom meeting. ALL Proposers intending to submit a proposal are required to attend one of the Pre-Proposal Conference virtually. If unable to attend, please contact Maria Gallegos at 951.961.9068 or via e-mail at maria.gallegos@mbakerintl.com. Please find the Zoom link below:

Zoom Link: <https://cityofpaloalto.zoom.us/> Meeting ID: 883 4959 5590 Phone number: (669) 900-6833

The application is due no later than Friday, January 14, 2022 at 3:00PM deadline to Maria Gallegos, CDBG Consultant, via email at maria.gallegos@mbakerintl.com.

Applications are available on the City's website: <https://www.cityofpaloalto.org/Departments/Planning-Development-Services/Long-Range-Planning/Community-Development-Block-Grant>. To request an application or for more information please contact Maria Gallegos, CDBG Consultant, at 951.961.9068 or via email at maria.gallegos@mbakerintl.com.

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs, or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact:

ADA Coordinator, City of Palo Alto,
650-329-2550 (Voice)
ada@cityofpaloalto.org

CELEBRITY FILE

Chris Wallace exits Fox News for CNN

Veteran anchor Chris Wallace has left Fox News after 18 years for CNN, dealing a significant blow to Fox's news operation at a time that it has been overshadowed by the network's opinion side.



WALLACE

Wallace, 74, delivered the surprising news that he was leaving at the end of the "Fox News Sunday" show he moderates, and within two hours CNN announced he was joining its new streaming service as an anchor. CNN+ is expected to debut in early 2022.

"It is the last time, and I say this with real sadness, we will meet like this," Wallace said on his show, which airs on the Fox broadcast network and is later rerun on Fox News Channel. "Eighteen years ago, the bosses here

at Fox promised me they would never interfere with a guest I booked or a question I asked. And they kept that promise."

Wallace was a veteran broadcast network newsman, working at both ABC and NBC News, before the late Roger Ailes lured him to Fox with the promise of his own Sunday show. Methodical and never showy — in contrast to his father Mike, the legendary "60 Minutes" reporter — Chris Wallace was known for his willingness to ask hard questions of all guests no matter their politics.

He was the first Fox News personality to moderate a presidential debate, doing it in 2016 and 2020. The debate he moderated last year went off the rails when then-President Trump repeatedly interrupted Democratic challenger Joe Biden.

SUDOKU

Easy

5	2	8	4	7	3	1	6	9
9	4	6	1	2	5	8	7	3
1	7	3	8	6	9	5	4	2
8	3	4	2	5	7	9	1	6
7	6	5	3	9	1	2	8	4
2	1	9	6	4	8	3	5	7
4	8	7	5	3	2	6	9	1
3	9	1	7	8	6	4	2	5
6	5	2	9	1	4	7	3	8

Difficult

2	9	4	7	6	3	5	1	8
6	5	3	4	1	8	9	2	7
1	8	7	2	5	9	6	3	4
4	2	5	3	7	6	1	8	9
9	3	1	8	4	2	7	5	6
7	6	8	5	9	1	2	4	3
8	1	2	6	3	7	4	9	5
3	4	6	9	2	5	8	7	1
5	7	9	1	8	4	3	6	2

Puzzles on page 25

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NOTICE TO BIDDERS / INVITATION TO BID

Notice is hereby given that the governing board ("Board") of the Mountain View Whisman School District ("District") will receive sealed bids for the following project:

SITework FOR PARK RESTROOMS AT VARIOUS SITES Project ("Project" or "Contract")

Sealed bids will be received until 2:00 p.m., March 22, 2022, at the District Office, located at 1400 Monsero Avenue, Mountain View, California 94043, at or after which time the bids will be opened and publicly read aloud. Any claim by a bidder of error in its bid must be made in compliance with section 5100 et seq. of the Public Contract Code. Any bid that is submitted after this time shall be non-responsive and returned to the bidder.

The Project consists of:

- Showwork preparation for a 248 sq. ft. pre-manufactured public restroom (installed by others), includes foundation, showwork and utility connection at three (3) sites;
- Inval Elementary School, Landale Elementary School & Castro/Mistral Elementary School

All bids shall be on the form provided by the District. Each bid must conform and be responsive to all pertinent Contract Documents, including, but not limited to, the Instructions to Bidders.

To bid on this Project, the Bidder is required to possess one or more of the following State of California Contractor Licenses:

- A - General Engineering or B - General Building

The Bidder's license(s) must be active and in good standing at the time of the bid opening and must remain so throughout the term of the Contract.

- As security for its bid, each bidder shall provide with its bid form
- a bid bond issued by an admitted surety insurer on the form provided by the District,
 - cash, or
 - a cashier's check or a certified check, drawn to the order of the Mountain View Whisman School District.

In the amount of ten percent (10%) of the total bid price. This bid security shall be a guarantee that the Bidder shall, within seven (7) calendar days after the date of the Notice of Award, enter into a contract with the District for the performance of the services as stipulated in the bid.

The successful Bidder shall be required to furnish a 100% Performance Bond and a 100% Payment Bond if it is awarded the contract for the Project.

The successful Bidder may substitute securities for any monies withheld by the District to ensure performance under the Contract, in accordance with the provisions of section 22300 of the Public Contract Code.

The successful Bidder and its subcontractors shall pay all workers on the Project not less than the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work as determined by the Director of the Department of Industrial Relations, State of California, for the type of work performed and the locality in which the work is to be performed within the boundaries of the District, pursuant to sections 1770 et seq. of the California Labor Code. Prevailing wage rates are on file with the District and are available to any interested party on request at www.dir.ca.gov/opri/vast/wage_and_database.html. Bidders and Bidders' subcontractors shall comply with the registration and qualification requirements pursuant to sections 1725.5 and 1771.1 of the California Labor Code.

A mandatory pre-bid conference and site visit will be held on March 8, 2022, at 2:00 p.m. beginning at 115 West Dana Street, Mountain View, California 94041. All participants are required to sign in at the Administration building. The site visit is expected to take approximately (30) minutes.

Contract Documents are available on Tuesday, February 24, 2022, for review at the District Facilities Office. Or you can contact Brenda Parella-Greystone West brenda@greystonewest.com for an electronic set of plans and a list of the bidders' exchanges.

The District's Board reserves the right to reject any and all bids and/or waive any irregularity in any bid received. If the District awards the Contract, the security of unsuccessful bidder(s) shall be returned within sixty (60) days from the time the award is made. Unless otherwise required by law, no bidder may withdraw its bid for ninety (90) days after the date of the bid opening.

The District shall award the Contract, if it awards it at all, to the lowest responsive responsible bidder based on: The base bid amount only.

Mountain View Whisman School District

By: Rebecca Westlow, Ed. D, Chief Business Officer

Publication Dates: (1) February 24, 2022 (2) March 3, 2022

CELEBRITY FILE

Burke to divorce

Cheryl Burke, a professional dancer on "Dancing With the Stars" who used to live in Atherton, has filed for divorce from actor Matthew Lawrence after being married for nearly three years, the New York Post reported yesterday.



BURKE



LAWRENCE

Burke, who graduated from Menlo-Atherton High, filed to divorce the "Boy Meets World" actor on Friday, citing "irreconcilable differences." Burke, 37, and Lawrence, 42, met through Lawrence's brother, Joey, when he was a contestant on "DWTS" in 2006.

is in talks to leave President Biden's administration to become a host on a cable news network.

Prski, who is expected to leave the White House this year, is being "feverishly courted" by both CNN and MSNBC, which trail Fox News in ratings, Dylan Byers, a correspondent at Puck, reported yesterday. CNN interim co-president Amy Finklea and CNN+ programming lead Rebecca Kutler reportedly went to Washington to recruit Prski, while NBC News Chairman Cesar Conde and MSNBC President Rashida Jones went to D.C. in the hopes that Prski "might one day join their network in a flagship role, and perhaps even take the top spot in primetime at MSNBC."



PSAKI

NETWORKS COURT PSAKI:

White House press secretary Jen Prski

SUDOKU

Easy

3	2	9	7	4	8	1	6	5
6	7	8	1	3	4	2	5	9
1	4	5	2	6	7	8	3	9
2	3	5	1	8	7	4	9	6
8	8	4	3	7	9	2	5	1
7	5	1	4	2	3	8	6	9
9	3	8	1	7	5	4	6	2
1	6	9	2	4	3	7	5	8
4	8	7	6	5	9	1	3	2

Difficult

4	7	9	2	3	8	1	3	6
3	1	5	6	4	9	8	7	2
8	4	2	3	1	7	5	4	9
1	2	4	7	3	6	9	5	3
9	5	7	1	2	3	4	6	8
6	8	3	5	9	4	7	1	2
5	4	6	8	7	2	3	9	1
2	1	6	4	3	1	6	7	5
7	3	1	9	8	5	2	6	4

Puzzles on page 37

Money Lender Wanted

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CITY OF PALO ALTO NOTICE OF PUBLIC REVIEW, COMMENT PERIOD, AND PUBLIC HEARING FOR THE FISCAL YEAR (FY) 2022-23 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ANNUAL ACTION PLAN

The City of Palo Alto is developing its FY2022-23 Annual Action Plan (AAP). The Annual Action Plan identifies the City's housing and community development needs and provides a one-year plan to demonstrate how the City will use its CDBG funds in order to address those needs.

This notice provides a schedule of public hearings and opportunities for public comment on these items. A 30-day public review and comment period will begin on April 2, 2022, and end on May 2, 2022. Comments may be provided by phone or email via the contact information listed below for both English speakers and those with limited English proficiency.

Electronic copy of the draft Annual Action Plan will be available on March 3, 2022, on the City's website:
<https://www.cityofpaloalto.org/cdbg>.

CONTACT INFORMATION

For questions and/or comments, please contact Maria Gallegos, CDBG Consultant, at (951) 961-0068 or via email at maria.gallegos@mbakarntf.com.

PUBLIC HEARINGS

The City of Palo Alto Human Relations Commission (HRC) will hold the first public hearing to review and take comments on the draft FY 2022-23 AAP on **Thursday March 10, 2022, at 6:00 p.m.** via virtual teleconference.

Zoom Link: <https://zoom.us/join> Meeting ID: 019 9454 8701 Phone: (800) 900-8833

The Palo Alto City Council will hold the second Public Hearing on **Monday May 2, 2022, at 6:00 p.m.** via virtual teleconference. During this meeting the City Council will vote on the adoption of the FY2022-23 Annual Action Plan.

For Agenda, Meeting Link and additional information related to the meeting please visit: <https://www.cityofpaloalto.org/Departments/Community-Services/Other-Services/Commissions/Human-Relations-Commission/HRC-Current-Year-Agendas-and-Minutes>

Persons with disabilities who require materials in an appropriate alternative format, auxiliary aids or modifications to policies or procedures to access City meetings, programs, or services should contact the City's ADA Coordinator, City of Palo Alto, 850-329-2550 (Voice) or by emailing ada@cityofpaloalto.org. Requests for assistance or accommodations should be submitted as soon as possible, but no later than 48 hours in advance of a scheduled meeting, program, or service.



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**NOTICE OF PUBLIC REVIEW PERIOD
AND PUBLIC HEARING**
FOR THE FISCAL YEAR 2022-23 COMMUNITY
DEVELOPMENT BLOCK GRANT (CDBG) REVISED DRAFT
ANNUAL ACTION PLAN AND
SUBSTANTIAL AMENDMENT TO FISCAL YEAR 2020-21
ANNUAL ACTION PLAN

This notice provides a notice of public hearing and opportunities for public comment. The City of Palo Alto is developing its FY 2022-23 Annual Action Plan (AAP). The Annual Action Plan identifies the City's housing and community development needs and provides a one-year action plan to demonstrate how the City will invest its CDBG grants in order to address those needs. The funded activities are intended to meet Palo Alto's affordable housing and community development objectives described in the 2020-2025 Consolidated Plan. In addition, the City plans to reallocate \$194,500 from the CDBG-Coronavirus (CDBG-CV1) funds, which constitute as a Substantial Amendment to the FY 2020-21 Annual Action Plan.

The development of the AAP is significantly informed by public feedback. A 30-day public review and comment period on the Revised Draft 2022-23 Annual Action Plan for the allocation of FY 2022-23 CDBG funds and the Draft Substantial Amendment to FY 2020-21 Annual Action Plan will begin on **May 20, 2022**, and end on **June 20, 2022**.

If you would like to provide comments on either or both documents, the City welcomes your attendance at the meeting listed in the schedule below.

ELECTRONIC COPIES: Electronic Copies of the draft Annual Action Plan and draft Substantial Amendment will be available on May 20, 2022, on the City's website: <https://www.cityofpaloalto.org/cdbg>.

CONTACT INFORMATION: For questions and/or comments regarding the AAP or the substantial amendment, please contact Maria Gallegos, CDBG Consultant, at (951) 961-9068 or via email at maria.gallegos@mbakerintl.com.

PUBLIC HEARING:

The City Council will hold a hybrid (in-person/virtual) Public Hearing on Monday, June 20, 2022 at 5:00PM, to adopt the FY 2022-23 Annual Action Plan, the associated FY 2022-23 CDBG allocations, and the Substantial Amendment to FY 2020-21 Annual Action Plan. Members of the public who wish to participate virtually can do so by visiting the link below:

Zoom Link: <https://zoom.us/join> Meeting ID: 962-027-238 Phone: (669) 900-6838

For Agenda, Meeting Link and additional information related to the meeting please visit:

<https://www.cityofpaloalto.org/Departments/City-Clerk/Council-Agendas-and-Minutes-2021-2022>

Persons with disabilities who require materials in an appropriate alternative format, auxiliary aids, or modifications to policies or procedures to access City meetings, programs, or services should contact the City's ADA Coordinator George Hoyt at 650-329-2550 (voice) or by emailing ada@cityofpaloalto.org. Requests for assistance or accommodations should be submitted as soon as possible but no later than 48 hours in advance of a scheduled meeting, program, or service.

NEWS

Gunman sent diary before shooting 6

But newspaper did not read his writing

The man accused of opening fire on a Southern California church congregation because of his political hatred of Taiwan dubbed himself a "destroying" angel in a seven-volume diary sent to a newspaper before the attack, the Chinese-language paper said.

David Chou, 68, spent \$16.10 to mail seven thick photocopied volumes of handwritten Chinese text and a flash drive to the World Journal office in the Los Angeles suburb of Monterey Park. The newspaper said the pages bore

the title: "Diary of an Angel Destroying Independence" in an apparent reference to Taiwan's self-government. The Chinese Communist Party continues to demand Taiwan reunify with China.

The diary pages were received in the daily mail Monday, one day after authorities say Chou opened fire at a lunch gathering of older parishioners at Irvine Taiwanese Presbyterian Church in the community of Laguna Woods, killing one and wounding five.

The newspaper didn't report the contents of the diaries and nobody there apparently read through them before sending them to the police through the paper's attorney, said an employee.

The newspaper's lawyer, however, told The Orange County Register late Wednesday he still had the papers.



CHOU



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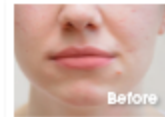
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2730 El Camino Real, Redwood City

Acne Woes? You're Not Alone!

Struggling with acne?

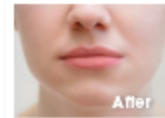
While many people associate acne with the teen years, the truth is that it can crop up at any age. If you've tried over-the-counter (nonprescription) acne products for several weeks and they haven't helped, it's time to see a dermatologist.



Before

Discover how Dr. Khuu can help.

When you come in for a skincare consultation, Dr. Khuu will perform a thorough physical exam and create a customized treatment plan that may include topical and oral prescription medications, corticosteroid injections, and acne extractions to clear out blackheads and whiteheads. To enhance treatment and prevent future flare-ups, Dr. Khuu recommends the Khuuho Clinical products.



After

A clean and scar-free skin.

Acne can leave lingering scars that take a toll on your self-confidence. For minor scars, Dr. Khuu recommends chemical peels and microdermabrasion that remove dead skin layers and polish the skin, and lasers to reduce redness. For major scars, Duke Khuu uses SkinPen, the first and only FDA-approved microneedling device to treat acne scars. Dr. Khuu can enhance the treatment by combining it with Platelet-Rich Plasma (PRP) Skin Rejuvenation, a cutting-edge procedure that uses your own blood to repair your cells.



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San Jose (408) 729-5488

APPENDIX C

CDBG APPLICATION FORMS

SF-424 and SF-424D
Certifications

View Burden Statement

OMB Number: 4040-0004
Expiration Date: 12/31/2022

Application for Federal Assistance SF-424		
* 1. Type of Submission: <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application	* 2. Type of Application: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision	* If Revision, select appropriate letter(s): <input type="text"/> * Other (Specify): <input type="text"/>
* 3. Date Received: <input type="text" value="07/12/2022"/>	4. Applicant Identifier: <input type="text"/>	
5a. Federal Entity Identifier: <input type="text"/>	5b. Federal Award Identifier: <input type="text" value="B-22-MC-06-0020"/>	
State Use Only:		
6. Date Received by State: <input type="text"/>	7. State Application Identifier: <input type="text"/>	
8. APPLICANT INFORMATION:		
* a. Legal Name: <input type="text" value="City of Palo Alto"/>		
* b. Employer/Taxpayer Identification Number (EIN/TIN): <input type="text" value="94-6000389C"/>	* c. UEI: <input type="text" value="050520782000"/>	
d. Address:		
* Street1: <input type="text" value="250 Hamilton Avenue"/>	<input type="text"/>	
Street2: <input type="text"/>	<input type="text"/>	
* City: <input type="text" value="Palo Alto"/>	<input type="text"/>	
County/Parish: <input type="text"/>	<input type="text"/>	
* State: <input type="text" value="CA: California"/>	<input type="text"/>	
Province: <input type="text"/>	<input type="text"/>	
* Country: <input type="text" value="USA: UNITED STATES"/>	<input type="text"/>	
* Zip / Postal Code: <input type="text" value="94301-2531"/>	<input type="text"/>	
e. Organizational Unit:		
Department Name: <input type="text" value="Planning & Development Service"/>	Division Name: <input type="text" value="Long Range Planning"/>	
f. Name and contact information of person to be contacted on matters involving this application:		
Prefix: <input type="text" value="Ms."/>	* First Name: <input type="text" value="Clare"/>	
Middle Name: <input type="text"/>	<input type="text"/>	
* Last Name: <input type="text" value="Campbell"/>	<input type="text"/>	
Suffix: <input type="text"/>	<input type="text"/>	
Title: <input type="text" value="Manager of Long Range Planning"/>		
Organizational Affiliation: <input type="text"/>		
* Telephone Number: <input type="text" value="950-617-3191"/>	Fax Number: <input type="text"/>	
* Email: <input type="text" value="clare.campbell@cityofpaloalto.org"/>		

Application for Federal Assistance SF-424		
* 9. Type of Applicant 1: Select Applicant Type:		
<input type="text" value="C: City or Township Government"/>		
Type of Applicant 2: Select Applicant Type:		
<input type="text"/>		
Type of Applicant 3: Select Applicant Type:		
<input type="text"/>		
* Other (specify):		
<input type="text"/>		
* 10. Name of Federal Agency:		
<input type="text" value="U.S. Department of Housing and Urban Development"/>		
11. Catalog of Federal Domestic Assistance Number:		
<input type="text" value="14.218"/>		
CFDA Title:		
<input type="text"/>		
* 12. Funding Opportunity Number:		
<input type="text"/>		
* Title:		
<input type="text"/>		
13. Competition Identification Number:		
<input type="text"/>		
Title:		
<input type="text"/>		
14. Areas Affected by Project (Cities, Counties, States, etc.):		
<input type="text"/>	<input type="button" value="Add Attachment"/>	<input type="button" value="Delete Attachment"/>
<input type="button" value="View Attachment"/>		
* 15. Descriptive Title of Applicant's Project:		
<input type="text" value="The City of Palo Alto Community Development Block Grant (CDBG) program for Fiscal Year 2022."/>		
Attach supporting documents as specified in agency instructions.		
<input type="button" value="Add Attachments"/>	<input type="button" value="Delete Attachments"/>	<input type="button" value="View Attachments"/>

Application for Federal Assistance SF-424

16. Congressional Districts Of:
 * a. Applicant: 14th * b. Program/Project: [Redacted]

Attach an additional list of Program/Project Congressional Districts if needed.
 [Redacted] Add Attachment Delete Attachment View Attachment

17. Proposed Project:
 * a. Start Date: 07/01/2022 * b. End Date: 06/30/2023

18. Estimated Funding (\$):

* a. Federal	513,168.00
* b. Applicant	[Redacted]
* c. State	[Redacted]
* d. Local	[Redacted]
* e. Other	[Redacted]
* f. Program Income	0.00
* g. TOTAL	513,168.00

*** 19. Is Application Subject to Review By State Under Executive Order 12372 Process?**
 a. This application was made available to the State under the Executive Order 12372 Process for review on [Redacted].
 b. Program is subject to E.O. 12372 but has not been selected by the State for review.
 c. Program is not covered by E.O. 12372.

*** 20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)**
 Yes No
 If "Yes", provide explanation and attach
 [Redacted] Add Attachment Delete Attachment View Attachment

21. *By signing this application, I certify (1) to the statements contained in the list of certifications and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)**
 ** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

Authorized Representative:

Prefix: Mr. * First Name: Ed
 Middle Name: [Redacted]
 * Last Name: Shikada
 Suffix: [Redacted]
 * Title: City Manager
 * Telephone Number: 650-329-2280 Fax Number: [Redacted]
 * Email: Ed.Shikada@cityofpaloalto.org
 * Signature of Authorized Representative: [Redacted] * Date Signed: [Redacted]

View Burden Statement

ASSURANCES - CONSTRUCTION PROGRAMS

OMB Number: 4040-0009
Expiration Date: 02/28/2025

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0042), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain Federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will not dispose of, modify the use of, or change the terms of the real property title or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.
4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.
5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progressive reports and such other information as may be required by the assistance awarding agency or State.
6. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
8. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards of merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
9. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
10. Will comply with all Federal statutes relating to non-discrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681 1683, and 1685-1688), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§8101-8107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.

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Standard Form 424D (Rev. 7-97)
Prescribed by OMB Circular A-102

11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
12. Will comply with the provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
13. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333) regarding labor standards for federally-assisted construction subagreements.
14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
16. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
19. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.
20. Will comply with the requirements of Section 106(g) of the Trafficking Victims Protection Act (TVPA) of 2000, as amended (22 U.S.C. 7104) which prohibits grant award recipients or a sub-recipient from (1) Engaging in severe forms of trafficking in persons during the period of time that the award is in effect (2) Procuring a commercial sex act during the period of time that the award is in effect or (3) Using forced labor in the performance of the award or subawards under the award.

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL 	TITLE City Manager
APPLICANT ORGANIZATION City of Palo Alto	DATE SUBMITTED

SF-424D (Rev. 7-97) Back

CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the jurisdiction certifies that:

Affirmatively Further Fair Housing --The jurisdiction will affirmatively further fair housing.

Uniform Relocation Act and Anti-displacement and Relocation Plan -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) and implementing regulations at 49 CFR Part 24. It has in effect and is following a residential anti-displacement and relocation assistance plan required under 24 CFR Part 42 in connection with any activity assisted with funding under the Community Development Block Grant or HOME programs.

Anti-Lobbying --To the best of the jurisdiction's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-L.L.L., "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraph 1 and 2 of this anti-lobbying certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of Jurisdiction --The consolidated plan is authorized under State and local law (as applicable) and the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan --The housing activities to be undertaken with Community Development Block Grant, HOME, Emergency Solutions Grant, and Housing Opportunities for Persons With AIDS funds are consistent with the strategic plan in the jurisdiction's consolidated plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR Part 75.

Signature of Authorized Official

Date

Specific Community Development Block Grant Certifications

The Entitlement Community certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR 91.105.

Community Development Plan -- Its consolidated plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objective of the CDBG program (i.e., the development of viable urban communities, by providing decent housing and expanding economic opportunities, primarily for persons of low and moderate income) and requirements of 24 CFR Parts 91 and 570.

Following a Plan -- It is following a current consolidated plan that has been approved by HUD.

Use of Funds -- It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include CDBG-assisted activities which the grantee certifies are designed to meet other community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available (see Optional CDBG Certification).

2. Overall Benefit. The aggregate use of CDBG funds, including Section 108 guaranteed loans, during program year(s) 2022 [a period specified by the grantee of one, two, or three specific consecutive program years], shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period.

3. Special Assessments. It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

In addition, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force -- It has adopted and is enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction.

Compliance with Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations.

Lead-Based Paint -- Its activities concerning lead-based paint will comply with the requirements of 24 CFR Part 35, Subparts A, B, J, K and R.

Compliance with Laws -- It will comply with applicable laws.

Signature of Authorized Official

Date

Title

OPTIONAL Community Development Block Grant Certification

Submit the following certification only when one or more of the activities in the action plan are designed to meet other community development needs having particular urgency as specified in 24 CFR 570.208(c):

The grantee hereby certifies that the Annual Plan includes one or more specifically identified CDBG-assisted activities which are designed to meet other community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

Signature of Authorized Official

Date

Title

Specific HOME Certifications

The HOME participating jurisdiction certifies that:

Tenant Based Rental Assistance -- If it plans to provide tenant-based rental assistance, the tenant-based rental assistance is an essential element of its consolidated plan.

Eligible Activities and Costs -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR §§92.205 through 92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

Subsidy layering -- Before committing any funds to a project, it will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing.

Signature of Authorized Official

Date

Title

Emergency Solutions Grants Certifications

The Emergency Solutions Grants Program recipient certifies that:

Major rehabilitation/conversion/renovation – If an emergency shelter’s rehabilitation costs exceed 75 percent of the value of the building before rehabilitation, the recipient will maintain the building as a shelter for homeless individuals and families for a minimum of 10 years after the date the building is first occupied by a homeless individual or family after the completed rehabilitation.

If the cost to convert a building into an emergency shelter exceeds 75 percent of the value of the building after conversion, the recipient will maintain the building as a shelter for homeless individuals and families for a minimum of 10 years after the date the building is first occupied by a homeless individual or family after the completed conversion.

In all other cases where ESG funds are used for renovation, the recipient will maintain the building as a shelter for homeless individuals and families for a minimum of 3 years after the date the building is first occupied by a homeless individual or family after the completed renovation.

Essential Services and Operating Costs – In the case of assistance involving shelter operations or essential services related to street outreach or emergency shelter, the recipient will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure, so long the recipient serves the same type of persons (e.g., families with children, unaccompanied youth, disabled individuals, or victims of domestic violence) or persons in the same geographic area.

Renovation – Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary.

Supportive Services – The recipient will assist homeless individuals in obtaining permanent housing, appropriate supportive services (including medical and mental health treatment, victim services, counseling, supervision, and other services essential for achieving independent living), and other Federal, State, local, and private assistance available for these individuals.

Matching Funds – The recipient will obtain matching amounts required under 24 CFR 576.201.

Confidentiality – The recipient has established and is implementing procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project, except with the written authorization of the person responsible for the operation of that shelter.

Homeless Persons Involvement – To the maximum extent practicable, the recipient will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under the ESG program, in providing services assisted under the ESG program, and in providing services for occupants of facilities assisted under the program.

Consolidated Plan – All activities the recipient undertakes with assistance under ESG are consistent with its consolidated plan.

Discharge Policy – The recipient will establish and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, mental health facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent this discharge from immediately resulting in homelessness for these persons.

Signature of Authorized Official

Date

Title

Housing Opportunities for Persons With AIDS Certifications

The HOPWA grantee certifies that:

Activities -- ~~Activities~~ funded under the program will meet urgent needs that are not being met by available public and private sources.

Building -- Any building or structure assisted under that program shall be operated for the purpose specified in the consolidated plan:

1. For a period of not less than 10 years in the case of assistance involving new construction, substantial rehabilitation, or acquisition of a facility,
2. For a period of not less than 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.

Signature of Authorized Official

Date

Title

APPENDIX TO CERTIFICATIONS**INSTRUCTIONS CONCERNING LOBBYING CERTIFICATION:****Lobbying Certification**

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Resolution No. XXXX
Resolution of the City Council of the City of Palo Alto Approving
The Use of Community Development Block Grant Funds for
Fiscal Year 2022-2023

A. On June 15, 2020, the Palo Alto City Council approved and adopted a document entitled “Consolidated Plan” which identified and established the Palo Alto housing and non-housing community development needs, objectives and priorities for the period July 1, 2020, to June 30, 2025.

B. The Fiscal Year 2022-2023 Annual Action Plan, the annual funding update to the Consolidated Plan, was subjected to public review and commentary during the period from May 20, 2022, through June 20, 2022.

C. The potential uses of Community Development Block Grant (CDBG) funds were evaluated in light of the needs and objectives identified in the Consolidated Plan and reflected in the recommendations and comments of the Human Relations Commission Selection Committee, Human Relations Commission and other interested citizens.

D. Under the CDBG program, the highest priority is given to activities which will benefit persons with low and moderate incomes.

E. The City Council and the Human Relations Commission have held publicly noticed public hearings on the proposed uses of the CDBG funds for Fiscal Year 2022-2023.

F. CDBG funds allocated to the City for Fiscal Year 2022-2023 are proposed to implement the programs described in this resolution.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The uses of CDBG funds for Fiscal Year 2022-2023 are hereby approved and authorized for the following programs:

	<u>Name of Program</u>	<u>Amount</u>
1.	Alta Housing – SRO Resident Support. Provide in-house case management and counseling services to residents at Barker Hotel and Alma Place.	\$22,413
2.	Catholic Charities of Santa Clara County – Long Term Care Ombudsman Program. Advocate for the rights of seniors and disabled residents in long term care facilities.	\$10,000
3.	LifeMoves – Opportunity Services Center. Provide case management services to Opportunity Services Center and Hotel De Zink clients in locating housing and/or employment and be connected to benefits.	\$26,660

4.	Silicon Valley Independent Living Center – Housing and Emergency Services. Provide case management services to low-income individuals with disabilities to secure affordable and accessible housing.	\$14,021
5.	Project Sentinel – Fair Housing Services. Provide fair housing services including complaint investigation, counseling, advocacy and community education	\$33,698
6.	City of Palo Alto Department of Planning and Development Services– CDBG Program Administration.	\$121,816
7.	Downtown Streets – Workforce Development Program. Provide comprehensive support services for homeless/unemployed to secure employment.	\$160,477
8.	Rebuilding Together Peninsula – Safe at Home. Provision of critical health and safety related home repair needs for low-income Palo Alto homeowners.	\$73,135
9.	Mitchell Park Place – 525 E. Charleston Road – Funds are requested for predevelopment costs for a 50-unit affordable housing complex. Approximately half of the units are for persons with disabilities. The parcel is owned by the County and will be a long-term lease with the developer, Eden Housing.	\$190,948
TOTAL		\$653,168

SECTION 2. The total amount set forth under Section 1 of this resolution represents the proposed allocation of **\$513,168**, in CDBG funds from the United States Department of Housing and Urban Development (HUD) for Fiscal Year 2022-2023, and **\$140,000** in anticipated program income for Fiscal Year 2022-2023 from Palo Alto Housing Corporation.

SECTION 3. The City staff is hereby authorized to submit the Fiscal Year 2022-2023 Annual Action Plan, update and appropriate funding to HUD for the Fiscal Year 2022-2023 CDBG funds, and such money shall be spent as set forth in this resolution. The Mayor, City Manager and any other designated City staff or officials are hereby authorized to execute such application forms and any other necessary documents to secure these funds. The City Manager or designee is authorized to sign all necessary grant agreements with the program providers set forth in Section 1.

SECTION 4. The funding amounts set forth in Section 1 of this resolution are based on final allocation amounts from the Federal Fiscal Year 2022-23 HUD appropriations; City Staff is authorized to adjust increasing or decreasing the funding amounts set forth herein as consistent with the adopted Citizen Participation Plan.

SECTION 5. The City Council hereby finds that the Fiscal Year 2022-2023 CDBG program authorized under Section 1 of this resolution is not a project under the California Environmental Quality Act (CEQA). However, the Council further authorizes and directs City staff to prepare certifications that may be required, under CEQA and the National Environmental Policy Act (NEPA), for each project under the Fiscal Year 2022-2023 CDBG program prior to the release of funds for any such project.

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INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

City Clerk

APPROVED AS TO FORM:

Sr. Assistant City Attorney

APPROVED AS TO CONTENT:

CDBG Coordinator

APPROVED:

Mayor

City Manager

Director of Planning and
Development Services

Director of Administrative Services

Resolution No. XXXX
 Resolution of the Council of the City of Palo Alto
 Approving the Substantial Amendment for the use of
 Community Development Block Grant Coronavirus Funds for
 Fiscal Year 2020-2021

A. On June 15, 2020, the Palo Alto City Council approved and adopted a document entitled “Consolidated Plan” which identified and established the Palo Alto housing and non-housing community development needs, objectives, and priorities for the period July 1, 2020 to June 30, 2025.

B. The Substantial Amendment to Fiscal Year 2020-2021 Action Plan, was subjected to public review and commentary during the period from May 20, 2022 through June 20, 2022.

C. The potential uses of Community Development Block Grant Coronavirus Funds (CDBG-CV) funds were evaluated in light of the needs and objectives identified in the Consolidated Plan and reflected in the recommendations and comments of interested citizens.

D. Under the CDBG-CV program, the highest priority is given to activities which will benefit persons with low and moderate incomes.

E. The City Council have held a publicly noticed public hearing on the proposed uses of the CDBG-CV funds for Fiscal Year 2020-2021.

F. CDBG-CV funds allocated to the City for Fiscal Year 2020-2021 are proposed to implement the programs described in this resolution.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The uses of CDBG and CDBG-CV funds for Fiscal Year 2020-2021 are hereby approved and authorized for the following programs:

	Name of Program	Amount
1.	MOVE Mountain View Safe Parking Program	\$160,300
2.	LifeMoves COVID-19 Testing Program	\$34,200.50
	TOTAL	\$194,500.50

SECTION 2. The total amount set forth under Section 1 of this resolution represents the **proposed reallocation of \$194,500.50 in CDBG-CV (Coronavirus) funds** from the United States Department of Housing and Urban Development (HUD) for Fiscal Year 2020-2021.

SECTION 3. The City staff is hereby authorized to submit the CDBG-CV Substantial Amendment to the Fiscal Year 2020-2021 Annual Action Plan, and such money shall be spent as set forth in this resolution. The Mayor, City Manager and any other designated City staff or officials are hereby authorized to execute such application forms and any other necessary documents to secure these funds. The City Manager or designee is authorized to sign all necessary grant agreements with the program providers set forth in Section 1.

SECTION 4. The funding amounts set forth in Section 1 of this resolution are based on final allocation amounts from the CARES Act (CDBG-CV) HUD appropriations; City Staff is authorized to make adjustments increasing or decreasing the funding amounts set forth herein as consistent with the adopted Citizen Participation Plan.

SECTION 5. The City Council hereby finds that the Fiscal Year 2020-2021 CDBG program authorized under Section 1 of this resolution is not a project under the California Environmental Quality Act (CEQA). However, the Council further authorizes and directs City staff to prepare certifications that may be required, under CEQA and the National Environmental Policy Act (NEPA), for each project under the Fiscal Year 2020-2021 CDBG and CDBG-CV program prior to the release of funds for any such project.

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INTRODUCED AND

PASSED: AYES:

NOES:

ABSTENTI

ONS:

ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

Sr. Assistant City Attorney

Director of
Planning and
Development
Services

APPROVED AS TO CONTENT:

Director of Administrative Services

CDBG Coordinator

MOVE Mountain View Safe Parking Program at Geng Road Lot

Overview of MOVE Mountain View

MOVE Mountain View (MMV) is the lead agency operating Safe Parking Programs in Palo Alto and Mountain View, California. We have been serving the homeless and marginalized vehicle-dwellers in the area since June 2018.

MMV collaborates with local municipalities, the Office of Supportive Housing Santa Clara County, local faith communities, and other area social services providers. The program provides reserved off-street parking for participants, as well as permanent housing solutions through intensive case management. MMV operates four 24/7 RV Safe Parking lots and 3 Congregational Safe Parking locations. The total capacity of these lots in Palo Alto and Mountain View is 109 vehicles. 159 vehicle dwellers are currently enrolled in the program.

Since the Geng Road lot in Palo Alto opened in February of 2021, 50% of client households have been placed in safe housing or other interim housing. MMV expects this percentage to rise as more safe housing options are developed by the state of California.

The Geng Road Safe Parking Lot is where MMV will utilize the grant. There are 12 RV safe parking spaces with 8 spaces for client commuter car parking. A unique resource on this lot is the presence of two buildings. A library, laundry, kitchen, showers, and office spaces will create many options for service to the clients in the program.

Congregations in Palo Alto have been enthusiastic about collaborating with MMV in the safe parking program. Since the Geng Road lot opened, the Highway Community Church and the Unitarian Universalist Church in Palo Alto have opened their lots to provide safe parking for 4 cars each. Currently, two more Palo Alto congregations are in process for permits to provide safe parking.

The Impact of this Grant

The expansion of services made possible by this grant will serve clients referred to Safe Parking in Palo Alto. The estimated 40+ client caseload will be managed by a full-time Caseworker dedicated to Palo Alto clients. In addition, the caseworker will be the liaison between PAUSD and safe parking resources for unhoused families. The Caseworker will also reinforce street outreach efforts to unhoused persons in Palo Alto.

The free laundry and showers supported by this grant add to available direct services to Safe Parking clients. This increased use of the facility will require a Lot Manager dedicated to Palo Alto clients to supervise, organize, and monitor the Safe Parking Program at that site. MOVE Mountain View plans to assist at least 100 Palo Alto persons through the Safe Parking Program.

Metrics

MMV’s goals for the upcoming program year are to continue to place clients into safe permanent housing. MMV projects a 10% increase in the number of placements. MMV will report client demographic data such as age, ethnic self-identification, income level, language preference, number of shelter nights provided, and statistics about placement outcomes. In addition, MMV tracks and will continue to record the impact of COVID-19 on the clients we serve. Vehicle dwellers in our community are impacted by reduced access to PPEs, inadequate sanitation, and infrequent medical care. Many vehicle dwellers have lost employment due to COVID shutdowns of businesses. Their school-aged children have been challenged by lack of internet access and special needs resources. All MMV programs are administered under the COVID protocols for shelters as directed by the Santa Clara Health Department. As a result, there is low incidence of COVID-19 infections among the clients on the lots.

Budget

MOVE Mountain View will use CDBG-CV funds from the City of Palo Alto in the amount of \$160,300 to cover the following costs:

- Case Manager: \$79,061
 - Facilities Manager: \$32,895
 - Volunteer Coordinator: \$24,172
 - Utilities: \$24,172
- Total \$160,300**

LifeMoves COVID-19 Testing Program at their Opportunity Services Center

LifeMoves needs an effective way to test clients and staff that work in a drop-in setting effectively and quickly for COVID-19. They are requesting \$34,200.50 in CDBG-CV funding to purchase approximately 450 CUE Health Tests that test for COVID-19 and deliver accurate results in 20 minutes. They can be administered to anyone at any time that the Opportunity Services Center is open, whether the client is symptomatic or asymptomatic.

In general, Cue's test is the most accurate COVID-19 self-test on the market. In a clinical study with lay users, the Cue COVID-19 Test for Home and Over The Counter (OTC) Use demonstrated sensitivity of 97% (% positive agreement) and specificity of 99% (% negative agreement). Importantly, the study showed the test was 100% accurate in people infected with the virus who were asymptomatic.

LifeMoves will use CDBG-CV funds from the City of Palo Alto in the amount of \$34,200.50 to cover the following costs:

- Purchase of CUE Tests: \$34,200.50

CITY OF PALO ALTO - CDBG
ANNUAL ACTION PLAN FY2020-21: CDBG-CV SUBSTANTIAL AMENDMENT
 City Council Approved **Date**, 2022

INTRODUCTION:

The City of Palo Alto's Annual Action Plan details the funding strategy for the Community Development Block Grant (CDBG) program each year. Through the Annual Action Plan, the City implement its Five-Year Consolidated Plan. The City's Citizen Participation Plan (CPP) describes the efforts that the City will take to encourage its residents to participate in developing these plans. It also provides requirements for public process when a "substantial amendment" to the Annual Action Plan is proposed. The following changes constitute a substantial amendment and require public notice as described in the CPP:

- A change in the use of CDBG funds from one eligible activity to another;
- The implementation of an activity not previously identified in sufficient detail to provide affected citizens an opportunity to submit comments; or
- A change in an activity's program budget which exceeds ten percent of the City's latest annual entitlement grant.

The information provided in this attachment qualifies as a substantial amendment because it meets all three criteria of a substantial amendment as described in the City's CPP.

BACKGROUND:

The United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020. The CARES Act expedites the use of CDBG funds to prevent and respond to COVID-19. Through the CARES Act, the City received a total of \$746,413 in two separate grant allocations. These funds are to be used specifically for responding to the COVID- 19 pandemic.

On June 15, 2020, Council allocated a portion of the first allocation of CARES Act funding (CDBG-CV1) in the amount of \$294,900 to LifeMoves to provide rental assistance to eligible low-income Palo Alto families (i.e. 80% Area Media Income and below) who have suffered documented income loss due to COVID-19. Of this amount, LifeMoves was able to spend \$99,499.50, and is now giving the remaining \$194,500.50 back to the City to reallocate.

The purpose of this substantial amendment to the City of Palo Alto's FY 2020-21 Annual Action Plan is to reallocate a portion of the CDBG-CV funds that was returned by a subrecipient to two new COVID-19 related projects and provide a summary of the recommended projects/activities.

DISCUSSION:

The City will re-allocate \$194,500.50 in CDBG-CV funds that was returned from LifeMoves Rental Assistance Program. The LifeMoves Rental Assistance Program was funded in FY 2020-

21 under the CDBG public services category to provide eligible households who are unable to meet their monthly financial obligations as a result of the COVID-19 emergency with rental assistance. Individuals and families in danger of becoming homeless or losing their homes, will be able to remain in their homes. LifeMoves informed the City that they would be unable to spend the remaining funds that they received for this program and are therefore returning the funds to the City to be reallocated towards different COVID-related activities. Table 1 provides an overview of the recommended re-allocation of the \$194,500.50 from the FY 20/21 program year.

Table 1. Staff Recommendation for the Reallocation of CDBG-CV Funds

	Agency – Name of Program	Amount
1.	MOVE Mountain View – Safe Parking Program	\$160,300
2.	LifeMoves – COVID-19 Testing Program	\$34,200.50
	TOTAL	\$194,500.50

Public Outreach Process for the Reallocation of CDBG-CV Funds

The City circulated the amendment to the FY 2020-21 Annual Action Plan for a 30-day public comment period from May 20, 2022 through June 20, 2022. After the public comment period concludes, the City Council will hold a public hearing on June 20, 2022.

A brief description of programs that will be funded with the City's reallocated CDBG-CV funds is provided below. The CDBG-CV funds will provide a valuable funding source for the City and its non-profit partners to address the community needs in the wake of the COVID-19 pandemic.

Project Name	MOVE Mountain View – Safe Parking Program
Goals Supported and Needs Addressed	COVID-19 Response
Funding Amount	CDBG-CV: \$160,300
Description	The program provides reserved off-street parking for participants, as well as permanent housing solutions through intensive case management. The Geng Road Safe Parking Lot is where MMV will utilize the grant. There are 12 RV safe parking spaces with eight spaces for client commuter car parking. A unique resource on this lot is the presence of two buildings. A library, laundry, kitchen, showers, and office spaces will create many options for service to the clients in the program.

Estimate the number and type of families that will benefit from the proposed activities	Approximately eight Palo Alto residents will be served.
Location Description	Citywide (Palo Alto)

Project Name	LifeMoves – COVID-19 Testing Program
Goals Supported and Needs Addressed:	COVID-19 Response
Funding Amount	CDBG-CV: \$34,200.50
Description	LifeMoves will use this funding to purchase CUE Health Tests that test for COVID-19 and deliver accurate results in 20 minutes. They can be administered to anyone at any time that the Opportunity Services Center is open, whether the client is symptomatic or asymptomatic.
Estimate the number and type of families that will benefit from the proposed activities	Approximately 450 Palo Alto residents will be served.
Location Description	Citywide (Palo Alto)



City of Palo Alto

City Council Staff Report

(ID # 14390)

Report Type: Action Items

Meeting Date: 6/20/2022

Summary Title: 2850 West Bayshore Road: 48 Townhouses

Title: PUBLIC HEARING / QUASI-JUDICIAL. 2850 West Bayshore [21PLN-00177]: Approval for a Major Architectural Review, Conditional Use Permit, and Vesting Tentative Map to Allow for the Demolition of an Existing Office Building and Construction of 48 Townhomes with Associated Private Streets, Utilities, Landscaping, and Amenities. Environmental Assessment: Exempt per CEQA Guidelines Section 15332. Zoning District: ROLM (Research Office and Limited Manufacturing).

From: City Manager

Lead Department: Planning and Development Services

Recommendation:

Staff recommends the City Council take the following action(s):

1. Approve the Conditional Use Permit to enable multiple-family residential use of the ROLM-zoned property.
2. Approve the Major Architectural Review [21PLN-00177] application based on findings and subject to conditions of approval.
3. Approve the Vesting Tentative Map [21PLN-00178] application based on findings and subject to conditions of approval.

Executive Summary:

The applicant, Summerhill Homes LLC, requests approval of a Conditional Use Permit (CUP) for multifamily residential use within the ROLM zone, a Vesting Tentative Map for condominium purposes for 48 attached townhomes, and Architectural Review approval to demolish the existing office building and construct 48 townhomes.

Access to the property is from West Bayshore Road, and the newly created housing units will range in size from 1,600 square feet to 2,100 square feet. Seven of the proposed 48 units will be allocated as below-market-rate units. This residential project utilizes the RM-30

development standards, as required by the ROLM zoning district, and the applicant requests a concession to the required floor area ratio (FAR) through State Density Bonus Law.

The project is defined by the State as a "housing development project" which includes 100% residential projects, mixed-use developments (with at least two-thirds of the square footage designated for residential use), and transitional or supportive housing. As such, the project is regulated by the Housing Accountability Act (HAA) and the Housing Crisis Act of 2019 (SB 330, Government Code Section 65943). Senate Bill (SB) 330 created a preliminary application process 'freezing' the local standards for this project at the time of application and limiting the total number of public hearings to five. The HAA strictly limits the City's ability to deny the project or impose conditions that would decrease the ability of the project to provide housing.

The Architectural Review Board (ARB) reviewed the project on January 20 and April 21, 2022 at which time they recommended denial. The Planning and Transportation Commission (PTC) reviewed the map application on May 25, 2022 and recommended approval of the map. These earlier staff reports include extensive background information, project analysis, and evaluation to city codes and policies. The staff reports and videos for ARB and PTC are available online on the project webpage¹.

Background:

Architectural Review Board review

Preliminary ARB Review

On April 1, 2021, the ARB reviewed the preliminary ARB plans for 48 townhomes. In that meeting, the ARB commented on numerous aspects of the project that they wanted to see changed, which included: retaining as many street trees as possible, increase guest vehicle parking on site, find ways to better differentiate the buildings on site, simplification of building articulations and facades, increase landscaping buffer and reduce retaining wall to ease the transition to Greer Park, incorporate a walkway to Greer Park, incorporate more private open space at each unit, and evaluate the treatment at the sound wall so that it does not appear blank and uninteresting.

Formal ARB Review

On January 20 and April 21, 2022, the ARB reviewed the project plans for 48 townhomes. The ARB is accustomed to having three meetings for review of major projects, but given the limit of five hearings, staff kept the ARB to two meetings. This would allow the remaining three meetings to be split between the PTC and Council; again, the five (5) hearing limit is part of the state law.

¹ 2850 W. Bayshore Road Project Webpage: <https://bit.ly/3CnpVJT>

On April 21, 2022, the ARB recommended denial of the application. The ARB's findings for denial are presented below in the order discussed on April 21, 2022, along with the applicant's responses to those denial findings are explored in the Analysis section of this report.

Planning and Transportation Commission Review

On May 25, 2022, the PTC reviewed the Vesting Tentative Map application. A tentative map is required to permit the townhomes to be marketed and sold separately. The actual layout and boundaries of the condominiums is determined by a condominium plan approved by the State Department of Real Estate. A vesting map is used by an applicant to provide more security that the project may be developed according to the laws in place at the time the map application is complete. Technically, a vesting tentative map application is not complete until the applicant has obtained all other planning entitlements for the project (i.e. CUP and AR approval). In this case, given the limited number of hearings available to the City under SB 330, staff have elected to process the map concurrently with the other approvals, despite the fact it is incomplete. The PTC recommended that the Council make the necessary findings for approval of the Vesting Tentative Map. These findings are contained in State law and incorporated into Title 21 of the Municipal Code.

Under the Subdivision Map Act, the Council must make a series of "reverse" findings to justify approval. Unless one or more of these findings is made in the affirmative, the subdivision must be approved. In particular, under Government Code Section 66474, the Council must deny a Tentative Map if it makes any of the following findings:

- a) That the proposed map is not consistent with applicable general and specific plans.
- b) That the design or improvement of the proposed subdivision is not consistent with applicable general and specific plans.
- c) That the site is not physically suitable for the type of development.
- d) That the site is not physically suitable for the proposed density of development.
- e) That the design of the subdivision or the proposed improvements are likely to cause substantial environmental damage or substantially and avoidably injure to fish or wildlife or their habitat.
- f) That the design of the subdivision or type of improvements is likely to cause serious public health problems.
- g) That the design of the subdivision or the type of improvements will conflict with easements, acquired by the public at large, for access through or use of, property within the proposed subdivision.

Conditional Use Permit

The Conditional Use Permit process is typically approved by the Director of Planning and Development Services and, if appealed, goes to the PTC for a recommendation to City Council. As the Director deferred the decision for the application to the City Council per PAMC

18.40.170, the Director is asking the City Council to action on that part of the application. Staff recommend the Council approve the Conditional Use Permit.

Analysis

The ARB's Findings for Denial are presented below in the order discussed on April 21, 2022, along with the applicant's responses to those Denial Findings. Where noted below, the applicant made changes to the proposed project to respond to the ARB comments; these changes are reflected in the plans included in the Council packet. Following is a narrative explanation of the ARB's denial recommendation.

ARB Comments/Direction	Applicant Response
<p>Finding 2(A): The project has a unified and coherent design, that:</p> <p>(A) Creates an internal sense of order and desirable environment for occupants, visitors, and the general community,</p> <p>Finding #2(A) cannot be made as the project design does not create an internal sense of order; elements of the building appear to be add-ons rather than integrated well into the design which does not create a desirable environment for residents. <i>(Massing and Unit Variation)</i></p>	<p>The project meets Finding 2(A) by creating an internal sense of order and a desirable environment for occupants, visitors, and the general community.</p> <ul style="list-style-type: none"> • The buildings are sited in a traditional grid pattern to allow residents and visitors to navigate easily around the site. • The project is designed to emphasize pedestrian connectivity, with the pedestrian entry (front door) at the front of each home and the garage at the rear. • Along W. Bayshore Road and Greer Park, the front doors and front patios of the homes face outward to engage with the public space. • The project provides a comprehensive network of walkways along, through, and within the site, including a direct pedestrian connection to Greer Park at the southwest corner of the site. • Vehicle circulation is convenient and efficient but secondary to pedestrian and bicycle circulation and safety. Sidewalks and walkways are separate from vehicle lanes, and crosswalks are marked with decorative paving. • Along the project frontage, SummerHill will provide a wide landscape space between the public sidewalk and the curb, which will preserve eight of the nine existing Street Trees and make

the sidewalk more comfortable for pedestrians.

- For public benefit, SummerHill will widen the existing northbound bike lane and install a new southbound bike lane along the project frontage, extending south to Colorado Avenue.
- The project features a large, centrally located common open space with attractive amenities, including casual seating areas, an electric fireplace, an electric grill with counters for prep space, dining tables, table tennis, a shade canopy and a space for active play, as well as a professionally maintained landscape of native trees and plants.
- For the privacy and quiet of the residents, SummerHill will construct a 14-foot sound wall along the east side of W. Bayshore Road, across from the project frontage.
- Vehicle circulation is arranged in an efficient hierarchy with a main entry drive (A Street), a primary private street (B Street) and minor subsidiary private streets (C and D Streets, which are similar to alleys but meet the City's minimum standard width for private streets).
- Every home includes an attached two-car garage. Four parking spaces are provided on site for guests, plus a short-term pull-out space for deliveries. Visitors also have convenient access to on-street parking along Colorado Avenue via a lighted path.
- The project has been reviewed by the Fire Department to confirm adequate access for emergency vehicles.
- The project has been reviewed by the GreenWaste to confirm adequate access for service trucks and adequate locations to stage carts for collection.

Finding #2(D): The project has a

In response to the ARB's comment, SummerHill has

unified and coherent design, that:

(D) Provides harmonious transitions in scale, mass and character to adjacent land uses and land use designations,

Finding #2(D) cannot be made regarding the height of the project relative to Greer Park as the proposed buildings do not provide a harmonious transition in scale, mass, and character. (*Height Transition*)

revised the project to improve the harmonious transition in scale, mass and character between the project and Greer Park:

- SummerHill has reduced the size of Buildings 4 and 5 to increase the rear setback to a minimum of 15 feet, 5 feet more than the minimum. As previously proposed, the rear setback at Buildings 7 and 8 remains a minimum of 15 feet.
- SummerHill has widened the landscape terrace between the upper and lower retaining walls at the end of C Street to provide additional distance from the property line and to create room for landscaping to screen the retaining walls.
- SummerHill has modified the architecture of Buildings 4, 5, 7 and 8 to reduce the height and massing as the buildings transition toward the park. For example, at Buildings 5 and 8, SummerHill lowered the tower elements at both ends of the buildings, replacing the hipped roof with a shed roof that ties into the slope of the main body of the roof, and replaced the hipped-roof tower elements at the corners with small gables at the elevations facing toward the park.

In addition to the changes described above, the project includes the following features to provide a harmonious transition to the park:

- The retaining walls are tiered along the rear of the site, with space between the walls for a landscape terrace, to provide a gradual transition from the project site to the park.
 - The front doors and front patios of the homes face toward the park to engage with the public space.
 - The roofs of the buildings are pitched so that the eaves are lower than the maximum allowed height, reducing the visual mass.
 - The rear of central common open space is sloped
-

in order to reduce the height of the retaining wall in that location, and the sloped bank is landscaped with trees and shrubs.

- Trees will be planted along the sides and rear of the site to screen the buildings, particularly along the ends of Buildings 4, 5, 7 and 8.
- The tiered retaining walls will be constructed with drilled piers rather than a spread footing to protect the existing trees in Greer Park that screen the site.

Finding #3: The design is of high aesthetic quality, using high quality, integrated materials and appropriate construction techniques, and incorporating textures, colors, and other details that are compatible with and enhance the surrounding area.

Finding #3 cannot be made as the buildings are not sufficiently differentiated from each other, the materials used are not of high aesthetic quality, nor are the materials and design elements integrated into the design of the building appropriately. (*Material Use & Integration*)

Each building has a unique combination of massing, roofline, exterior materials and color scheme. As shown in the project plans, the project includes five different building types and three different color schemes. To differentiate the building types, the project features a variety of elements including balconies and covered decks, front entry stoops and covered patios, bays and plane breaks, tower elements and roof forms (shed, hipped and gable), all while maintaining a cohesive overall architectural style.

In response to comments from the ARB, SummerHill has revised the material palette to replace the concrete brick veneer with clay brick veneer and replace the concrete cap with a course of full clay brick. The clay brick has a high-quality texture and integrated color. In addition to the clay brick, the exterior materials continue to include 4" and 8" smooth-finish lap siding, elements of smooth-paneled millwork, stucco with a 20/30 light sand finish, wide-frame VPI Endurance Series windows and architectural front doors and garage doors, all of which (in the Applicant's opinion) are materials of high aesthetic quality consistent with the ARB's recommended objective standards for multi-family residential development.

In addition, as noted above, SummerHill has simplified the material palette for each building by using either brick veneer or 4" lap siding at the front entries, rather than a mix of both as previously proposed. In addition,

Finding #4: The design is functional, allowing for ease and safety of pedestrian and bicycle traffic and providing for elements that support the building's necessary operations (e.g. convenient vehicle access to property and utilities, appropriate arrangement and amount of open space and integrated signage, if applicable, etc.).

Finding #4 cannot be made as the site layout does not support the functional use of the space for pedestrians and bicycle traffic as it is auto-oriented. In association with Finding #2(A) & (E), this does not create an internal sense of order nor enhance the living conditions on the site. (*Circulation*)

SummerHill has simplified the color schemes by matching the color of the smooth millwork panels to the adjacent body color and by using a consistent color for the eave, gutter, and fascia board on each building, which also serves to emphasize the variation in the massing and the roofline. These changes to the color application and materials give the architecture a simpler, timeless character with a clear expression of the base, middle and top.

The project is designed to engage at the pedestrian level with Greer Park and the public sidewalk along W. Bayshore Road. The site plan emphasizes circulation for pedestrians and bicycles, with front porches outward and vehicle traffic and garages screened from view.

As shown on Sheet A05.1 (Circulation Plan), the project provides walkways to every unit, to W. Bayshore Road, to the central common open space and throughout the site. In addition, the project includes a direct pedestrian connection to Greer Park at the southwest corner of the site. The project also provides sidewalks along the private entry street (A Street) and the main on-site street (B Street), as well as enhanced paving at the crosswalks.

The project is designed so that the front entries are for pedestrians and vehicle access is at the rear of each unit, unlike many older tracts of single-family detached homes where the front façades are dominated by garage doors. By placing the garage at the rear of each unit, the site plan emphasizes pedestrian circulation over vehicle traffic.

The project will also improve off-site circulation for bicycle traffic by widening the existing northbound bike lane along W. Bayshore Road and providing a new southbound bike lane from the project site to Colorado Avenue.

Massing and Unit Variation

On the April 21 ARB hearing, the ARB noted that the changes made to the applicant's submittal did not reflect a serious approach to creating multiple building/housing types on site in

accordance with PAMC 18.13.060(b)(5), which is a Context-Based Design Criteria that regulates large sites and the diversity of building types. The ARB felt that the proposal was more akin to eight similar buildings with minor breaks or architectural elements added onto the buildings to have the appearance of different building types but that these additions were not integrated well and felt like add-ons. In order to better satisfy this policy, the ARB suggested that having a simplified and consistent design approach between buildings would help to better distinguish them from each other.

Additionally, the ARB suggested that changing plate heights, roof lines, shapes, fenestration pattern, and/or the style and look of windows could also help to differentiate the buildings better to give the appearance of having distinct building types on site even if the project only consists of a townhome style of development. The ARB seemed open to this approach to satisfy the requirements in PAMC 18.13.060(b)(5) in order to support the City's overall housing goals as they felt that this was a good location for a housing development project.

In response to this feedback, the applicant modified their design in the following ways:

- Introduced additional hips and gables to differentiate the rooflines and vary the view from the park and the rear elevation of buildings 4, 5, 7, and 8;
- Simplified the material palette for each building by using either brick veneer or 4" lap siding at the front entries, rather than a mix of both as previously proposed;
- Simplified the color schemes by matching the color of the smooth millwork panels to the adjacent body color and by using a consistent color for the eave, gutter, and fascia board on each building, which also serves to emphasize the variation in the massing and the roofline;
- Modified the left elevation at Building 6 by wrapping the shed roof around the corner of the building at the first floor to emphasize the visual base of the building.

Staff believes that these changes adequately address the ARB's comments and concerns related to simplifying the massing for the buildings differentiating the buildings types proposed at the site.

Height Transition to Park

The subject property is located within the AE10.5 flood zone which requires any residential project to be built 10.5 feet above sea level. The Building Code requires that a new building be built one foot above the required base flood elevation (10.5 feet + 1 foot) while the existing grade along the shared property line to Greer Park is roughly seven feet above sea level.

In order to address height transitions from the subject property to Greer Park, the applicant modified their designs for buildings 7 & 8 before the April 21, 2022 ARB hearing. These changes included stepping buildings 7 & 8 back to incorporate additional planting and sloping the grade

along the common open space downward in order to further reduce the terraced retaining walls which face Greer Park. The ARB was supportive of this approach to reduce the height transition toward Greer Park but also noted that the applicant should consider reducing the building height along the sides which face Greer Park.

In response to the direction from the ARB on April 21, 2022, the applicant has proposed to mirror the changes provided for buildings 7 & 8 at buildings 4 & 5 in order to accommodate more landscaping to visually buffer the buildings that face towards Greer Park. In addition, the applicant will be able to further step back the terraced walls along this side of the property to create a smoother transition between the two properties.

The applicant further modified the rear elevation of buildings 4, 5, 7, and 8 to introduce additional hips and gables to differentiate the rooflines and vary the view from the park to soften the impacts from the massing of the buildings toward Greer Park. Staff believes that this approach will greatly help to reduce the height transition and massing of the buildings as they are experienced from Greer Park and addresses the concerns of the ARB.

Staff does not support the ARB's approach to reducing the height of the corner units of buildings 4, 5, 7, & 8 as reducing the height could impact whether there are bedrooms in a unit. While it may not reduce the total number of units provided on site, it can have the effect of reducing the potential dwelling spaces within a unit, thereby reducing dwelling capacity and potential density which may conflict with the intent, or purpose, of the Housing Accountability Act.

Material Use and Integration of Varying Architectural Elements

The ARB noted that the use of cement fiber Hardie board and cement brick proposed as siding on the buildings were not considered to be of high aesthetic quality. While traditional Hardie board has been considered to be cheap in appearance as it is a thin pressed wood resin material and over time would rot out, newer versions of Hardie board have sought to address those issues.

Hardie board provides thicker siding options with a greater quality of simulated or smooth wood grain to better replicate the appearance of traditional wood siding and provide deeper shadow lines which will provide added dimension and aesthetic quality to the buildings. This material is also a long-lasting and durable material that is damage resistant. The applicant has replaced the cement brick siding with clay brick siding in order to provide added dimension and quality to the brick stone veneer. Staff believes that the incorporation of these materials satisfies the requirements for Finding #3.

The ARB also noted that the added articulations and modulations of the buildings, while attempting to address the ARB's previous comments to differentiate the building, felt like

added pieces to the massing of the building. These features were not well integrated into the design and failed to substantially change the layout of the design of the units to have greater distinction and variety between the buildings. Some ARB members noted that they would prefer to see a more simplified design approach that did not add pieces to the architecture to ensure a coherent design between the buildings.

As a result, the applicant simplified the material palette for each building by using either brick veneer or 4" lap siding at the front entries, rather than a mix of both as was previously proposed. They also simplified the color schemes by matching the color of the smooth millwork panels to the adjacent body color. By using a consistent color for the eave, gutter, and fascia board on each building, this serves to emphasize the variation in the massing and the roofline to address the ARB's comments.

In addition to the modifications noted in the *Massing and Unit Variation* section, staff believes the applicant has adequately addressed the ARB's comments and concerns under Finding #3.

Circulation and Auto vs. Pedestrian-Oriented Environment

During the hearing, many of the ARB members indicated a concern with the project's approach to on-site circulation and felt that the design was vehicle oriented rather than pedestrian oriented, which conflicted with Architectural Review Finding #4. As they discussed the application, most of the members felt that there should be more on-street parking for residents and guests.

ARB members also felt that the layout of the site favored vehicle movement rather than creating a safe and welcoming pedestrian environment between the buildings. A few board members raised the question of whether a different project could come forward with an underground parking structure or if the site could be a mixed use-development as it could open the site to a more pedestrian oriented approach.

The City's municipal code was modified in 2019 through Ordinance 5460 to eliminate the requirement to provide guest parking spaces on site in order to reduce barriers to housing development in the City. Additionally, PAMC 18.52.030(h) specifically states that: "*No use shall be required to provide more spaces than prescribed by this chapter ...*".

The ARB did not articulate how or where this parking would be placed on site other than suggestions that an underground parking garage should be considered. However, underground parking is not allowed by FEMA regulations for non-commercial uses in the flood zone.⁽²⁾⁽³⁾ As

² For properties in the flood zone, FEMA does not allow for underground structures under non-commercial uses; multi-family uses are considered non-commercial. In a mixed-use development proposal, FEMA does allow underground structures to be present, but only under the portion of the site which houses a commercial use.

the City does not have any objective criteria to require additional guest parking, staff does not support the ARB's recommendation to the applicant to place additional parking on site as it will have the effect of reducing the number of units capable of being built, which could conflict with the Housing Accountability Act.

The site currently provides 32-foot-wide drive aisles, which is required by PAMC 21.20.240, for private streets and provides ample space for vehicle circulation throughout the site. Separately, there are sidewalks adjacent to the main entrances of units for pedestrians to use throughout the site and at the central open space area as well as differentiated paving at crosswalks to signal to vehicles the pedestrian crossings. This design choice seeks to clearly distinguish the designated spaces for pedestrians and vehicles which supports the safety of pedestrians moving through the site and creates an internal sense of ordering and organization to the site. The project will also incorporate a new bike lane along West Bayshore Road through the recording of a right of way easement and include a pedestrian ramp for residents and guests to access Greer Park that is not gated or blocked. As discussed with the ARB, this access ramp will also make it feasible for guests to park on Colorado Avenue.

As a result, staff believes that the applicant has designed the layout so that it functions appropriately for the pedestrians and bicyclist, while also ensuring that there is convenient access to the property for vehicles.

Consistency with the Comprehensive Plan, Area Plans and Guidelines⁴

The Comprehensive Plan Goals, Policies, and Programs guide the physical form of the City. The Comprehensive Plan land use designation for the project site is Research/Office Park, which allows for a variety of commercial uses as well as mixed-use and exclusively residential projects.

The Research/Office Park land use designation allows for floor area ratios (FAR) ranging from 0.3:1 to 0.5:1. This project requests a concession, in accordance with the state density bonus (Government Code (GC) Section 65915), to exceed the maximum FAR. As outlined in GC 65915 code, "the granting of a density bonus shall not require, or be interpreted, in and of itself, to require a general plan amendment, local coastal plan amendment, zoning change, or other discretionary approval." Therefore, neither a Comprehensive Plan amendment, nor a Zoning Code Text Amendment is required to accommodate the proposed floor area requested under the state density bonus.

³ PAMC 18.13.040(f)(8) requires that projects with 40 or more units be developed with a minimum of 1,500 square feet of neighborhood serving retail, personal service, and/or eating or drinking uses if they are not within 500 feet of existing neighborhood commercial services. The adjacent Heads Up! and Emerson Montessori School satisfy these requirements.

⁴ The Palo Alto Comprehensive Plan is available online: <http://www.cityofpaloalto.org/gov/topics/projects/landuse/compplan.asp>

The proposed use is consistent with the property's Comprehensive Plan land use designation. The City's Comprehensive Plan, particularly the Land Use and Housing Elements, includes several goals and policies that encourage housing development. Attachment B provides a detailed review of the project's consistency with the Comprehensive Plan.

Consistency with Application Findings

Attachment B provides draft findings for approval of the Architectural Review, Conditional Use Permit, and Density Bonus Concession findings.

Summary of Key Issues:

SB 330 and the Housing Accountability Act

Effective January 1, 2020, SB 330 made several changes to existing State housing law, including the Permit Streamlining Act. For the purposes of the work described herein, the important elements of SB 330 are as follows:

- Prohibits jurisdictions from imposing, on housing development projects, subjective design standards established after January 1, 2020.
- Requires that jurisdictions only subject a housing development project to review pursuant to the ordinances, policies, and standards adopted and in effect when a preliminary application is submitted (vs. when it is deemed complete).
- Prohibits jurisdictions from enacting development policies, standards or conditions that would lessen the permitted intensity of housing—such as reducing height, density, or floor area ratio, requiring new or increased open space, lot size, setbacks or frontage, or limiting maximum lot coverage.
- Limits jurisdictions to reviewing the project in five hearings in total once the project is deemed complete. This includes the hearings needed under the Vesting Tentative Map.

The Housing Accountability Act severely limits the City's ability to deny or impose conditions reducing the housing potential of housing development projects that comply with all of the City's objective development standards. The City may deny or reduce the density of a housing development project only if it finds that the project would have a specific adverse impact on health and safety, which is narrowly defined. Recent amendments to the HAA have clarified: 1) A project must be deemed in compliance with an objective standard if there is sufficient evidence to allow a reasonable person could conclude that it is in compliance. 2) The receipt of a density bonus, incentive, concession, or waiver under State Density Bonus law is not a valid basis to find that a project is inconsistent with objective standards.

While the City's existing Architectural Review findings were in place before January 1, 2020, the findings for approval are inherently subjective and therefore cannot be a basis for denial or reduction in density. In the past, AR findings were used to shape development projects to Palo Alto's unique aesthetic expectations, but with new state law changes, this is no longer a viable approach to housing projects.

On June 1, 2022, City Council adopted Objective Design Standards that are scheduled for a second reading (June 16, 2022). These standards, however, do not apply to this project as its standards were frozen on March 8, 2021 upon receipt of a complete SB 330 pre-application.

While the ARB's recommendation meaningfully seeks to improve the architectural and pedestrian environment for the site, the City is limited in the changes it can impose. The City may impose conditions that do not reduce the ability of a project to provide housing, however, design changes must be sufficiently clear to allow an applicant to obtain a building permit after five hearings. The ARB's traditional approach has been to provide general direction that allows an applicant to propose a change; the board has resisted directing specific changes in a manner that amounts to designing from the dais. In the past, the City has wielded a realistic threat of project denial if an applicant's changes do not satisfy the ARB. Now, if the City is not satisfied with the design of a project that meets objective criteria, it must either condition approval on specific changes or accept the applicant's design despite reservations.

State Density Bonus

The applicant proposes 15% of the units on-site as moderate-income affordable units; this is in-line with the City's minimum affordability requirements, enabling the applicant to take advantage of the state density bonus and concession policies under PAMC Chapter 18.15. Per PAMC Section 18.15.050 Table 2, any project that provides 10%-20% moderate-income, for-sale units, qualifies for one concession from the City. The applicant will provide seven units on site with 0.2 units paid through in-lieu housing fees.

The proposed residential density (approximately 20 dwelling units per acre) is consistent with the site's allowable density. As noted in the applicant's project description (Attachment C), the applicant requests to utilize the "off-menu" concession provisions of PAMC Section 18.15.080 to request an FAR of 1.137:1.

The applicant has provided evidence, in the form of a cost analysis, in accordance with PAMC Section 18.15.080, to show that a floor area ratio of this amount provides "identifiable and actual cost reductions for the purposes of providing affordable housing." In general, an applicant's concession request is presumed to result in cost reductions, and the burden is on the City to produce evidence otherwise if the City seeks to deny the concession. Staff commissioned a peer review of the applicant's cost analysis by the City's consultant, Keyser

Marston. Based on that peer review, staff recommend that the concession should be granted. The Keyser Marston study is available on the project webpage.⁵

Policy Implications:

State housing law continues to evolve in ways that limit a local jurisdiction's ability to deny a housing project based on subjective criteria. The State Density Bonus law has also been strengthened to convey greater rights to developers and transfers the burden to the City to demonstrate why a requested waiver or concession does not result in a cost reduction.

In some instances, a developer's use of State Density Bonus law may result in concessions or waivers that significantly depart from the City's base zoning standards. While this represents a State-authorized action by the developer to improve the cost effectiveness of a project – it may also be a reflection that the City's base zoning standards are not sufficient to produce housing in some areas without some relaxation of those standards. As required by State housing law, staff is evaluating these standards through the Housing Element. Additionally, staff is exploring opportunities to expand the local housing incentive program (HIP) to make that land use tool more attractive to developers. The HIP also serves as an alternative to the State Density Bonus law, which means there are clearer expectations for developers and community members about the overall form and mass a housing project could achieve. Projects that take advantage of the State Density Bonus law may request floor area or height waivers that may be concerning to some in the community.

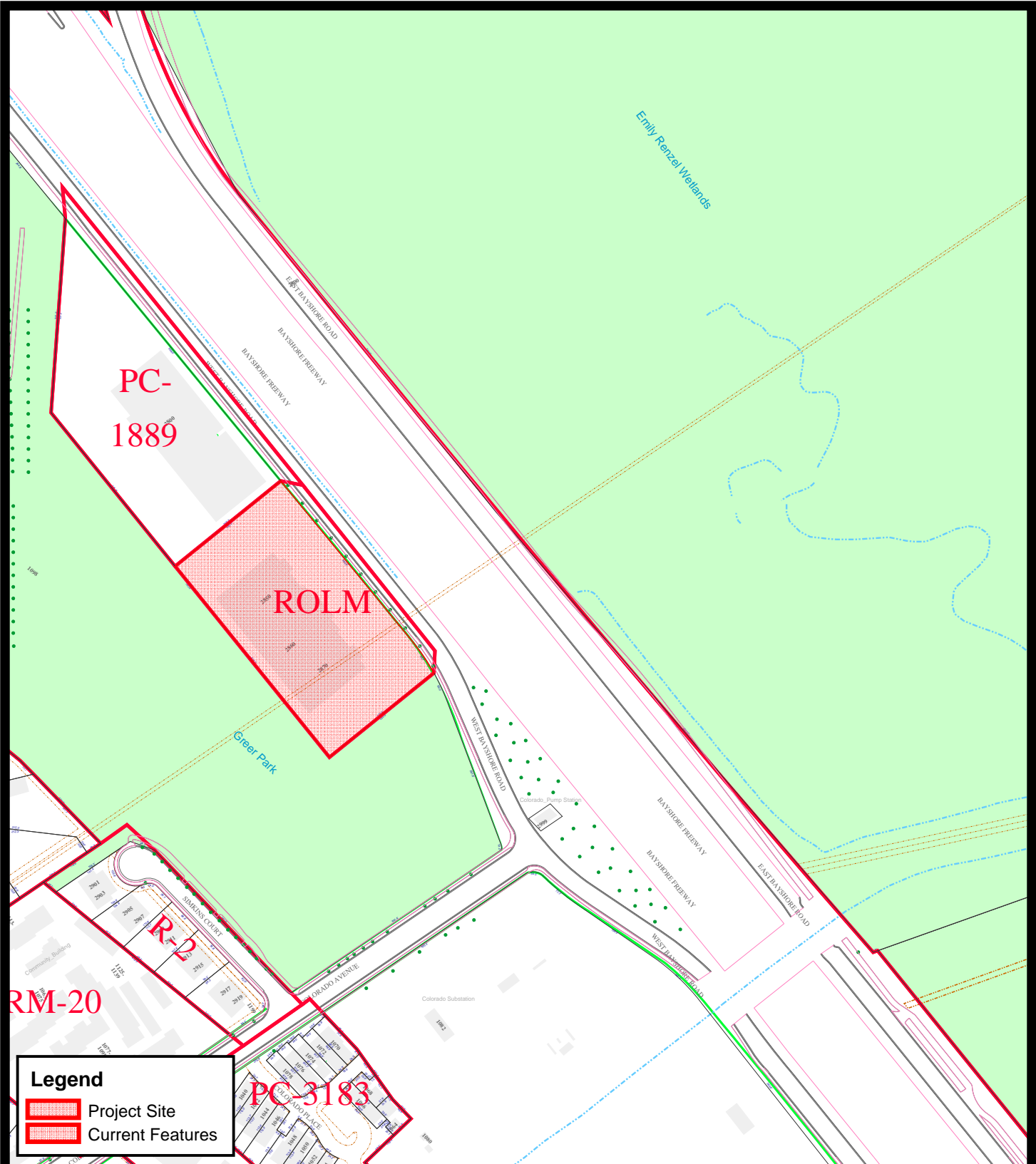
Environmental Review

The subject project was assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the City's environmental regulations. As noted earlier in this report, the City's consultant, Rincon evaluated the existing building and found it ineligible for the California Register of Historic Resources. The Categorical Exemption staff prepared pursuant to CEQA is accessible through Attachment E. The Categorical Exemption is also available for review on the project webpage at <https://bit.ly/3CnpVJT>. The project would not cause significant impacts to the environment and qualified as a Class 32 (In-Fill Development Projects) Exemption.

Public Notification, Outreach & Comments

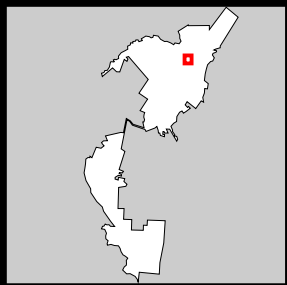
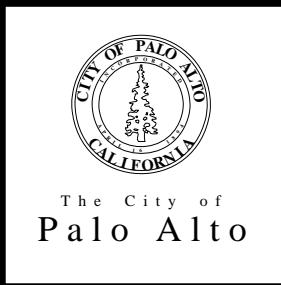
The Palo Alto Municipal Code requires notice of this public hearing be published in a local paper and mailed to owners and occupants of property within 600 feet of the subject property at least ten days in advance. Notice of a public hearing for this project was published in the *Daily Post* on June 8, which is 12 days in advance of the meeting. Postcard mailing occurred on June 6, which is 14 days in advance of the meeting.

⁵ Project webpage: <https://bit.ly/3CnpVJT>



Legend

- Project Site
- Current Features



**Location Map:
2850 W Bayshore**

This map is a product of the City of Palo Alto GIS

A north arrow pointing upwards and a scale bar showing 0' to 237'.

ACTION NO. 2022-___
DRAFT RECORD OF THE COUNCIL OF THE CITY OF PALO ALTO LAND USE ACTION FOR
2850 WEST BAYSHORE ROAD: MAJOR ARCHITECTURAL REVIEW AND CONDITIONAL USE PERMIT
[21PLN-00177] AND VESTING TENTATIVE MAP [21PLN-00178] (SUMMERHILL HOMES, APPLICANT)

At its meeting on June 20, 2022, the City Council of the City of Palo Alto (“City Council”) approved a Conditional Use Permit, Major Architectural Review, and a Vesting Tentative Map application for the development of a 48-unit townhouse project and subdivision request making the following findings, determinations and declarations:

SECTION 1. Background.

- A. On June 22, 2021, SummerHill Homes applied for entitlements for a development project including: Architectural Review, Conditional Use Permit, Design Enhancement Exception, and Vesting Tentative Map for the development of a 48-unit townhouse project and subdivision of airspace (“The Project”). After the first formal Architectural Review Board (ARB) meeting, the applicant removed the Design Enhancement Exception. The applicant applied for a development standard concession in accordance with State Density Bonus law and Palo Alto Municipal Code (PAMC) 18.15.080 to request a Floor Area Ratio of 1.137:1.0 where 0.6:1.0 is the standard allowance.
- B. The project site is comprised of one existing lot (APN No. 127-01-160) of approximately 2.34-acres within the Research Office and Limited Manufacturing (ROLM) zoning district. The site contains one existing commercial office building. Commercial land uses are located adjacent to the lot to the North, and the site is surrounded by Greer Park to the West and South. To the project’s East is the Highway 101 Freeway.
- C. Following staff review, the ARB reviewed the Major Architectural Review application for a second time on April 21, 2022 and recommended denial, based on suggested revised findings to the staff report.
- D. Following review from the Planning and Transportation Commission, the Commission recommended approval for the Vesting Tentative Map on May 25, 2022, subject to conditions of approval.
- E. On June 20, 2022, the City Council held a duly noticed public hearing, at which evidence was presented and all persons were afforded an opportunity to be heard in accordance with the Palo Alto Municipal Code and the Council’s policies and procedures.

SECTION 2. Environmental Review.

The subject project was assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the City’s environmental regulations. The City’s consultant, Rincon, evaluated the existing building and found it ineligible for the California Register of Historic Resources. It was determined the project would not cause significant impacts to the environment and qualified as a Class 32 (In-Fill Development Projects) Exemption, as further documented on the project webpage at <https://bit.ly/3CnpVJT>.

SECTION 3. Tentative Map Findings

A legislative body of a city shall deny approval of a tentative map, if it makes any of the following findings (California Government Code Section 66474). The City Council cannot make these findings for the following reasons:

1. *That the proposed map is not consistent with applicable general and specific plans as specified in Section 65451:*

The site is consistent with the Comprehensive Plan as described below.

2. *That the design or improvement of the proposed subdivision is not consistent with applicable general and specific plans:* The Project is consistent with the following Comprehensive Plan policies:

Comprehensive Plan Goal/Policy	Consistency
Policy L-1.6: Encourage land uses that address the needs of the community and manage change and development to benefit the community.	The project provides 48 for-sale housing units at a site that was previously used as office space. 15% of the units will be sold at moderate income levels. The project seeks to address the housing crisis that the City Council has identified as a top priority. The project will not result in an increase in trips to the site during peak hours and will provide a connection to Greer Park for residents and guests.
Policy L-2.5: Support the creation of affordable housing units for middle to lower income level earners, such as City and school district employees, as feasible.	The project proposes seven for-sale units that will be sold at moderate income levels in accordance with PAMC 18.15.
Policy L-2.11: Encourage new development and redevelopment to incorporate greenery and natural features such as green rooftops, pocket parks, plazas and rain gardens.	The project includes a communal park area at the center of the site and incorporates landscaping around and throughout the site. Additionally, the project provides an internal connection to Greer Park so that residents and visitors may access the neighborhood amenities.
Policy L-9.3: Treat residential streets as both public ways and neighborhood amenities. Provide and maintain continuous sidewalks, healthy street trees, benches and other amenities that promote walking and "active" transportation.	The project proposes to maintain most of the existing street trees along the W. Bayshore frontage. In addition to this, the project modifies the street frontage to incorporate additional landscaping and bioswales.
Policy T-1.17: Require new office, commercial	The project proposes a right of way easement

Comprehensive Plan Goal/Policy	Consistency
<p>and multi-family residential developments to provide improvements that improve bicycle and pedestrian connectivity as called for in the <i>2012 Palo Alto Bicycle + Pedestrian Transportation Plan</i>.</p> <p>Policy T-1.19: Provide facilities that encourage and support bicycling and walking.</p>	<p>along the site frontage in order to expand the bike lane across the site.</p>
<p>Policy T-5.1: All new development projects should manage parking demand generated by the project, without the use of on-street parking, consistent with the established parking regulations. As demonstrated parking demand decreases over time, parking requirements for new construction should decrease.</p>	<p>The project provides all its required parking onsite.</p>
<p>Policy N-2.10: Preserve and protect Regulated Trees, such as native oaks and other significant trees, on public and private property, including landscape trees approved as part of a development review process and consider strategies for expanding tree protection in Palo Alto.</p>	<p>The project protects eight of the existing street trees on the site and a majority of the existing trees which are shared between Greer Park and the project site. No protected species are proposed for removal. Any removed regulated tree is replaced pursuant to City requirements.</p>
<p>Policy S-2.8 Minimize exposure to flood hazards by protecting existing development from flood events and adequately reviewing proposed development in flood prone areas.</p>	<p>The project site will be filled in order to raise the units to meet the AE10.5 flood zone requirements for the property.</p>
<p>H3.1.2 PROGRAM. Implement the BMR ordinance to reflect the City's policy of requiring: a) At least 15 percent of all housing units in projects must be provided at below market rates to very low-, low-, and moderate-income households.</p>	<p>The project includes 15% of the proposed units as below market rate.</p>

3. *That the site is not physically suitable for the type of development:*

The Project site is suitable for residential use development; it is comprised of one large relatively flat lot that is 2.34 acres in size. The lot would be subdivided into air parcels for condominium purposes not to exceed 48 residential condominium units. The minimum site area, width, and depth for development in the ROLM zoning district is already met by the existing parcel boundaries and the site does not seek to modify that. A public right of way easement will be dedicated with the Final Map to the provide for an expanded bicycle lane along West Bayshore Road. The Project site would allow for

48 multi-family residential units as permitted for RM-30 development standards in the ROLM zoning district.

4. That the site is not physically suitable for the proposed density of development:

The project would create 48 multi-family residential units which are compliant with the minimum/maximum allowable residential density as calculated for the total site area (16/30 dwelling units per acre = 37/70 dwelling units, respectively).

5. That the design of the subdivision or the proposed improvements are likely to cause substantial environmental damage or substantially and avoidably injure fish or wildlife or their habitat:

The City's consultant determined that the project qualifies under a Class 32 Exemption from CEQA. As a result, the Project will not cause environmental damage or injure fish, wildlife, or their habitat, in that the property is currently developed and not adjacent to sensitive habitat areas.

6. That the design of the subdivision or type of improvements is likely to cause serious public health problems:

The City's consultant determined that the project qualifies under a Class 32 Exemption from CEQA. As a result, the Project will not cause serious public health problems.

7. That the design of the subdivision or the type of improvements will conflict with easements, acquired by the public at large, for access through or use of, property within the proposed subdivision. In this connection, the governing body may approve a map if it finds that alternate easements, for access or for use, will be provided, and that these will be substantially equivalent to ones previously acquired by the public. This subsection shall apply only to easements of record or to easements established by judgment of a court of competent jurisdiction and no authority is hereby granted to a legislative body to determine that the public at large has acquired easements for access through or use of property within the proposed subdivision.

The design of the subdivision will not conflict with any easements for access through or use of the property. A public right of way easement will be dedicated with the Final Map to provide for an expanded bicycle lane along West Bayshore Road.

SECTION 4. Architectural Review Findings

In order to make a recommendation of approval, the project must comply with the following Findings for Architectural Review as required in Chapter 18.76.020 of the PAMC.

Finding #1: The design is consistent with applicable provisions of the Palo Alto Comprehensive Plan, Zoning Code, coordinated area plans (including compatibility requirements), and any relevant design guides.

The project is consistent with the following Comprehensive Goals/Policies:

Comprehensive Plan Goal/Policy	Consistency
<p>Policy L-1.3: Infill development in the urban service area should be compatible with its surroundings and the overall scale and character of the city to ensure a compact, efficient development pattern.</p>	<p>The project provides building that is stepped back from the adjacent commercial uses at 2800 West Bayshore Road and incorporates landscaping as a buffer to minimize impacts from the new building. The site also incorporates access to the Greer Park for tenants and visitors to have access to neighborhood amenities. There are articulations to break up the vertical massing so that the building does not appear overwhelming. Where the project could utilize state law to reduce the parking requirements for the site, it has instead provided parking in conformance with PAMC 18.52. All utilities can serve the site.</p>
<p>Policy L-1.6: Encourage land uses that address the needs of the community and manage change and development to benefit the community.</p>	<p>The project provides 48 for-sale housing units at a site that was previously used as office space. 15% of the units will be sold at moderate income levels. The project seeks to address the housing crisis that the City Council has identified as a top priority. The project will not result in an increase in trips to the site during peak hours and will provide a connection to Greer Park for residents and guests.</p>
<p>Policy L-1.11: Hold new development to the highest development standards in order to maintain Palo Alto's livability and achieve the highest quality development with the least impacts.</p>	<p>The architectural review process includes findings and context-based design criteria necessary to develop the project. The project is subject to the Architectural Review process.</p>
<p>Policy L-2.5: Support the creation of affordable housing units for middle to lower income level earners, such as City and school district employees, as feasible.</p>	<p>The project proposes seven for-sale units that will sold at moderate income levels in accordance with PAMC 18.15.</p>
<p>Policy L-2.11: Encourage new development and redevelopment to incorporate greenery and natural features such as green rooftops, pocket parks, plazas and rain gardens.</p>	<p>The project includes a communal park area at the center of the site and incorporates landscaping around and throughout the site. Additionally, the project provides an internal connection to Greer Park so that residents and visitors may access the neighborhood amenities.</p>

Comprehensive Plan Goal/Policy	Consistency
Policy L-2.12: Ensure that future development addresses potential risks from climate change and sea level rise.	The project site will be filled in order to raise the units to meet the AE10.5 flood zone requirements for the property.
Policy L-3.1: Ensure that new or remodeled structures are compatible with the neighborhood and adjacent structures.	The project has a contemporary design which is distinct from the adjacent building at 2800 West Bayshore Road but it is not opulent in the manner that it would diminish or detract from the aesthetic quality of the neighborhood or create disparate and irreconcilable building designs.
Policy L-3.4: Ensure that new multi-family buildings, entries and outdoor spaces are designed and arranged so that each development has a clear relationship to a public street.	The proposed project modifies the site so that Buildings 1, 2, and 3 and their entries and primary facades face 2850 W. Bayshore Road.
Policy L-6.1: Promote high-quality design and site planning that is compatible with surrounding development and public spaces.	The project utilizes high quality materials and breaks up its facades so that the building is not overly massive in scale to adjacent properties. The project also provides a connection to Greer Park at the Southwest corner of the site for residents and guests. The project also expands the bike lane on W. Bayshore Road by recording a right-of-way easement along the front of the property.
Policy L-6.2: Use the Zoning Ordinance, design review process, design guidelines and Coordinated Area Plans to ensure high quality residential and commercial design and architectural compatibility.	The project utilizes high quality materials and breaks up its facades so that the building is not overly massive in scale to adjacent properties.
Policy L-9.3: Treat residential streets as both public ways and neighborhood amenities. Provide and maintain continuous sidewalks, healthy street trees, benches and other amenities that promote walking and “active” transportation.	The project proposes to maintain most of the existing street trees along the W. Bayshore frontage. In addition to this, the project modifies the street frontage to incorporate additional landscaping and bioswales.
Policy T-1.17: Require new office, commercial and multi-family residential developments to provide improvements that improve bicycle and pedestrian connectivity as called for in the <i>2012 Palo Alto Bicycle + Pedestrian</i>	The project proposes a right of way easement along the site frontage in order to expand the bike lane across the site.

Comprehensive Plan Goal/Policy	Consistency
<p><i>Transportation Plan.</i></p> <p>Policy T-1.19: Provide facilities that encourage and support bicycling and walking.</p>	
<p>Policy T-5.1: All new development projects should manage parking demand generated by the project, without the use of on-street parking, consistent with the established parking regulations. As demonstrated parking demand decreases over time, parking requirements for new construction should decrease.</p>	<p>The project provides all its required parking onsite.</p>
<p>Policy N-2.10: Preserve and protect Regulated Trees, such as native oaks and other significant trees, on public and private property, including landscape trees approved as part of a development review process and consider strategies for expanding tree protection in Palo Alto.</p>	<p>The project protects eight of the existing street trees on the site and a majority of the existing trees which are shared between Greer Park and the project site. No protected species are proposed for removal. Any removed regulated tree is replaced pursuant to City requirements.</p>
<p>Policy N-6.6: Apply site planning and architectural design techniques that reduce overall noise pollution and reduce noise impacts on proposed and existing projects within Palo Alto and surrounding communities.</p>	<p>The project includes a sound wall along the 101 Highway in order to reduce noise impacts to residents.</p>
<p>Policy S-2.8 Minimize exposure to flood hazards by protecting existing development from flood events and adequately reviewing proposed development in flood prone areas.</p>	<p>The project site will be filled in order to raise the units to meet the AE10.5 flood zone requirements for the property.</p>
<p>H3.1.2 PROGRAM. Implement the BMR ordinance to reflect the City's policy of requiring: a) At least 15 percent of all housing units in projects must be provided at below market rates to very low-, low-, and moderate-income households.</p>	<p>The project includes 15% of the proposed units as below market rate.</p>

Finding #2: The project has a unified and coherent design, that:

- a. creates an internal sense of order and desirable environment for occupants, visitors, and the general community,
- b. preserves, respects and integrates existing natural features that contribute positively to the

- site and the historic character including historic resources of the area when relevant,
- c. is consistent with the context-based design criteria of the applicable zone district,
- d. provides harmonious transitions in scale, mass and character to adjacent land uses and land use designations,
- e. enhances living conditions on the site (if it includes residential uses) and in adjacent residential areas.

The project is consistent with Finding #2 because:

The design of the project is well ordered and provides a coherent plan that is readily understood in the site's context. The site planning has been arranged to provide for a 24-foot street setback along the West Bayshore Road frontage, with existing and proposed landscaping providing a unifying design element. The design creates an internal sense of order by providing a well-landscaped public realm along the West Bayshore Road frontage, expansion of the bike lane, park access to Greer Park, and integrating the central park area as a focal point for the site. This integration provides a desirable environment for occupants and visitors. Natural features are appropriately integrated with the project and the proposed landscaping along the West Bayshore Road frontage serving as important elements that define the streetscape. The scale, mass and character of the building is appropriate for the existing context, which is surrounded by Greer Park and the buildings at 2800 West Bayshore Road. The site's compliance with Finding #2.c. as well as the Performance Criteria under PAMC 18.23 is discussed in the tables below.

Finding #3: The design is of high aesthetic quality, using high quality, integrated materials and appropriate construction techniques, and incorporating textures, colors, and other details that are compatible with and enhance the surrounding area.

The Project includes a variety of high-quality materials conveying a contemporary architectural design. Together these materials create a cohesive design that is compatible with the surrounding developments.

Finding #4: The design is functional, allowing for ease and safety of pedestrian and bicycle traffic and providing for elements that support the building's necessary operations (e.g. convenient vehicle access to property and utilities, appropriate arrangement and amount of open space and integrated signage, if applicable, etc.).

The design is appropriate to the function of the project in that retention of existing street trees softens the massing of the new building frontage along West Bayshore Road while relegating parking improvements to the rear of the site. The project presents a functional and accessible design for multiple modes of travel. Circulation from the street to the site would be improved by reducing the number of drive aisle cuts along West Bayshore Road, and providing a single, logical location for the main vehicle entrance. Pedestrian and bicycle access to the building entrances is significantly enhanced by the sidewalk improvements and right of way easement for the expanded bike lane that are included with the project as well as the new pedestrian ramp provided to Greer Park at the Southwest corner of the site. Bicycle parking is convenient and located inside the buildings and in the central park area.

Adequate vehicle parking is located in the attached garages for each unit. The amount and arrangement of the central open space is appropriate to the design and the function of the site and encourages use by residents.

Finding #5: The landscape design complements and enhances the building design and its surroundings, is appropriate to the site's functions, and utilizes to the extent practical, regional indigenous drought resistant plant material capable of providing desirable habitat that can be appropriately maintained.

Plant material is suitable and adaptable to the site, capable of being properly maintained, and is of a variety that is drought-tolerant and reduces consumption of water in its installation and maintenance. The landscape plan maintains most of the existing street trees along the West Bayshore Road frontage, which will provide a visual buffer between the street and the proposed building. As the site is in a developed portion of the City, it is not considered prime habitat. However, the project would enhance the landscape elements on the site in the 24-foot special setback along West Bayshore Road, which would be the most likely location to support desirable habitat.

Finding #6: The project incorporates design principles that achieve sustainability in areas related to energy efficiency, water conservation, building materials, landscaping, and site planning.

The project will meet the current Green Building Code requirements. Most of the proposed landscape palette has a low water use.

Context-Based Design Criteria PAMC 18.16.90

Massing and Building Facades

Massing and building facades shall be designed to create a residential scale in keeping Palo Alto neighborhoods, and to provide a relationship with the street(s).

Findings

This finding can be made in the affirmative in that the proposed designs of each unit utilizes varying materials, colors, and articulation along the building facades to help distinguish volumes, scale and mass. The street facing units provide front entries and walkways visible from the street that help engage visually from the street perspective and pedestrian walkways.

Low-Density Residential Transitions

Where new projects are built abutting existing lower-scale residential development, care shall be taken to respect the scale and privacy of neighboring properties.

This finding can be made in the affirmative in that the adjacent sites are not residential properties. In addition to that, the project proposes to replace existing trees. These new trees will serve to screen views from the new units toward the adjacent school and park.

Project Open Space

Private and public open space shall be provided so that it is usable for the residents and visitors of a site.

This finding can be made in the affirmative in that the proposed site design satisfies the open space requirements of the RM-30 zoning district providing adequate private and usable open space for residents and guests to utilize. For additional recreational space, direct access to Greer Park is provided via a ramp at the rear of the project site.

Parking Design

Parking needs shall be accommodated but shall not be allowed to overwhelm the character of the project or detract from the pedestrian environment.

This finding can be made in the affirmative in that the site planning and proposed parking design ensure parking does not overwhelm the project. Each unit is provided with a two-car garage attached to the rear of the unit. Additionally, there is landscape planting adjacent to the garage locations that will soften and break up the driveway areas with opportunities for vertical tree elements and ground cover to grow which will prevent the structures from becoming visually detractive from the internal pedestrian environment to the project. Four additional guest surface parking spaces are provided as well as a drop-off space for ride-sharing services. The project also incorporates a ramp to Greer Park which provides quicker access to street parking opportunities.

Large (multi-acre) Sites

Large (in excess of one acre) sites shall be designed so that street, block, and building patterns are consistent with those of the surrounding neighborhood.

This finding can be made in the affirmative in that the project proposes a 24-foot front setback in accordance with the special setback requirements. This is consistent with the existing setback for the adjacent property on 2800 West Bayshore Road.

Housing Variety and Units on Individual Lots

Multifamily projects may include a variety of unit types such as small-lot detached units, attached row houses/townhouse, and cottage clusters in order to

This finding can be made in the affirmative in that while the proposed project only includes townhouses, each building introduces varying articulation and building materials so

achieve variety and create transitions to adjacent existing development.

that the units do not appear homogeneous and uninteresting. Additionally, each building is separated by landscaping and streets so they do not become overly large and repetitive structures; therefore, reducing their massing impact.

Sustainability and Green Building Design

Project design and materials to achieve sustainability and green building design shall be incorporated into the project. Green building design considers the environment during design and construction. Green building design aims for compatibility with the local environment: to protect, respect and benefit from it. In general, sustainable buildings are energy efficient, water conserving, durable and nontoxic, with high-quality spaces and high recycled content materials.

This finding can be made in the affirmative in that the proposed development will be required to comply with the California Green Building Code and the City of Palo Alto's local amendments; see PAMC Section 16.14.

Performance Criteria PAMC 18.23

18.23.020 Trash Disposal and Recycling

Assure that development provides adequate and accessible interior areas or exterior enclosures for the storage of trash and recyclable materials in appropriate containers, and that trash disposal and recycling areas are located as far from abutting residences as is reasonably possible.

Project Consistency

Each unit will be serviced by a 32 cubic foot trash container, a 64 cubic foot compost container, and a 96 cubic foot recycling container. Each container has designated storage spaces within the garage for each unit. The site will also be serviced weekly by GreenWaste waste hauler who will collect the waste bins in front of each units. This conforms with the requirements in PAMC 5.20 and 18.23.020.

18.23.030 Lighting

To minimize the visual impacts of lighting on abutting or nearby residential sites and from adjacent roadways.

There are no abutting residential sites to this property. Along property lines that face towards the school on 2800 W. Bayshore Road and residences across from Greer Park, the foot candle will not exceed 0.5 at the property line.

18.23.040 Late Night Uses and Activities

The purpose is to restrict retail or service commercial businesses abutting (either directly or across the street) or within 50 feet of residentially zoned properties or properties with existing residential uses located within nonresidential zones, with operations or activities between the hours of 10:00 p.m. and 6:00 a.m. Operations subject to this code may include, but are not limited to, deliveries, parking lot and sidewalk cleaning, and/or clean up or set up operations, but does not include garbage pick up.

The site is not a retail or commercial business and would therefore not be subject to this requirement.

18.23.050 Visual, Screening and Landscaping

Privacy of abutting residential properties or properties with existing residential uses located within nonresidential zones (residential properties) should be protected by screening from public view all mechanical equipment and service areas. Landscaping should be used to integrate a project design into the surrounding neighborhood, and to provide privacy screening between properties where appropriate.

The landscape plans seek to replace trees on site in accordance with Tree Technical Manual and No Net Loss of Canopy policies. When mature, these new trees will provide screening for the site between the adjacent school and residences across from Greer Park. The applicant also proposes to screen all AC units for each unit as shown on L2.1.

18.23.060 Noise and Vibration

The requirements and guidelines regarding noise and vibration impacts are intended to protect residentially zoned properties or properties with existing residential uses located within nonresidential zones (residential properties) from excessive and unnecessary noises and/or vibrations from any sources in abutting industrial or commercially zoned properties. Design of new projects should reduce noise from parking, loading, and refuse storage areas and from heating, ventilation, air conditioning apparatus, and other machinery on nearby residential properties. New equipment, whether mounted on the exterior of the building or located interior to a building, which requires only a building permit, shall also be subject to these requirements.

The applicant has provided a noise study that identifies measures they will implement to reduce the noise and vibration impacts during construction. This document has been incorporated into the environmental documents. After construction, noise will primarily be generated from the AC units associated with each unit. An updated noise report will be required prior to Building Permit issuance, which staff will review in accordance with the requirements in PAMC 9.10, when the models for the AC units will be chosen.

18.23.070 Parking

The visual impact of parking shall be minimized on adjacent residentially zoned properties or properties with existing residential uses located within nonresidential zones.

All parking for the units on site are proposed in two-car garages on the ground floor of each unit. No garage is proposed to face towards West Bayshore Road or any other

property. There are four additional guest parking spaces provided on-site, in excess of the code requirements, as well as a drop-off space for ride-sharing services.

18.23.080 Vehicular, Pedestrian and Bicycle Site Access

The guidelines regarding site access impacts are intended to minimize conflicts between residential vehicular, pedestrian, and bicycle uses and more intensive traffic associated with commercial and industrial districts, and to facilitate pedestrian and bicycle connections through and adjacent to the project site.

As a part of the project, the applicant has proposed an easement on their property in order to expand the existing bike lanes on West Bayshore Road; which will expand bike services within the area for those traveling along West Bayshore Road. Vehicle access and exit to this site is concentrated through a single driveway which prevents vehicles from spilling out onto the street at multiple points which could cause conflicts with existing traffic patterns. Additionally, the applicant has proposed a pedestrian ramp at the southwestern corner of the lot to connect the site to Greer Park. This provides easier access to and from the site for residents and guests.

18.23.090 Air Quality

The requirements for air quality are intended to buffer residential uses from potential sources of odor and/or toxic air contaminants.

There are no adjacent manufacturing or industrial uses to this site that would expose residents to potential sources of odor and/or toxic air contaminants. During construction, the applicant will be required to follow Best Management Practices (BMP) to reduce dust or other contaminants from spilling over to adjacent properties.

18.23.100 Hazardous Materials

In accordance with Titles 15 and 17 of the Palo Alto Municipal Code, minimize the potential hazards of any use on a development site that will entail the storage, use or handling of hazardous materials (including hazardous wastes) on-site in excess of the exempt quantities prescribed in Health and Safety Code Division 20, Chapter 6.95, and Title 15 of this code.

The applicant is not proposing to store any hazardous materials or waste on site. The hazardous materials that will likely be stored on site are normal cleaning products associated with residential uses by residents.

SECTION 5. Conditional Use Permit Findings

In order to make a recommendation of approval, the project must comply with the following Findings for Conditional Use Permit approval as required in Chapter 18.76.010 of the PAMC.

Finding #1: Not be detrimental or injurious to property or improvements in the vicinity, and will not be detrimental to the public health, safety, general welfare, or convenience;

As proposed, the application conforms to all requirements in the zoning code except for the allowed floor area ratio for RM-30 lots. The applicant has proposed the use of a development concession in accordance with state density bonus law and PAMC 18.15.090 in order to receive the additional floor area to support their project. As a part of the project, the applicant will be placing fill on the site in order to raise up the proposed units in accordance with the AE 10.5 flood zone requirements. This will help protect the new units from inundation during a 100-year flood plain event.

In addition to this, the project will result in a reduction of vehicle trips to the site compared with the existing office use. As benefits to the City and the future residents, the applicant has proposed expanding the City's bike lane along West Bayshore Road, including a pedestrian connection from the site to Greer Park, and has proposed a sound wall to reduce noise impacts from the 101 Highway across from the property.

The project qualifies for a Class 32 CEQA exemption and will not create adverse impacts on the environment that would be detrimental to the public health, safety, general welfare, or convenience of the public.

Finding #2: Be located and conducted in a manner in accord with the Palo Alto Comprehensive Plan and the purposes of this title (Zoning).

Residential units are conditionally permitted in Research, Office, and Limited Manufacturing districts. The site is well situated for a residential development given its proximity to Greer Park and the adjacent pre-school and day care facilities. As noted in Finding #1 in the Architectural Review findings, the project conforms to the Comprehensive Plan goals and policies for the site

SECTION 6. Concession Request Findings

In order to make a recommendation of approval, the project must comply with the following Findings (i – vi) for granting a Density Bonus, Incentive, Concession, Waiver, Modification or revised parking standard as required in Chapter 18.15.090(a) of the PAMC:

Finding (i): The development is eligible for the density bonus and any concessions, waivers, modifications, or revised parking standards requested.

In order to qualify for a density bonus, concession, waiver, modification, or revised parking standard under state law, the applicant must propose at least 10% affordable housing on site. The City's BMR regulations under PAMC 16.65 require a minimum of 15% of the proposed units be affordable for sites of less than five acres. The project proposes a 48-unit townhome development and seven (7) of those units will be sold at moderate income levels with 0.2 units paid through an in-lieu fee. As a result, the project is eligible to request one concession from the City.

Finding (ii): Any requested concession or incentive will result in identifiable and actual cost reductions based upon the financial analysis and documentation provided. The city finds that the concessions and incentives included in Section 18.15.050(c) will result in identifiable and actual cost reductions.

The project proposes a 48-unit townhome development and requests a Floor Area Ratio (FAR) of 1.137 in order to develop their proposal.

Finding (iii): If the density bonus is based all or in part on donation of land, a finding that all the requirements included in Government Code Section 65915(g) have been met.

The project is not the recipient of a donation of land; therefore, this finding is not applicable.

Finding (iv): If the density bonus, concession or incentive is based all or in part on the inclusion of a childcare facility, a finding that all the requirements included in Government Code Section 65915(h) have been met.

The project does not include a concession request based on the inclusion of a childcare facility; therefore, this finding is not applicable.

Finding (v): If the concession or incentive includes mixed-use development, a finding that all the requirements included in Government Code Section 65915(k)(2) have been met.

The project does not include mixed-use development; therefore, this finding is not applicable.

Finding (vi): If a waiver or modification is requested, a finding that the development standards for which the waiver is requested would have the effect of physically precluding the construction of the development with the density bonus and concessions permitted.

The project does not request any waivers or modifications; therefore, this finding is not applicable. The request for increased FAR is a concession, as analyzed in *Finding (ii)*.

SECTION 7. Tentative Map Approval Granted

Tentative Map Approval is filed and processed in accordance with PAMC Section 21.12.090 and granted by the City Council under PAMC Sections 21.12 and 21.20 and the California Government Code Section 66474, subject to the conditions of approval herein of this Record.

SECTION 8. Architectural Review Approval Granted

The Architectural Review is filed and processed in accordance with 18.77.070 and granted by the City Council under PAMC Section 18.77.050, subject to the conditions of approval herein of this Record.

SECTION 9. Conditional Use Permit Approval Granted

The Conditional Use Permit is filed and processed in accordance with 18.76.010 and granted by the City Council under PAMC Section 18.77.060, subject to the conditions of approval herein of this Record.

SECTION 10. Concession Request Approval Granted

The Concession Request is filed and processed in accordance with 18.15.080 and granted by the City Council under PAMC Section 18.15.090(a), subject to the conditions of approval herein of this Record.

SECTION 11. Final Map

The Final Map submitted for review and approval by the City Council shall be in substantial conformance with the Tentative Map prepared by CBG, Inc. titled "Vesting Tentative Map for Condominium Purposes," consisting of 14 pages, stamped as received May 11, 2022, except as modified to incorporate the conditions of approval contained herein of this record. A copy of the Tentative Map is on file with the Department of Planning & Development Services, Current Planning Division. Prior to the expiration of the Tentative Map approval, the subdivider shall cause the subdivision or any part thereof to be surveyed, and a Final Map, as specified in Chapter 21.08, to be prepared in conformance with the Tentative Map as conditionally approved, and in compliance with the provisions of the Subdivision Map Act and PAMC Title 21 and submitted to the City Engineer (PAMC Section 21.16.010[a]).

SECTION 12. Conditions of Approval (Vesting Tentative Map)

PLANNING DIVISION

1. PROJECT PLANS. The Vesting Tentative Map submitted for review and approval by the City Council shall be in substantial conformance with the Vesting Tentative Map titled "Vesting Tentative Map for Condominium Purposes", dated May 11, 2021, except as modified to incorporate the conditions of this approval.
2. FINAL MAP COVER PAGE. At such time as the Final Map is filed, the cover page shall include the name and title of the Director of Planning and Development Services.

3. STANDARD CC&R REQUIREMENTS. Section 16.38 of Palo Alto's Municipal Code provides that all condominium and other "community housing projects" shall submit Covenants, Conditions and Restrictions (CC&R's) to the City Attorney for approval before issuance of the Final Map. The City Attorney has developed the following standard covenants which shall be included in all CC&R's.
- a. PROPERTY SHALL COMPLY WITH CITY ZONING ORDINANCES. The property, including all common areas, private streets and, parks within the property, shall at all times comply with the City's Zoning Code and shall not be used for any purpose other than as permitted in the City Zoning Code.
 - b. MODIFICATIONS TO PROPERTY. Any alterations, modifications, or other improvements to the property shall comply with all applicable City Codes.
 - c. MAINTENANCE AND LANDSCAPING OF COMMON AREAS. The Association is responsible for maintenance and landscaping of all parts of the community housing project which are held in common and such maintenance shall be performed to the standard of maintenance prevalent in the neighborhood. (See PAMC Section 16.38.030(a)).
 - d. TERMINATION OF MANAGER OR MAINTENANCE CONTRACTS. The association may terminate the contract of any person or organization engaged by the developer to perform management or maintenance duties three months after the association assumes control of the community housing project or any time thereafter. (See PAMC Section 16.38.030(b).)
 - e. PROTECTION OF STORM WATER FACILITIES. Neither the association, its residents, nor their agents, employees, representatives, invitees, licensees, customers, or contractors shall alter or modify any storm water facilities in any way including but not limited to placing, maintaining, constructing, or planting any improvements, landscaping or other items, including without limitation decks, stairs, walls, irrigation systems, trees, or any vegetation on any storm water facilities.
 - f. TRASH DISPOSAL AND RECYCLING AREAS SHALL COMPLY WITH CITY ORDINANCES. All trash disposal and recycling areas shall be kept in a clean and sanitary condition and shall comply with all applicable City Ordinances.
 - g. PROHIBITION AGAINST AIR AND WATER POLLUTION. Neither the association, its residents, nor their agents, employees, representatives, invitees, licensees, customers, or contractors shall use the property in any way which emits pollution into the atmosphere in excess of environmental standards set forth by City, State, and Federal laws, ordinances, and regulations. Neither the association, its residents, nor their agents, employees, representatives, invitees, licensees, customers, or contractors shall discharge garbage, trash, waste, or any other

substance or materials of any kind into any private or public sewer or waterway on the property in violation of any regulations of any private or public body having jurisdiction over such matters.

- h. **AMENDMENTS TO ORGANIZATION DOCUMENTS REQUIRE CITY APPROVAL.** Any amendments or modifications to the organizational documents shall be submitted to the city attorney for approval. No amendment or modification to the organizational documents shall be effective without prior written consent of the city attorney.
 - i. **CITY’S RIGHT TO ENFORCE COVENANTS AND RESTRICTIONS.** The City is hereby granted the right, but in no event the duty, to enforce the covenants and restrictions set forth in this section of the organizational documents. The association shall recognize that it has the primary responsibility for enforcement of the organizational documents and unequivocally guarantees to institute and expeditiously prosecute any required legal action to obtain compliance with all provisions set forth in the organizational documents.
 - j. **NO WAIVER OF CITY’S RIGHTS.** No failure of the City to enforce any of the covenants or restrictions contained in the organizational documents will in any event render them ineffective.
 - k. **CITY’S REMEDIES TO CURE A BREACH OR VIOLATION.** Remedies available to the City to cure any breach or violation of the organizational documents shall be cumulative to any other provisions of law. The City’s failure to exercise any remedy provided for in the organizational documents shall not, under any circumstances, be construed as a waiver of the remedy.
 - l. **SEVERABILITY.** Invalidation of any one of the City’s required covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.
4. **FINAL MAP EXPIRATION.** A Final Map, in conformance with the approved Vesting Tentative Map, all requirements of the Subdivision Ordinance (PAMC Section 21.16), and to the satisfaction of the City of Palo Alto and its representatives, shall be filed with the Planning Division and the Public Works Engineering Division within two years of the Vesting Tentative Map approval date or this approval will expire, pending extension.
 5. **INDEMNITY.** To the extent permitted by law, the Applicant shall indemnify and hold harmless the City, its City Council, its officers, employees and agents (the “indemnified parties”) from and against any claim, action, or proceeding brought by a third party against the indemnified parties and the applicant to attack, set aside or void, any permit or approval authorized hereby for the

Project, including (without limitation) reimbursing the City for its actual attorneys' fees and costs incurred in defense of the litigation. The City may, in its sole discretion, elect to defend any such action with attorneys of its own choice.

PUBLIC WORKS ENGINEERING

6. PUBLIC WORKS APPLICATIONS, FORMS, AND DOCUMENTS: Applicant shall be advised that all forms, applications, and informational documents related to Public Works Engineering conditions can be found at the following link: <https://bit.ly/2QosO9A>.
7. IMPROVEMENT PLANS: The applicant shall arrange a meeting with the Public Works Engineering, Water/Gas/Wastewater Engineering, Electric Utilities Engineering, Planning, and Transportation Divisions and the Fire Department after Council approval of the Vesting Tentative Map to discuss the on-site and off-site improvements that will be required. The improvement plans must then be reviewed and approved by the City prior to submittal of the parcel or final map. ADVISORY -- The applicant shall provide a detailed itemized stamped and signed engineer's estimate for all off-site public improvements which will be reviewed to determine the security amount.
8. SUBDIVISION IMPROVEMENT AGREEMENT: The applicant shall execute a Subdivision Improvement Agreement and provide improvement securities (Bonds) for all proposed public improvements. The Agreement shall be executed prior to map recordation or issuance of any permits for construction, onsite and offsite. ADVISORY -- The applicant shall provide a detailed itemized stamped and signed engineer's estimate for all off-site public improvements which will be reviewed to determine the security amount.
9. GRADING PERMIT: A Grading Permit is required per PAMC Chapter 16.28. The permit application and all applicable documents (see Section H of application) shall be submitted to Public Works Engineering. ADVISORY -- A grading permit only authorizes grading and storm drain improvements, therefore, the following note shall be included on each grading permit plan sheet: "THIS GRADING PERMIT WILL ONLY AUTHORIZE GENERAL GRADING AND INSTALLATION OF THE STORM DRAIN SYSTEM. OTHER BUILDING AND UTILITY IMPROVEMENTS ARE SHOWN FOR REFERENCE INFORMATION ONLY AND ARE SUBJECT TO SEPARATE BUILDING PERMIT APPROVAL."
10. GEOTECHNICAL ENGINEER STATEMENT: The grading plans shall include the following statement signed and sealed by the Geotechnical Engineer of Record: "THIS PLAN HAS BEEN REVIEWED AND FOUND TO BE IN GENERAL CONFORMANCE WITH THE INTENT AND PURPOSE OF THE GEOTECHNICAL REPORT".
11. RETAINING WALLS: The grading plan shall clearly indicate all site retaining walls needed along the project to accommodate the fill. These walls shall be located completely onsite, and at a minimum 5-feet from the existing street trees to be protected.
12. FLOOD ZONE: This project is in a FEMA Special Flood Hazard Area and shall comply with the

requirements in Palo Alto Municipal Code Chapter 16.52 and the California Residential Code Section 322 (CRC 322).

13. CLOMR-F: Evidence that this document has been executed shall be provided prior to building permit issuance.
14. FINAL MAP THIRD-PARTY REVIEW: The City contracts with a third-party surveyor that will review and provide approval of the map's technical correctness as the City Surveyor, as permitted by the Subdivision Map Act. The Public Works Department will forward a Scope & Fee Letter from the third-party surveyor and the applicant will be responsible for payment of the fee's indicated therein.
15. STREETWORK PERMIT: The applicant shall obtain a Streetwork Permit from the Department of Public Works for all offsite and public improvements. Note that the engineer's estimate is directly related to this permit's scope of work.
16. ENCROACHMENT PERMIT: Prior to any work in the public right-of-way, the applicant shall obtain an encroachment permit from the Public Works Department for any work that encroaches onto the City right-of-way.
17. LOGISTICS PLAN: A construction logistics plan shall be provided addressing all impacts to the public and including, at a minimum: work hours, noticing of affected businesses, construction signage, dust control, noise control, storm water pollution prevention, job trailer, contractors' parking, truck routes, staging, concrete pours, crane lifts, scaffolding, materials storage, pedestrian safety, and traffic control. All truck routes shall conform to the City of Palo Alto's Trucks and Truck Route Ordinance, Chapter 10.48, and the route map, which outlines truck routes available throughout the City of Palo Alto.
18. CALTRANS PERMIT FOR SOUNDWALL: If any portion of the proposed work is within Caltrans right-of-way a permit must be obtained from the applicable agency. If a permit is required, evidence of the outside agency's permit approval shall be submitted to the Planning and Public Works Departments prior to issuance of any Building or Streetwork/Encroachment permits.
19. SWPPP: The proposed development will disturb more than one acre of land. Accordingly, the applicant will be required to comply with the State of California's General Permit for Storm Water Discharges Associated with Construction Activity. This entails filing a Notice of Intent to Comply (NOI), paying a filing fee, and preparing and implementing a site-specific storm water pollution prevention plan (SWPPP) that addresses both construction-stage and post-construction BMP's for storm water quality protection.
20. STORMWATER POLLUTION PREVENTION: All improvement plan sets shall include the "Pollution Prevention – It's Part of the Plan" sheet.

21. C.3 THIRD-PARTY CERTIFICATION: Applicant shall provide certification from a qualified third-party reviewer that the proposed permanent storm water pollution prevention measures comply with the requirements of Provision C.3 and Palo Alto Municipal Code Chapter 16.11.

The third-party reviewer shall provide the following documents to Public Works prior to building permit approval:

- a. Stamped and signed C.3 data form (September 2019 version) from SCVURPPP.
<https://bit.ly/3J3gtxJ>
 - b. Final stamped and signed letter confirming which documents were reviewed and that the project complies with Provision C.3 and PAMC 16.11.
22. C.3 STORMWATER AGREEMENT: The applicant shall enter into a Stormwater Maintenance Agreement with the City to guarantee the ongoing maintenance of the permanent storm water pollution prevention measures. The City will inspect the treatment measures yearly and charge an inspection fee. The agreement shall be executed by the applicant team prior to building permit approval.
- a. Note: Any revisions to the C.3 stormwater pollution prevention measures that are necessary to facilitate installation of said measures will be addressed in the agreement and the accompanying exhibits, executed by the City, and recorded with the County.
23. C.3 FINAL THIRD PARTY CERTIFICATION PRIOR TO OCCUPANCY: Within 45 days of the installation of the required storm water treatment measures and prior to the issuance of an occupancy permit for the building, the third-party reviewer shall submit to the City a certification verifying that all the permanent storm water pollution prevention measures were installed in accordance with the approved plans.
24. PAVEMENT RESTORATION: The applicant shall restore the pavement along the entire project frontage, curb-to-curb, by performing a 3.5" grind and overlay. The exact restoration limits will be determined once the resulting road condition is known following completion of heavy construction activities and utility lateral installations, at minimum the extent will be the project frontage.
25. IMPERVIOUS SURFACE AREA: The project will be creating or replacing 500 square feet or more of impervious surface. Accordingly, the applicant shall provide calculations of the existing and proposed impervious surface areas with the building permit application. The Impervious Area Worksheet for Land Developments form and instructions are available at the Development Center or on our website. To determine the impervious surface area that is being disturbed, provide the quantity on the site plan.
26. PRIOR TO PUBLIC WORKS FINAL/ACCEPTANCE:
- a. Storm Drain Logos: The applicant is required to paint "No Dumping/Flows to Matadero Creek" in blue on a white background adjacent to all onsite storm drain inlets. The name of the creek to which the proposed development drains can be obtained from Public Works

Engineering. Stencils of the logo are available from the Public Works Environmental Compliance Division, which may be contacted at (650) 329-2598. Include the instruction to paint the logos on the construction grading and drainage plan.

- b. Record Drawings: At the conclusion of the project applicant shall provide digital as-built/record drawings of all improvements constructed in the public right-of-way or easements in which the City owns an interest.

HOUSING

The project as proposed includes 48 residential ownership units. The project is subject to the Below Market Rate (BMR) requirement as set forth by Palo Alto Municipal Code (PAMC) 16.65.060.

27. When the BMR requirement results in a fractional unit, an in-lieu payment to the Residential Housing Fund may be made for the fractional unit instead of providing an actual BMR unit, except that larger projects of 30 or more units must provide a whole BMR unit for any fractional unit of one-half (0.50) or larger. The proposed project – 48 ownership units – is subject to a BMR requirement of 7.2 units and is proposing seven units, with 0.2 paid through an in-lieu fee. All of the units will be made affordable to moderate income households. Payment of the fractional in-lieu is required prior to building permit issuance.
28. All BMR units constructed shall be in conformance with the City’s BMR Program rules and regulations such as the unit mix and sizes of the BMR units should reflect the unit mix and sizes of the market rate units. Failure to comply with the timing of this condition and any adopted BMR Program rules and regulations shall not waive its later enforcement.
29. A BMR Agreement in a form acceptable to the City Attorney for the seven BMR units shall be executed and recorded prior to final map approval or building permit issuance, whichever occurs first. Failure to comply with the timing of this condition and any adopted BMR Program rules and regulations shall not waive its later enforcement.

SECTION 13. Conditions of Approval. (Architectural Review)

PLANNING DIVISION

1. CONFORMANCE WITH PLANS. Construction and development shall conform to the approved plans entitled, “2850 West Bayshore Road” dated May 27, 2022 on file with the Planning Department, 250 Hamilton Avenue, Palo Alto, California except as modified by these conditions of approval.
2. BUILDING PERMIT. Apply for a building permit and meet all conditions of the departments listed in this letter.
3. BUILDING PERMIT PLAN SET. The ARB approval letter including all Department conditions of approval for the project shall be printed on the plans submitted for building permit.

4. **PROJECT MODIFICATIONS:** All modifications to the approved project shall be submitted for review and approval prior to construction. If during the Building Permit review and construction phase, the project is modified by the applicant, it is the responsibility of the applicant to contact the Planning Division/project planner directly to obtain approval of the project modification. It is the applicant's responsibility to highlight any proposed changes to the project and to bring it to the project planner's attention.
5. **LANDSCAPE MAINTENANCE.** All existing and proposed landscape material shall be well maintained and replaced if the plant material dies or if the irrigation equipment fails. Planters shall not drain onto sidewalk, ground, or public right of ways.
6. **DENSITY BONUS CONCESSION:** Staff has found the project to be in compliance with all of the City's development standards. In accordance with State Density Bonus Law and PAMC Section 18.15.090, a housing project providing 15 percent of the units, as affordable to lower income households, is eligible for one concession. With the following concessions, staff finds the project in compliance with the City's development standards. The applicant has shown the following concessions will reduce the per unit cost of the development as noted in the **Density Bonus Analysis: 2850 West Bayshore Road:**
 - a. Floor Area Ratio - Exceed 0.60:1 FAR limitation with a proposed FAR of 1.137:1
7. **ESTIMATED IMPACT FEE:** Development Impact Fees, currently estimated in the amount of **\$2,495,303.78**, per PAMC 16.58, shall be paid prior to the issuance of the related building permit. These fees are subject to increase through annual increases every August, after City Council adoption of the new municipal fee schedule, as well as the inclusion of the Public Art fee.
8. **IMPACT FEE 90-DAY PROTEST PERIOD.** California Government Code Section 66020 provides that a project applicant who desires to protest the fees, dedications, reservations, or other exactions imposed on a development project must initiate the protest at the time the development project is approved or conditionally approved or within ninety (90) days after the date that fees, dedications, reservations or exactions are imposed on the Project. Additionally, procedural requirements for protesting these development fees, dedications, reservations and exactions are set forth in Government Code Section 66020. **IF YOU FAIL TO INITIATE A PROTEST WITHIN THE 90-DAY PERIOD OR FOLLOW THE PROTEST PROCEDURES DESCRIBED IN GOVERNMENT CODE SECTION 66020, YOU WILL BE BARRED FROM CHALLENGING THE VALIDITY OR REASONABLENESS OF THE FEES, DEDICATIONS, RESERVATIONS, AND EXACTIONS.** If these requirements constitute fees, taxes, assessments, dedications, reservations, or other exactions as specified in Government Code Sections 66020(a) or 66021, this is to provide notification that, as of the date of this notice, the 90-day period has begun in which you may protest these requirements. This matter is subject to the California Code of Civil Procedures (CCP) Section 1094.5; the time by which judicial review must be sought is governed by CCP Section 1094.6.

9. PROJECT EXPIRATION. The project approval shall automatically expire after two years from the original date of approval if, within such two year period, the proposed use of the site or the construction of buildings has not commenced pursuant to and in accordance with the provisions of the permit or approval. Application for a one year extension of this entitlement may be made prior to the expiration. (PAMC 18.77.090(a))
10. LIGHTING. Between the hours of 10:00pm-6:00am, lighting on the property should be reduced to its minimum necessary to facilitate resident security in order to minimize light glare at night.
11. NUISANCES AND NOISE. The outdoor space shall not be operated in a manner to produce excessive noise, odors, lighting or other nuisances from any sources. Noise levels emanating from the property shall not exceed the maximum level established in the PAMC Chapter 9.10. Amplified sound equipment is not included in this approval, and any such equipment proposed for this site shall be submitted for review by the Planning Department at the building permit phase.
12. INDEMNITY: To the extent permitted by law, the Applicant shall indemnify and hold harmless the City, its City Council, its officers, employees and agents (the “indemnified parties”) from and against any claim, action, or proceeding brought by a third party against the indemnified parties and the applicant to attack, set aside or void, any permit or approval authorized hereby for the Project, including (without limitation) reimbursing the City for its actual attorneys’ fees and costs incurred in defense of the litigation. The City may, in its sole discretion, elect to defend any such action with attorneys of its own choice.
13. FINAL INSPECTION: A Planning Division Final inspection will be required to determine substantial compliance with the approved plans prior to the scheduling of a Building Division final. Any revisions during the building process must be approved by Planning, including but not limited to; materials, landscaping and hard surface locations. Contact your Project Planner, Garrett Sauls at Garrett.Sauls@CityofPaloAlto.org to schedule this inspection.

PUBLIC WORKS ENGINEERING

14. PUBLIC WORKS APPLICATIONS, FORMS, AND DOCUMENTS: Applicant shall be advised that all forms, applications, and informational documents related to Public Works Engineering conditions can be found at the following link: <https://bit.ly/2QosO9A>.
15. IMPROVEMENT PLANS: The applicant shall arrange a meeting with the Public Works Engineering, Water/Gas/Wastewater Engineering, Electric Utilities Engineering, Planning, and Transportation Divisions and the Fire Department after Council approval of the Vesting Tentative Map to discuss the on-site and off-site improvements that will be required. The improvement plans must then be reviewed and approved by the City prior to submittal of the parcel or final map. ADVISORY -- The applicant shall provide a detailed itemized stamped and signed engineer's estimate for all off-site public improvements which will be reviewed to determine the security amount.

16. **SUBDIVISION IMPROVEMENT AGREEMENT:** The applicant shall execute a Subdivision Improvement Agreement and provide improvement securities (Bonds) for all proposed public improvements. The Agreement shall be executed prior to map recordation or issuance of any permits for construction, onsite and offsite. **ADVISORY --** The applicant shall provide a detailed itemized stamped and signed engineer's estimate for all off-site public improvements which will be reviewed to determine the security amount.
17. **GRADING PERMIT:** A Grading Permit is required per PAMC Chapter 16.28. The permit application and all applicable documents (see Section H of application) shall be submitted to Public Works Engineering. **ADVISORY --** A grading permit only authorizes grading and storm drain improvements, therefore, the following note shall be included on each grading permit plan sheet: "THIS GRADING PERMIT WILL ONLY AUTHORIZE GENERAL GRADING AND INSTALLATION OF THE STORM DRAIN SYSTEM. OTHER BUILDING AND UTILITY IMPROVEMENTS ARE SHOWN FOR REFERENCE INFORMATION ONLY AND ARE SUBJECT TO SEPARATE BUILDING PERMIT APPROVAL."
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19. **RETAINING WALLS:** The grading plan shall clearly indicate all site retaining walls needed along the project to accommodate the fill. These walls shall be located completely onsite, and at a minimum 5-feet from the existing street trees to be protected.
20. **FLOOD ZONE:** This project is in a FEMA Special Flood Hazard Area and shall comply with the requirements in Palo Alto Municipal Code Chapter 16.52 and the California Residential Code Section 322 (CRC 322).
21. **CLOMR-F:** Evidence that this document has been executed shall be provided prior to building permit issuance.
22. **FINAL MAP THIRD-PARTY REVIEW:** The City contracts with a third-party surveyor that will review and provide approval of the map's technical correctness as the City Surveyor, as permitted by the Subdivision Map Act. The Public Works Department will forward a Scope & Fee Letter from the third-party surveyor and the applicant will be responsible for payment of the fee's indicated therein.
23. **STREETWORK PERMIT:** The applicant shall obtain a Streetwork Permit from the Department of Public Works for all offsite and public improvements. Note that the engineer's estimate is directly related to this permit's scope of work.
24. **ENCROACHMENT PERMIT:** Prior to any work in the public right-of-way, the applicant shall obtain an encroachment permit from the Public Works Department for any work that encroaches onto the

City right-of-way.

25. LOGISTICS PLAN: A construction logistics plan shall be provided addressing all impacts to the public and including, at a minimum: work hours, noticing of affected businesses, construction signage, dust control, noise control, storm water pollution prevention, job trailer, contractors' parking, truck routes, staging, concrete pours, crane lifts, scaffolding, materials storage, pedestrian safety, and traffic control. All truck routes shall conform to the City of Palo Alto's Trucks and Truck Route Ordinance, Chapter 10.48, and the route map, which outlines truck routes available throughout the City of Palo Alto.
26. CALTRANS PERMIT FOR SOUNDWALL: If any portion of the proposed work is within Caltrans right-of-way a permit must be obtained from the applicable agency. If a permit is required, evidence of the outside agency's permit approval shall be submitted to the Planning and Public Works Departments prior to issuance of any Building or Streetwork/Encroachment permits.
27. SWPPP: The proposed development will disturb more than one acre of land. Accordingly, the applicant will be required to comply with the State of California's General Permit for Storm Water Discharges Associated with Construction Activity. This entails filing a Notice of Intent to Comply (NOI), paying a filing fee, and preparing and implementing a site-specific storm water pollution prevention plan (SWPPP) that addresses both construction-stage and post-construction BMP's for storm water quality protection.
28. STORMWATER POLLUTION PREVENTION: All improvement plan sets shall include the "Pollution Prevention – It's Part of the Plan" sheet.
29. C.3 THIRD-PARTY CERTIFICATION: Applicant shall provide certification from a qualified third-party reviewer that the proposed permanent storm water pollution prevention measures comply with the requirements of Provision C.3 and Palo Alto Municipal Code Chapter 16.11.
30. The third-party reviewer shall provide the following documents to Public Works prior to building permit approval:
 - a. Stamped and signed C.3 data form (September 2019 version) from SCVURPPP.
<https://bit.ly/3J3gtxJ>
 - b. Final stamped and signed letter confirming which documents were reviewed and that the project complies with Provision C.3 and PAMC 16.11.
31. C.3 STORMWATER AGREEMENT: The applicant shall enter into a Stormwater Maintenance Agreement with the City to guarantee the ongoing maintenance of the permanent storm water pollution prevention measures. The City will inspect the treatment measures yearly and charge an inspection fee. The agreement shall be executed by the applicant team prior to building permit approval.
 - a. Note: Any revisions to the C.3 stormwater pollution prevention measures that are necessary

to facilitate installation of said measures will be addressed in the agreement and the accompanying exhibits, executed by the City, and recorded with the County.

32. C.3 FINAL THIRD PARTY CERTIFICATION PRIOR TO OCCUPANCY: Within 45 days of the installation of the required storm water treatment measures and prior to the issuance of an occupancy permit for the building, the third-party reviewer shall submit to the City a certification verifying that all the permanent storm water pollution prevention measures were installed in accordance with the approved plans.
33. PAVEMENT RESTORATION: The applicant shall restore the pavement along the entire project frontage, curb-to-curb, by performing a 3.5" grind and overlay. The exact restoration limits will be determined once the resulting road condition is known following completion of heavy construction activities and utility lateral installations, at minimum the extent will be the project frontage.
34. IMPERVIOUS SURFACE AREA: The project will be creating or replacing 500 square feet or more of impervious surface. Accordingly, the applicant shall provide calculations of the existing and proposed impervious surface areas with the building permit application. The Impervious Area Worksheet for Land Developments form and instructions are available at the Development Center or on our website. To determine the impervious surface area that is being disturbed, provide the quantity on the site plan.
35. PRIOR TO PUBLIC WORKS FINAL/ACCEPTANCE:
- a. Storm Drain Logos: The applicant is required to paint "No Dumping/Flows to Matadero Creek" in blue on a white background adjacent to all onsite storm drain inlets. The name of the creek to which the proposed development drains can be obtained from Public Works Engineering. Stencils of the logo are available from the Public Works Environmental Compliance Division, which may be contacted at (650) 329-2598. Include the instruction to paint the logos on the construction grading and drainage plan.
 - b. Record Drawings: At the conclusion of the project applicant shall provide digital as-built/record drawings of all improvements constructed in the public right-of-way or easements in which the City owns an interest.

TRANSPORTATION

36. The applicant shall be responsible for planning/design, coordination with regional agencies, replacement/relocation of existing public utilities, easement approvals, procurement of required services/materials/equipment, and construction for the proposed West Bayshore Road off-site improvements. Any changes in proposed site plans shall require Office of Transportation approval.
37. Provide continuous sidewalk through driveway without diverting it towards W Bayshore Rd. As a result, the proposed ADA ramps will be unnecessary and should be removed.

38. The driveway approach shall meet the City of Palo Alto Driveway design requirements. Public Works Driveway standard requirements can be found here:
<https://www.cityofpaloalto.org/Departments/Public-Works/Engineering-Services/Public-Works-Standard-Drawings-and-Specifications>
39. In accordance with PAMC 18.54.050, the proposed load-break cabinet near the project driveway shall be less than 3 feet in height to maintain sight distance visibility from the driveway.

RECYCLING

40. REQUIRED DECONSTRUCTION.

In conformance with PAMC 5.24, deconstruction and source separation are required for all residential and commercial projects where structures are being completely removed, demolition is no longer allowed. Deconstruction takes longer than traditional demolition, it is important to plan ahead.

41. SALVAGE SURVEY FOR REUSE.

A Salvage Survey is required for deconstruction permit applications. The survey shall be conducted by a City approved reuse vendor. The survey submittal shall include an itemized list of materials that are salvageable for reuse from the project. The applicant shall source separate and deliver materials for reuse. Certification is required indicating that all materials identified in the survey are properly salvaged.

43. SOURCE SEPARATION FOR RECYCLING.

The applicant shall source separate deconstruction materials into specific categories for recycling. Additional staging areas for source separated materials will need to be considered. All materials shall be delivered to one of the City approved materials recovery facilities listed in Green Halo, all records shall be uploaded to www.greenhalosystems.com. For more information, refer to www.cityofpaloalto.org/deconstruction.

URBAN FORESTRY

44. TREE DAMAGE. Tree Damage, Injury Mitigation and Inspections apply to Contractor. Reporting, injury mitigation measures and arborist inspection schedule (1-5) apply pursuant to TTM, Section 2.20-2.30. Contractor shall be responsible for the repair or replacement of any publicly owned or protected trees that are damaged during the course of construction, pursuant to Title 8 of the Palo Alto Municipal Code, and city Tree Technical Manual, Section 2.25.
45. GENERAL. The following general tree preservation measures apply to all trees to be retained: No storage of material, topsoil, vehicles or equipment shall be permitted within the tree enclosure area. The ground under and around the tree canopy area shall not be altered. Trees to be retained shall be irrigated, aerated and maintained as necessary to ensure survival.

46. EXCAVATION RESTRICTIONS APPLY (TTM, Sec. 2.20 C & D). Any approved grading, digging or trenching beneath a tree canopy shall be performed using 'air-spade' method as a preference, with manual hand shovel as a backup. For utility trenching, including sewer line, roots exposed with diameter of 1.5 inches and greater shall remain intact and not be damaged. If directional boring method is used to tunnel beneath roots, Trenching and Tunneling Distance, shall be printed on the final plans to be implemented by Contractor.
47. TREE PROTECTION VERIFICATION. Prior to any site work verification from the contractor that the required protective fencing is in place shall be submitted to the Urban Forestry Section. The fencing shall contain required warning sign and remain in place until final inspection of the project.
48. PLAN CHANGES. Revisions and/or **changes to plans before or during construction** shall be reviewed and responded to by the (a) project site arborist, or (b) landscape architect with written letter of acceptance before submitting the revision to the Building Department for review by Planning, PW or Urban Forestry.

ELECTRICAL ENGINEERING

49. Electric Utilities will need to place a padmount, loadbreak cabinet preferably in the planter area on the south side of Building 3 with (4) 4" high voltage conduits in/out. Approximately 3'x5' footprint. Coordinate with Utilities Eng.

WATER, GAS, WASTEWATER

PRIOR TO ISSUANCE OF DEMOLITION PERMIT

50. The applicant shall submit a request to disconnect utility services and remove meters. The utilities demo to be processed within 10 working days after receipt of request. The demolition permit will be issued by the building inspection division after all utility services and/or meters have been disconnected and removed.

FOR BUILDING PERMIT

51. The applicant shall submit a completed water-wastewater service connection application - load sheet for City of Palo Alto Utilities. The applicant must provide all the information requested for utility service demands (domestic water and irrigation in fixture units/g.p.m., fire in g.p.m., and sewer in fixture units/g.p.d.).
52. No new gas service installation for this project (All Electric Project).
53. The applicant shall conduct an onsite/private fire water system studies per the City of Palo Alto Fire Department requirements to determine the impacts to the City's water system to service the development during anticipated peak demands and fire flow. This shall be submitted for review

during the Building permit process.

54. The subdivision sewer system will be considered private and shall be privately maintained by the home association. The CC&Rs and final map should mention the private sewer system along the private road and maintenance responsibility. The City will be responsible for the maintenance of the main in the public street right of way and not the private sewer system.
55. The applicant to provide WGW utility department a share maintenance responsibility agreement between the two buildings' owner (2850 and 2800 W Bayshore Rd.) for the proposed private sewer line (common/shared sewer facility).
56. The applicant shall submit improvement plans for utility construction. The plans must show the size and location of all underground utilities within the development and the public right of way including meters, backflow preventers, fire service requirements, sewer mains, sewer cleanouts, sewer lift stations and any other required utilities. Plans for the new private sewer facility to include details of connection to City's sewer manhole for review and approval.
57. The applicant must show on the site plan the existence of any auxiliary water supply, (i.e. water well, gray water, recycled water, rain catchment, water storage tank, etc).
58. The applicant shall be responsible for installing and upgrading the existing utility mains and/or services as necessary to handle anticipated peak loads. This responsibility includes all costs associated with the design and construction for the installation/upgrade of the utility mains and/or services.
59. An approved reduced pressure principle assembly (RPPA backflow preventer device) and (reduced pressure detector assembly) are required for all new water and fire connections from Palo Alto Utilities to comply with requirements of California administrative code, title 17, sections 7583 through 7605 inclusive. The RPPA and RPDA shall be installed on the owner's property and directly behind the water meter and the City's fire service within 5 feet of the property line. RPPA's for domestic service shall be lead free. All backflow preventer devices shall be approved by the WGW engineering division. Inspection by the city inspector is required for the supply pipe between the meter and the assembly.
60. The applicant shall pay the capacity fees and connection fees associated with new utility service/s or added demand on existing services. The approved relocation of services, meters, hydrants, or other facilities will be performed at the cost of the person/entity requesting the relocation.
61. The applicant shall provide to the engineering department a copy of the plans for fire system including all fire department's requirements.
62. The applicant shall secure a public utilities easement (P.U.E.) for the new master water meter

installed on private property. The applicant's engineer shall obtain, prepare, record with the county of Santa Clara, and provide the utilities engineering section with copies of the public utilities easement on the front of the property adjacent to the City right of way at the water point of service.

63. Show the location of the new private sewer facility within the existing P.U.E. on the plans. The proposed private sewer facility connection to the City's manhole required WGW utility engineering review and approval and CPAU Inspector inspection.
64. All existing water and wastewater services that will not be reused shall be abandoned at the main per the latest WGW utilities standards.
65. Utility vaults, transformers, utility cabinets, concrete bases, or other structures cannot be placed over existing water, gas, or wastewater mains/services. Maintain 1' horizontal clear separation from the vault/cabinet/concrete base to existing utilities as found in the field. If there is a conflict with existing utilities, Cabinets/vaults/bases shall be relocated from the plan location as needed to meet field conditions. Trees may not be planted within 10 feet of existing water and wastewater mains/laterals/water services/or meters. New water or wastewater services/laterals/meters may not be installed within 10' of existing trees. Maintain 10 feet between new trees and new water and wastewater services/laterals/meters. Trees may be planted within 10 feet of new or existing water and wastewater mains/laterals/water services/or meters at the discretion of the Water, Gas, Wastewater and Urban Forestry departments.
66. All utility installations shall be in accordance with the latest edition of the City of Palo Alto utility standards for water & wastewater.

WATER QUALITY

67. Since the project triggers polychlorinated biphenyls (PCBs) sampling as identified on the "Planning Application Form," the project shall conduct representative sampling of PCBs concentration in accordance with the "Protocol for Evaluating Priority PCBs-Containing Materials before Building Demolition (2018)." The PCBs Application Package and other resources are outlined at <http://www.cityofpaloalto.org/pcbdemoprogram>. The Applicant's Package will outline PCBs sampling and reporting requirements that must be met.
 - a. If the representative sample results or records DO NOT indicate PCB concentrations ≥ 50 ppm in one or more "priority materials," then the screening assessment is complete. Applicant submits screening form and the supporting sampling documentation with the demolition permit application. No additional action is required.
 - b. If the representative sample results or records DO indicate PCBs concentrations ≥ 50 ppm in one or more "priority materials," then the screening assessment is complete, but the Applicant MUST also contact applicable State and Federal Agencies to meet further requirements. Applicant submits screening form and the supporting sampling

documentation with the demolition permit application, and also must contacts the State and Federal Agencies as indicated on Page 3 of the “PCBs Screening Assessment Form.”

IMPORTANT: ADVANCED APPROVAL FROM THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (USEPA) OR OTHER STATE AGENCIES MAY BE REQUIRED PRIOR TO BUILDING DEMOLITION. IT IS RECOMMENEDED THAT APPLICANTS BEGIN THE PCBs ASSESSMENT WELL IN ADVANCE OF APPLYING FOR DEMOLITION PERMIT AS THE PROCESS CAN TAKE BETWEEN 1-3 MONTHS.

68. Stormwater Treatment Measures

- a. All Bay Area Municipal Regional Stormwater Permit requirements shall be followed.
- b. Refer to the Santa Clara Valley Urban Runoff Pollution Prevention Program C.3 Handbook for details.
- c. For all C.3 features, vendor specifications regarding installation and maintenance should be followed and provided to city staff. Copies must be submitted to Pam Boyle Rodriguez at pamela.boylerochiguez@cityofpaloalto.org. Add this bullet as a note to the building plans.
- d. Staff from Stormwater Program (Watershed Protection Division) may be present during installation of stormwater treatment measures. Contact Pam Boyle Rodriguez, Stormwater Program Manager, at (650) 329-2421 before installation. Add this bullet as a note to building plans on Stormwater Treatment (C.3) Plan.

69. Stormwater Quality Protection

- a. Temporary and permanent waste, compost and recycling containers shall be covered to prohibit fly-away trash and having rainwater enter the containers.
- b. Drain downspouts to landscaping (outward from building as needed).
- c. Drain HVAC fluids from roofs and other areas to landscaping.
- d. Offsite downgrade storm drain inlets shall also be identified on this plan set and protected. If City staff removes protection from an inlet in the ROW during a rain event, the contractor shall replace the inlet protection by the end of the following business day.

PUBLIC ART

70. The project is subject to the public art in private development ordinance requiring that 1% of the estimated construction valuation is used to either commission public art on site or pay the equivalent contribution to the public art fund, whichever is greater. If the applicant chooses to commission art on site, then they must complete both initial and final reviews and receive approval from the Public Art Commission prior to the issuance of a building permit. This actual amount to be paid shall be determined during building permit submittal and be paid prior to building permit issuance.

HOUSING

The project as proposed includes 48 residential ownership units. The project is subject to the Below Market Rate (BMR) requirement as set forth by Palo Alto Municipal Code (PAMC) 16.65.060.

- 71. When the BMR requirement results in a fractional unit, an in-lieu payment to the Residential Housing Fund may be made for the fractional unit instead of providing an actual BMR unit, except that larger projects of 30 or more units must provide a whole BMR unit for any fractional unit of one-half (0.50) or larger. The proposed project – 48 ownership units – is subject to a BMR requirement of 7.2 units and is proposing seven units, with 0.2 paid through an in-lieu fee. All of the units will be made affordable to moderate income households. Payment of the fractional in-lieu is required prior to building permit issuance.
- 72. All BMR units constructed shall be in conformance with the City’s BMR Program rules and regulations such as the unit mix and sizes of the BMR units should reflect the unit mix and sizes of the market rate units. Failure to comply with the timing of this condition and any adopted BMR Program rules and regulations shall not waive its later enforcement.
- 73. A BMR Agreement in a form acceptable to the City Attorney for the seven BMR units shall be executed and recorded prior to final map approval or building permit issuance, whichever occurs first. Failure to comply with the timing of this condition and any adopted BMR Program rules and regulations shall not waive its later enforcement.

PASSED:
 AYES:
 NOES:
 ABSENT:
 ABSTENTIONS:

ATTEST:

APPROVED:

City Clerk

Director of Planning and
Development Services

APPROVED AS TO FORM:

Assistant City Attorney

PLANS AND DRAWINGS REFERENCED:

Those plans prepared by CBG, Inc. titled “Vesting Tentative Map for Condominium Purposes,” consisting of 14 pages, stamped as received May 11, 2022, except as modified to incorporate the conditions of approval contained herein of this record. Those plans prepared by SDG Architects titled “2850 West Bayshore Rd.” consisting of 95 pages, stamped received on May 27, 2022.



**SummerHill Homes Townhome Community at 2850 W. Bayshore
Project Description**

SummerHill Homes proposes to redevelop a 2.34-acre site on West Bayshore Road in Palo Alto with a new 48-unit townhome community. The project will take advantage of the site's close proximity to Greer Park, a short walk or bike ride to nearby schools, and convenient access to neighborhood shops and services at Edgewood Plaza and Midtown. With attractive landscaping, outdoor amenities and contemporary architecture, SummerHill expects the project to be a great homeownership opportunity for people living or working in Palo Alto.

Location & Setting

The project site is located at 2850 West Bayshore Road. The property currently contains a 32,500-square foot single-story commercial building, built in 1976. To the southeast and southwest, the site is bordered by Greer Park. To the northwest of the site is the Emerson Montessori School, and to the northeast of the site, across W. Bayshore Road, are the Bayshore Freeway and the Emily Renzel Wetlands.

Project Overview

- SummerHill proposes to develop the 2.34-acre site with 48 new three-story townhomes in eight buildings, with attractive landscaping and common area amenities, at an overall density of approximately 20 dwelling units per acre.
- The project will offer a variety of three- and four-bedroom home plans, with an average living area of approximately 1,706 square feet.
- The architecture is proposed as a contemporary style that combines pitched roofs, tower elements, and classic materials with a sophisticated color palette that complements the landscape and surrounding context. The exterior materials will include a high-quality mix of clay brick and brick veneer, 4" and 8" smooth lap siding, 20/30 stucco with a light sand finish, smooth paneled millwork and wide-frame casement windows.
- The buildings are configured to provide an activated pedestrian-friendly street presence along W. Bayshore Road and south and eastward towards Greer Park with front doors and ground-level patios facing outward. In addition, to integrate the project with the neighboring park space, SummerHill will replace the existing chain link fence with a low guardrail over tiered retaining walls, with vines and a natural style to complement the project architecture. The project will also include a direct pedestrian connection to the park at the southeast corner of the site, which will provide convenient access to the park and to on-street parking along Colorado Avenue.

Project Description

SummerHill Homes Townhome Community at 2850 W. Bayshore

- For the benefit of the community, SummerHill will widen the existing northbound bike lane and install a new southbound bike lane along the project frontage, extending south to Colorado Avenue.
- Along the project frontage, SummerHill will provide a wide landscape space between the public sidewalk and the curb, which will preserve eight of the nine existing Street Trees and make the sidewalk more comfortable for pedestrians.
- Vehicular circulation is provided through an entry drive from W. Bayshore Road and on-site private streets. The project will provide approximately 100 off-street parking spaces. Each unit will have an attached private two-car garage — side-by-side garages for 28 of the units and tandem garages for 20 of the units. Bike storage for residents is provided in the garages, and bike racks for guests will be located in the central common area for convenience and security.
- Consistent with City standards for private streets, the project will provide 32-foot wide streets, including paving, sidewalks, and garage aprons. Columnar trees will be provided between garages to create a vertical green softscape with low colorful planting beneath, and 28 of the units will have decks overlooking the private street or the common area to enliven the space.
- All of the units will have private decks or ground-level patios, and the project will also feature a large, vibrant central community open space — approximately 8,402 square feet. The community open space will feature casual seating areas, an electric fireplace, an electric grill with counters for prep space, dining tables, table tennis, a shade canopy and a space for active play, as well as a professionally maintained landscape of native trees and plants.
- For the privacy and quiet of the residents, SummerHill will construct a 14-foot sound wall along the east side of W. Bayshore Road, across from the project frontage.

West Bayshore Road Public Improvements

For the privacy and comfort of the residents, SummerHill will construct a 14-foot sound wall along the east side of W. Bayshore Road, across from the project frontage. In addition, for the benefit of the community, SummerHill will install a new 6-foot wide bike lane in the southbound direction along W. Bayshore Road at the project frontage, extending south of the project to Colorado Avenue, and SummerHill will replace the existing 5-foot wide bike lane in the northbound direction with a new 6-foot wide bike lane. To accommodate the sound wall and the bike lane and to preserve the existing street trees along the project frontage, SummerHill will shift the curb and gutter for the southbound lane of W. Bayshore Road approximately 3 feet over and construct a new detached sidewalk with a planting strip within a pedestrian access easement.

Sustainability

The project will be all-electric. The project will be constructed in compliance with the current California Green Building Standards Code (Title 24) and the City's Energy REACH Code and Green Building Code Tier 2. In addition, SummerHill will install a solar energy system for each unit, and each unit will have a

*Project Description**SummerHill Homes Townhome Community at 2850 W. Bayshore*

Level 2 EV-ready parking space. To reduce water demand, the irrigation system will be designed so that it can switch to reclaimed water when service is available at the site.

Community Amenities & Landscaping

The community will be maintained by a professionally managed homeowners association. The homeowners association will be responsible for maintaining the landscaping, common area amenities, and private streets. In addition to decorative landscaping throughout the community, common area amenities will include casual seating areas, an electric fireplace, an electric grill with counters for prep space, dining tables, table tennis, a shade canopy and a space for active play. The landscape palette will emphasize native plants, with all of the shrubs, vines and groundcover either native to California or Mediterranean and well-adapted to Palo Alto's climate.

No Displacement

The site is currently developed for commercial use, so the project will not displace any residents.

Design and Construction

The townhomes will be mapped as separate legal units pursuant to a condominium plan. The townhomes will be designed as R2 condominiums per the 2019 California Building Code with an NFPA 13 sprinkler system. Electric meters and telecommunications services will be grouped at the ends of each building, and service to the individual units will run through soffits in the garages of the units.

During construction, SummerHill will implement measures to reduce potential noise and vibration, including installing a temporary sound barrier between the project site and the adjacent school and avoiding the use of heavy vibration-generating construction equipment within 20 feet of adjacent buildings. SummerHill will also implement measures to control dust and emissions, such as the use of Tier 4 equipment for grading and site improvement, avoidance of portable diesel equipment (*e.g.*, generators and air compressors) and other best management practices, which are expected to reduce overall dust and emissions by approximately 80%.

For the comfort of the residents, SummerHill will design the windows, doors and exterior wall assemblies to dampen noise and vibration from the nearby freeway. In addition, MERV 13 or MERV 16 filtration will be installed on the air intake for the HVAC systems to protect indoor air quality.

Utilities, Public Services and Stormwater Management

- Domestic water service will connect to an existing public water main in W. Bayshore Road through a master public meter and individual private submeters for each unit. Irrigation service will be provided through a separate meter, and the fire sprinklers and hydrants will be served through a dedicated line.
- Existing sewer service for the site connects to a public main in Greer Park via a private 8-inch sewer lateral located in a private easement conveyed to the owners of the site by the City. SummerHill will remove and replace the existing lateral.

*Project Description**SummerHill Homes Townhome Community at 2850 W. Bayshore*

- Stormwater will be treated on site as required to meet municipal stormwater permit requirements. Stormwater will be treated with bioretention areas and other low impact development (LID) treatment measures before being discharged to an existing public storm drain that currently serves the site.
- Overland release for 100-year storm events will be directed primarily towards W. Bayshore Road.
- Electric, cable, and telephone service is anticipated to connect to existing service lines along W. Bayshore Road. There are no existing overhead lines along the project frontage. New on-site utilities will be placed underground.
- Garbage and recycling service will be provided by GreenWaste of Palo Alto. Each garage will include designated space for waste, compost, and recycling bins. Residents will place their bins at their driveway apron for pickup.

FEMA Flood Zone

The project site is located within an area designated on a Preliminary Flood Insurance Rate Map (FIRM) as FEMA Special Flood Hazard Zone AE12. The project will be designed with the finish floor elevation (FFE) of each building at least 1 foot above the Base Flood Elevation (BFE) identified on the Preliminary FIRM, and CLOMR-F and LOMR-F will be obtained for the project. The existing elevation of the paved and landscaped areas of the site is approximately 6 – 10 feet, which means that the elevation of the proposed finished floors will be raised approximately 3 – 7 feet above the existing grade at the curb in order to be at least 1 foot above BFE.

To ease the transition between the project and Greer Park, SummerHill will tier the retaining walls at the edge of the site and pull the upper retaining wall back from the property line to create a landscape terrace. SummerHill will plant shrubs and vines along the landscape terrace to screen the retaining walls and blend them into the new project landscaping and into the existing trees and shrubs, and landscape mounding that will remain on Greer Park adjacent to the project site.

Requested Approvals

The site is designated Research/Office Park in the 2017 Comprehensive Plan and is zoned Research, Office and Limited Manufacturing (ROLM). The ROLM District allows multifamily residential use, subject to the approval of a conditional use permit and the development standards prescribed for the RM-30 zoning district.

SummerHill will request Major Architectural Review approval, a Conditional Use Permit, a concession and/or waivers pursuant to the State Density Bonus Law and the City's Density Bonus ordinance, a tree removal permit, a Vesting Tentative Subdivision Map and CEQA review for the project.

Conditional Use Permit

As noted above, the Zoning Ordinance allows multi-family residential use in the ROLM District, subject to the approval of a conditional use permit and the development standards prescribed for the RM-30

*Project Description**SummerHill Homes Townhome Community at 2850 W. Bayshore*

zoning district. With the Density Bonus concession and/or waivers and the Combined Common Open Space described below, the project is fully consistent with the Comprehensive Plan and the Zoning Ordinance.

Density Bonus

SummerHill proposes to designate 7 of the 48 units as below-market rate units affordable to moderate-income households and pay an in lieu fee for a fractional 0.2 unit. Pursuant to the State Density Bonus Law and the City's Density Bonus ordinance, SummerHill will request that the City allow the site to be developed at a floor area ratio of approximately 1.137:1 to accommodate the project. The additional floor area ratio will allow SummerHill to provide more market-rate and below-market rate units than would otherwise be feasible and will reduce the cost of providing the below-market rate units through economy of scale.

Combined Common Open Space

SummerHill proposes to comply with the development standards for usable open space by providing approximately 1,828 square feet of private usable open space and approximately 8,402 square feet of common usable open space. Every unit will have at least 50 square feet of private open space, either as a ground-level patio or a second-floor balcony. For 28 of the units, the private open space will meet or exceed the minimum dimensions for "usable" open space in accordance with section 18.13.040(e) of the Zoning Ordinance.

In order to achieve a more efficient overall design for the landscaping and usable open space for the project, SummerHill proposes to provide additional common usable open area in lieu of expanding the private patios for 20 of the units, as allowed by section 18.13.040(e)(2)(B) of the Zoning Ordinance. Providing the additional usable open space as common open space will improve the design and the enjoyability of the open space by shifting the usable open space farther from the freeway and W. Bayshore Road to a protected area close to the park, while still maintaining at least 50 square feet of private open space for each unit.

CEQA

SummerHill anticipates that the project will qualify as a Class 32 Infill Development Project categorically exempt from project-specific environmental review. The project is consistent with the applicable Comprehensive Plan and zoning designations and regulations; the project site has no value as habitat for endangered, rare or threatened species; approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality; and the site can be adequately served by all required utilities and public services.

Vesting Tentative Subdivision Map

SummerHill has prepared a Vesting Tentative Subdivision Map to establish appropriate access, utility and service easements and condominium plans to define exclusive use areas and areas of separate undivided interests for the individual units. SummerHill has included the proposed Vesting Tentative Map and subdivision improvements with the application for the Major Architectural Review, the

*Project Description**SummerHill Homes Townhome Community at 2850 W. Bayshore*

Conditional Use Permit and the other project entitlements so that all aspects of the project can be reviewed concurrently.

Tree Removal Permit

There are 36 trees on the project site or along the project frontage which are considered Regulated Trees under the Zoning Ordinance. There are no Protected Trees on the project site or along the project frontage. SummerHill proposes to retain 8 of the 9 existing Street Trees along the project frontage and remove 37 trees on site or along the project frontage to accommodate the project. SummerHill will plant approximately 121 24-inch box trees and 3 36-inch box trees on site as replacements, consistent with the City's Tree Technical Manual, 2016 edition. SummerHill also proposes to remove three glossy privets, one coast beefwood and three eucalyptus trees from the area immediately adjacent to the site because the trees — several of which are already in poor condition and dying back — could be adversely affected by grading on site. SummerHill will work with the City and the adjacent property owner to plant 18 new 24-inch box trees on their respective properties as replacements, consistent with the Tree Technical Manual.

SUMMERHILL HOMESSM

COMMUNITIES OF DISTINCTION

June 14, 2021, revised May 31, 2022

Jodie Gerhardt
 Manager of Current Planning
 City of Palo Alto
 250 Hamilton Avenue
 Palo Alto, CA 94301

RE: 2850 W. Bayshore Road, Palo Alto
 Project Request Letter and Letter of Application

Dear Ms. Gerhardt,

SummerHill Homes respectfully submits this Project Request Letter and Letter of Application in compliance with the City's Submittal Requirements Checklists for Conditional Use Permits and Major Subdivisions.

Project Summary

As explained in the attached project description, SummerHill proposes to redevelop a 2.34-acre site at 2850 West Bayshore Road with a new 48-unit for-sale townhome community. The project will offer a variety of three- and four-bedroom home plans, with an average living area of approximately 1,706 square feet. All of the units will have private decks or front patios, but the project will also feature a large central community open space — approximately 8,402 square feet.

The project is designed to engage with the public sidewalk and park space, with front doors and ground-level patios facing outward towards W. Bayshore Road and Greer Park. In addition, the project will feature a direct pedestrian connection to Greer Park at the southeast corner of the site, which will also provide convenient access to the park and for residents and guests.

Vehicular circulation is provided through an entry drive from W. Bayshore Road and on-site private streets. The project will provide approximately 100 off-street parking spaces. Each unit will have an attached private two-car garage — side-by-side garages for 28 of the units and tandem garages for 20 of the units. Bike storage for residents is provided in the garages, and bike racks for guests will be located near the central common area for convenience. Consistent with City standards for private streets, the project will provide 32-foot wide streets, including paving, sidewalks, and garage aprons.

For the benefit of the community, SummerHill will widen the existing northbound bike lane and install a new southbound bike lane along the project frontage, extending south to Colorado Avenue. In addition, along the project frontage, SummerHill will provide a wide landscape space between the public sidewalk and the

curb, which will preserve eight of the nine existing Street Trees and make the sidewalk more comfortable for pedestrians.

For the privacy and quiet of the residents, SummerHill will construct a 14-foot sound wall along the east side of W. Bayshore Road within the City right-of-way, across from the project frontage.

The property currently contains a 32,500 square-foot single-story commercial building, built in 1976, which will be demolished to accommodate the project. To the southeast and southwest, the site is bordered by Greer Park. To the northwest of the site is the Emerson Montessori School, and to the northeast of the site, across W. Bayshore Road, are the Bayshore Freeway, E. Bayshore Road and the Emily Renzel Wetlands.

Requested Approvals

The site is designated Research/Office Park in the 2017 Comprehensive Plan and is zoned Research, Office and Limited Manufacturing (ROLM). The ROLM District allows multifamily residential use, subject to the approval of a conditional use permit and the development standards prescribed for the RM-30 zoning district.

SummerHill requests Major Architectural Review approval, a Conditional Use Permit, a concession and/or waivers pursuant to the State Density Bonus Law and the City's Density Bonus ordinance, approval to provide additional common usable open space to meet the overall usable open space requirements, a tree removal permit, a Vesting Tentative Subdivision Map and CEQA review for the project.

Conditional Use Permit

Consistent with section 18.76.010 of the Municipal Code, the proposed project will (1) not be detrimental or injurious to property or improvements in the vicinity, and will not be detrimental to the public health, safety, general welfare, or convenience; and (2) be located and conducted in a manner in accord with the Comprehensive Plan and the purposes of the Zoning Code.

Not Detrimental or Injurious

The project site is well-suited to multi-family residential development, because it is close to public parks and schools and has convenient access to neighborhood retail. The density of the project is within the range of existing residential development in the area, and the project will fully comply with the City's parking requirements. The project will not significantly increase the A.M. or P.M. peak hour vehicle trips generated by the current use of the site, and by providing new homes close to major employment centers, the project is expected to reduce total vehicle miles traveled. In addition, the project will comply with all applicable public health and safety standards during construction and use.

Consistent with Comprehensive Plan and Zoning Code

The site is designated Research/Office Park in the 2017 Comprehensive Plan and is zoned Research, Office and Limited Manufacturing (ROLM). The Comprehensive Plan allows residential use in the Research/Office

Park designation in certain locations. (Comprehensive Plan at p.34.) The ROLM District allows multifamily residential use, subject to the approval of a conditional use permit and the development standards prescribed for the RM-30 zoning district. (PAMC §§ 18.20.030, 18.20.040(b)(6).)

With the approval of the requested Density Bonus concession pursuant to chapter 18.15 of the Zoning Code, the proposed project is fully consistent with the Comprehensive Plan and the development standards for the RM-30 zoning district. For further detail, please refer to the attached table (Compliance with RM-30 Development Standards).

Density Bonus

SummerHill proposes to designate 7 of the 48 units as below-market rate units affordable to moderate-income households and pay an in-lieu fee for a fractional 0.2 unit. Pursuant to the State Density Bonus Law and the City's Density Bonus ordinance, as a Common Interest Development project that will make more than 10% of the units affordable to Moderate Income Households, the project is eligible for one concession or incentive. (PAMC § 18.15.050(c).)

As a concession or incentive, SummerHill requests that the City allow the site to be developed at a floor area ratio of approximately 1.137:1. The additional floor area ratio will allow SummerHill to provide more market-rate and below-market rate units than would otherwise be feasible and will reduce the cost of providing the below-market rate units through economy of scale.

In accordance with section 18.15.080 of the Zoning Code, SummerHill provides the attached Summary of Costs, comparable to the information in a pro forma, which shows that the requested concession will result in identifiable and actual cost reductions.

The proposed project includes five main unit plans, ranging in size from approximately 1,601 SF to approximately 2,192 SF of floor area, with an average floor area of approximately 1,861 SF. If the project were subject to a maximum FAR of 0.6:1, the project would only be able to provide approximately 25 units. The cost of demolition, site grading, the construction of the sound wall and other fixed costs that are not dependent on the number of units would be spread over 25 units.

Alternatively, if the maximum FAR is increased to 1.137:1, the project is able to provide 48 units and the cost of demolition, site grading, the construction of the sound wall and other fixed costs that are not dependent on the total unit count will be spread over 48 units, reducing the fixed cost per unit by approximately 24%.

The attached Summary of Costs shows that allowing the site to be developed at a floor area ratio of approximately 1.137:1 will result in identifiable and actual cost reductions for the site improvements for the seven below-market rate units. The cost reduction for the seven below-market rate units is estimated to be approximately \$286,789, or \$40,970 per unit.

Combined Common Open Space

SummerHill requests to add 2,000 square feet of common usable open space to the amount of common usable open space required for the project in order to meet the usable open space requirements of section 18.13.040(e) of the Zoning Code. In the RM-30 district, section 18.13.040(e)(2)(B) of the Zoning Code allows part or all of the required private usable open space areas to be added to the required common usable open space for purposes of improved design, privacy, protection and increased play area for children.

The project is designed so that each unit will have its own private usable open space, either as a deck or a ground-level patio or both. Twenty-eight of the units have a private deck or patio that meets the minimum size and dimensional requirements in section 18.13.040(e)(2)(A) of the Zoning Code. The other twenty units have a front patio with an area of at least 50 square feet and a minimum dimension of 6 feet, which provides enough private space for casual seating and a small table or a grill, but does not meet the minimum size and dimensional requirements for a ground-level open space to qualify as private usable open space.

In addition to the private usable open space, the project will feature a vibrant landscaped common usable open space at the heart of the community. The common area amenities will include casual seating areas, an electric fireplace, an electric grill with counters for prep, dining tables, table tennis, a shade canopy and a space for active play. The landscape palette will emphasize native plants, with all of the shrubs, vines and groundcover either native to California or Mediterranean and well-adapted to Palo Alto's climate.

In order to achieve a more efficient overall design for the landscaped and usable open space for the project, SummerHill proposes to comply with the usable open space requirements by providing additional common usable open space to meet the technical requirements for private usable open space for the twenty units that do not have a balcony, as allowed by section 18.13.040(e)(2)(B) of the Zoning Code. Combining the open space will improve the design and the enjoyability of the open space by shifting the open space farther from the freeway and W. Bayshore Road to a protected area close to the park. In total, the project will provide more than 10,230 SF of usable open space, which is approximately 25% more than the amount required.

Vesting Tentative Subdivision Map

SummerHill has prepared a Vesting Tentative Subdivision Map to establish appropriate access, utility and service easements and condominium plans to define exclusive use areas and areas of separate undivided interests for the individual units. SummerHill has submitted the proposed Vesting Tentative Map at the same time as the application for Major Architectural Review, a CUP and the other project entitlements so that all aspects of the project can be reviewed concurrently.

The proposed Vesting Tentative Map fully complies with the design standards and improvement standards in chapters 21.20 and 21.28 of the Municipal Code. Following approval of the Vesting Tentative Map, SummerHill will prepare a Final Map and condominium plans.

Jodie Gerhardt
June 14, 2021, revised May 31, 2022
Page 5

We look forward to working with the City regarding the proposed project. Please let us know if you have any questions regarding this Project Request Letter and Letter of Application.

Thank you.

Sincerely,



John Hickey

Vice President of Development

Attachment: Compliance with RM-30 Development Standards
Summary of Costs: Site Improvement Cost Comparison

cc: Garrett Sauls, City of Palo Alto
Elaine Breeze, SummerHill Housing Group

**Compliance with RM-30 Development Standards
PAMC § 18.13.040**

	Required/Allowed	Proposed
Minimum Site Specifications		
Site Area (ft)	8,500	101,786 ±
Site Width (ft)	70	425 ±
Site Depth (ft)	100	239 ±
Minimum Setbacks		
Setback lines imposed by a special setback map pursuant to Chapter 20.08 (ft)	24	≥ 24
Front Yard (ft)	20, but see special setback line	≥ 24
Interior Side Yards for lots with width of 70 feet or greater (ft)	10	≥ 10
Interior Rear Yards (ft)	10	≥ 10
Maximum Height (ft)	35	35
Daylight Plane for side and rear lot lines for sites abutting a RM-30, RM-40, Planned Community, or nonresidential district that does not contain a single-family or two-family residential use, for lots with width of 70 feet or greater	None	None
Maximum Site Coverage		
Base	40%	34.7%
Additional area permitted to be covered by covered patios or overhangs otherwise in compliance with all applicable laws	5%	2.8%
Maximum Floor Area Ratio (FAR)	0.6:1	1.137:1 with Density Bonus Concession
Residential Density (units)		
Maximum number of units per acre	30	20.5
Minimum number of units per acre	16	20.5
Minimum Site Open Space	30%	30.4%
Minimum Usable Open Space (sf per unit)	150	≥ 187 (Average: 213)

	Required/Allowed	Proposed
Minimum Common Usable Open Space (sf per unit)	75	133
Minimum Private Usable Open Space (sf per unit)	<ul style="list-style-type: none"> • 50 at balconies; or • 100 at patios or yards; or • 100 at additional Common Usable Open Space per PAMC § 18.13.040(e)(2)(B) 	<ul style="list-style-type: none"> • ≥ 54 at balconies (Average: 62); or • None; or • 100 at additional Common Usable Open Space
Performance Criteria	Not applicable	
Parking		
Resident	96 (2 per 2-bedroom or larger unit)	96
Resident Covered	48 (At least one space per unit must be covered)	96
Resident Tandem	24 (Maximum of 25% of total required spaces)	20
Guest	0 (No additional guest parking required)	4
Bicycle – Resident (Long-Term)	48 (1 per unit)	48
Bicycle – Guest (Short-Term)	5 (1 per 10 units)	6

SUMMARY OF COSTS: Site Improvement Cost Comparison**2850 W. Bayshore Road: Proposed Townhouse Community**

Pursuant to section 18.15.050(c) of the Zoning Ordinance, SummerHill requests that the City allow the project to be developed at a floor area ratio (FAR) of approximately 1.137:1. The requested concession would reduce the site improvement costs by an estimated amount of \$40,970 per unit, which would result in an identifiable and actual cost reduction of \$286,789 to provide the seven proposed Below-Market Rate units.

	0.60:1 FAR 25 Units		1.137:1 FAR 48 Units	
	Total	Per Unit	Total	Per Unit
DEMOLITION	\$476,632	\$19,065	\$476,632	\$9,930
SITWORK DEMOLITION	\$476,632	\$19,065	\$476,632	\$9,930
ASBESTOS REMOVAL	\$0	\$0	\$0	\$0
GRADING	\$565,302	\$22,612	\$914,092	\$19,044
ROUGH GRADING	\$440,848	\$17,634	\$789,638	\$16,451
EROSION CONTROL	\$124,454	\$4,978	\$124,454	\$2,593
UTILITIES	\$900,214	\$36,009	\$1,231,864	\$25,664
STORM DRAINS	\$262,989	\$10,520	\$398,185	\$8,296
SANITARY SEWER	\$318,414	\$12,737	\$318,414	\$6,634
WATER	\$318,811	\$12,752	\$515,265	\$10,735
POWER UTILITIES	\$228,635	\$9,145	\$407,460	\$8,489
GAS AND ELECTRIC INSTALLATION	\$238,635	\$9,545	\$426,660	\$8,889
UTILITY REFUND	(\$10,000)	(\$400)	(\$19,200)	(\$400)
STREET LIGHTING	\$47,042	\$1,882	\$72,200	\$1,504
STREET LIGHTS, POLES, CONDUCTOR, CONDUIT ETC.	\$47,042	\$1,882	\$72,200	\$1,504
HARDSURFACES	\$632,144	\$25,286	\$878,303	\$18,298
CURB, GUTTER & SIDEWALK	\$326,216	\$13,049	\$437,407	\$9,113
BASE & A.C.	\$255,928	\$10,237	\$344,896	\$7,185
REPAIRS	\$50,000	\$2,000	\$96,000	\$2,000
WALLS & FENCES	\$353,345	\$14,134	\$739,965	\$15,416
BOUNDARY WALLS	\$333,000	\$13,320	\$333,000	\$6,938
RETAINING WALLS	\$20,345	\$814	\$406,965	\$8,478
LANDSCAPING	\$513,504	\$20,540	\$713,377	\$14,862
IRRIGATION & LANDSCAPING	\$513,504	\$20,540	\$713,377	\$14,862
SIGNS	\$22,161	\$886	\$22,161	\$462
STREET SIGNS & PAVEMENT MARKINGS	\$22,161	\$886	\$22,161	\$462
CONTINGENCY	\$527,947	\$21,118	\$769,891	\$16,039
SITE CONTINGENCY	\$527,947	\$21,118	\$769,891	\$16,039
TOTAL		\$170,677		\$129,707
COST REDUCTION				\$40,970

Note: All costs are estimates based on current information; actual costs may vary.

SUMMERHILL HOMESSM

COMMUNITIES OF DISTINCTION

May 31, 2022

Via <https://aca-prod.accela.com/PALOALTO>

Garrett Sauls
Associate Planner
Planning and Development Services Department
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301

RE: 2850 W. Bayshore Road, Palo Alto
Major Architectural Review – 21PLN00177
7th Submittal – Summary of Revisions

Dear Garrett,

Although the Architectural Review Board did not recommend approval of the proposed project, we thank the Board for providing additional comments on the project at the Board's hearing on April 21st. As you are aware, we have made additional revisions to the project to address the Board's comments. Revised plans were submitted to the City on May 27th.

For your convenience, the following is a summary of the revisions that we have made to the project to address the Board's comments since the hearing on April 21st. For a summary of the revisions that we made previously to address the Board's earlier comments, please refer to our letter dated April 8th, a copy of which is attached.

Site Plan

- We modified Buildings 4 and 5 to shorten the length of the buildings and increase the rear setback, which allowed us to shift the upper retaining wall away from the rear property line at the end of C Street and widen the landscape terrace between the upper and lower retaining walls. The wider landscape terrace will accommodate more plants to screen the view of the upper retaining wall. (Please see Sheets L1.0 and L1.2.)

Architecture

- As noted above, at the ARB's request, we reduced the size of Buildings 4 and 5 in order to increase the rear setback and provide more space for landscaping between the buildings and the park. To achieve this, we had to modify the unit mix in both buildings, reducing the average size of the units by approximately 44 square feet. The reduction in unit size will significantly impact the expected sales revenue for the project, but we have made the change in good faith to address the ARB's request.
- We added hips and gables at the rear of Buildings 4, 5, 7 and 8 to differentiate the rooflines and vary the view from the park. In addition, at Buildings 4 and 7, we deepened the front porch of the units closest to the park and added hipped roof elements at the end elevations to help differentiate the massing and rooflines from Buildings 5 and 8. (Please see Sheets A20 – A21, A26 – A27.)
- At Buildings 5 and 8, we lowered the tower elements at both ends of the buildings, replacing the hipped roof with a shed roof that ties into the slope of the main body of the roof. We also replaced the hipped-roof tower elements at the corners with small gables at the elevations facing toward the park or the central common area. In addition to creating variety in the architecture, these changes help to minimize the overall massing of Building 8, located at the southwest corner of the site near the pedestrian connection to the Greer Park. (Please see Sheets A08.3, A26, A27.)
- To further address the ARB's request for high-quality exterior materials, we revised the material palette to include clay brick for the brick veneer in lieu of concrete brick and we replaced the concrete cap with a course of full clay brick. The clay brick has a high-quality texture and integrated color. In addition to the clay brick, the exterior materials continue to include 4" and 8" smooth-finish lap siding, elements of smooth-paneled millwork, stucco with a 20/30 light sand finish and wide-frame VPI Endurance Series windows. (Please see Sheets A31 – A33.)
- At the ARB's recommendation, we simplified the material palette for each building by using either brick veneer or 4" lap siding at the front entries, rather than a mix of both as previously proposed. We also simplified the color schemes by matching the color of the smooth millwork panels to the adjacent body color and by using a consistent color for the eave, gutter, and fascia board on each building, which also serves to emphasize the variation in the massing and the roofline. These changes to the color application and materials give the architecture a simpler, timeless character with a clear expression of the base, middle and top. (Please see the building elevations, *e.g.*, Sheets A14 – A15.)
- At Building 6, we modified the left elevation by wrapping the shed roof around the corner of the building at the first floor to emphasize the visual base of the building. (Please see Sheet A24.)

Landscaping

- With the changes to Buildings 4 and 5, we created more space for the trees and other landscaping serving as a buffer between the buildings and the park. (Please see Sheet L1.0.)

Garrett Sauls
May 31, 2022
Page 3

Graphics

- We added a new illustrative and enlarged section detail to the plans to show the relationship between the project and the park at the end of C Street. (Please see Sheet L1.2.)

Project Description

- The project description has been updated to reflect the revisions to the project.

Again, we appreciate the feedback that we received from the ARB on January 20th and April 21st. We look forward to the City Council hearing on June 20th and the opportunity to create another Community of Distinction in Palo Alto. Please let us know if you have any questions.

Thank you.

Sincerely,



John Hickey

Vice President of Development

Attachment: Letter to Garrett Sauls re 6th Submittal – Summary of Revisions, April 8, 2022

cc: Jodie Gerhardt, City of Palo Alto
Elaine Breeze, SummerHill Housing Group
Jared Brotman, SummerHill Housing Group

SUMMERHILL HOMESSM

COMMUNITIES OF DISTINCTION

April 8, 2022

Via <https://aca-prod.accela.com/PALOALTO>

Garrett Sauls
Associate Planner
Planning and Development Services Department
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301

RE: 2850 W. Bayshore Road, Palo Alto
Major Architectural Review – 21PLN00177
6th Submittal – Summary of Revisions

Dear Garrett,

SummerHill Homes thanks the Architectural Review Board for providing comments at the hearing on January 20, 2022, regarding SummerHill's proposed 48-unit townhome project at 2850 W. Bayshore Road. SummerHill has revised the project to address the Board's comments and is submitting the revised plans to the City in conjunction with this letter.

For the convenience of the Board, the following is a summary of the revisions that SummerHill has made to the project to address the Board's comments:

Site Plan

- We added a pedestrian ramp at the southeast corner of the site to provide a direct, accessible connection to Greer Park and the on-street parking along Colorado Avenue.
- We changed the construction method and the material for the upper retaining wall at the perimeter of the site in order to balance the height of the upper and lower retaining walls to the extent feasible. As in the previous plans, the upper retaining wall will be screened by shrubs in the landscape tier between the two retaining walls, and vines will trail over the top of the lower retaining wall.

- We added a slope to the rear section of the common area so that we could further reduce the height of the lower retaining wall.

Architecture

- We redesigned the tower elements to comply with the City's 35-foot height limit. The tower elements continue to be integrated into the design of the units to provide volume ceilings and additional light.
- All of the buildings have been redesigned to eliminate the parapet elements at the middle units. To differentiate the building types, the parapets have been replaced with hipped roof elements in some buildings and with shed roof elements in other buildings.
- To accommodate the direct pedestrian connection to Greer Park and the on-street parking along Colorado Avenue, we introduced a new building type at Buildings 7 and 8 with a different unit mix.
- We revised the massing and materials at the second story in a number of locations to further differentiate the buildings.
- To make the unit entries more distinctive, we introduced a variety of designs and materials, including brick veneer, shed roofs and scored stucco. In addition, some of the units continue to have 4-inch lap siding.
- We enhanced the exterior materials by adding brick veneer at key locations and upgrading the stucco to 20/30 light sand finish.
- We upgraded all of the operable windows to casement windows with a substantial frame.
- We revised the color schemes to use warmer tones and avoid bright white.
- We modified the unit floor plans to ensure at least 7.5 feet of vertical clearance for every parking space.
- With the revised building types and the additional materials, each building will have a unique combination of building type and color scheme.

Landscaping

- We revised the plant palette so that approximately 80% of the shrub, groundcover and sod species will be native. All of the plants will be native, habitat-forming and/or drought tolerant.
- With the introduction of a new building type at Buildings 7 and 8, we created more space to plant trees and other landscaping as an additional buffer between the buildings and the park.

Garrett Sauls
April 8, 2022
Page 3

- We changed the color of the sound wall to a warmer tone similar to the existing sound wall located approximately ¼ mile north of the project site. The warmer tone will complement the ficus pumila climbing vines that will be planted along the base of the wall.

Graphics

- We added illustrative and enlarged section details to the plans to show the relationship between the project and the adjacent properties.
- We added enlarged street scenes to the plans to better illustrate how the project will look from off site.
- We added details and elevations to show the design of the sound wall and the ficus pumila climbing vines.

Project Description

- The project description has been updated to reflect the revisions to the project.

We look forward to the Architectural Review Board hearing tentatively scheduled for April 21st. SummerHill will provide a separate letter with additional detail about the revisions prior to the hearing. In the meantime, please let us know if you have any questions.

Thank you.

Sincerely,



John Hickey
Vice President of Development

cc: Elaine Breeze, SummerHill Housing Group

Allen Matkins

Allen Matkins Leck Gamble Mallory & Natsis LLP
Attorneys at Law
Three Embarcadero Center, 12th Floor | San Francisco, CA 94111-4074
Telephone: 415.837.1515 | Facsimile: 415.837.1516
www.allenmatkins.com

David H. Blackwell
E-mail: dblackwell@allenmatkins.com
Direct Dial: 415.273.7463 File Number: 392195.00001/4860-1869-2637.1

Via Electronic Mail

April 26, 2022

Jonathan Lait
Planning Director
Palo Alto City Hall
250 Hamilton Avenue - Fifth Floor
Palo Alto, CA 94301
Jonathan.Lait@CityofPaloAlto.org

**Re: 2850 West Bayshore Road
21PLN-00177: ARB Recommendation**

Dear Director Lait:

This office represents SummerHill Homes LLC, the applicant of the above-referenced 48-unit townhome project. At its April 21, 2022 hearing, the City's Architectural Review Board (ARB) unanimously recommended that you disapprove the project.

The ARB's recommendation is legally flawed. Despite being advised through your Staff Report that review of the project is governed by the State Housing Accountability Act (HAA) (Gov. Code § 65589.5), the ARB ignored this requirement and based its disapproval recommendation solely on the Board's subjective allegation of inconsistencies with the City's Architectural Review findings. (PAMC, § 18.76.020(d).) The City must follow State law despite the ARB's attempts to ignore it.

The ARB's failure to acknowledge and follow the HAA is surprising because the application of the HAA to projects such as SummerHill's is well-documented in both administrative and judicial proceedings throughout California. Moreover, the Staff Report clearly identified the ARB's obligations under the statute:

the project, with the requested concession, is in conformance with all of the City's objective development standards. As a result, the City's discretion to deny or reduce the density of the project is constrained by the Housing Accountability Act (Gov. Code § 65589.5). The HAA states that a city cannot disapprove a project or impose a condition

Allen Matkins Leck Gamble Mallory & Natsis LLP
Attorneys at Law

Jonathan Lait
April 26, 2022
Page 2

that requires a lower density, when the project complies with objective standards. The only exception to this is when a project would have a specific adverse impact, which is narrowly defined.

(ARB Staff Report, p. 5.)

The Staff Report accurately summarizes and applies the requirements under Section 65589.5(j) to the project. Notwithstanding the guidance in the Staff Report, the ARB made no finding of any “specific, adverse impact” upon the public health or safety. Furthermore, based on the evidence in the administrative record, there are no grounds to find that the project would have any specific, adverse impact upon the public health or safety. (Gov. Code, § 65589.5(j)(1).)

Because of the State’s ongoing housing crisis, the Legislature has strengthened the enforcement provisions of HAA, thereby expanding the field of potential litigants beyond the applicant to include housing organizations and the Attorney General, while increasing a local agency’s penalties for noncompliance with the statute. (Gov. Code, § 65589.5(k)-(n).)

SummerHill has worked hard and in good faith to design a high-quality residential community that meets the City’s standards, formally revising and resubmitting the project plans five times to address the City’s comments. SummerHill continues to believe that the project meets or exceeds the City’s criteria for Architectural Review. In addition, SummerHill has identified further changes to the project that would feasibly address some of the ARB’s most recent comments. SummerHill is available to discuss these potential changes with the City prior to the issuance of the City’s written decision pursuant to Municipal Code section 18.77.070(d). However, if the written decision follows the ARB’s recommendation instead of the governing law, please be advised that SummerHill will exercise all administrative and judicial remedies available under the law, including the immediate filing of an appeal to the City Council in order to exhaust its administrative remedies.

SummerHill looks forward to continuing to work with the City on this project.

Very truly yours,



David H. Blackwell

cc: Jodie Gerhardt, Manager of Current Planning
Albert Yang, Assistant City Attorney
Garrett Sauls, Planning
Elaine Breeze, SummerHill Housing Group
John Hickey, SummerHill Housing Group

Attachment F

Project Plans, Environmental, & Supporting Documents

Project plans, Environmental, & Supporting documents are only available to the public online. Hardcopies of the plan sets have been provided to Board, Commission, and Council members.

Directions to review Project plans online:

1. Go to: bit.ly/PApendingprojects
2. Scroll down to find “2850 W. Bayshore” and click the address link
3. On this project specific webpage you will find a link to the project plans and other important information

Direct Link to Project Webpage:

<https://www.cityofpaloalto.org/News-Articles/Planning-and-Development-Services/2850-W.-Bayshore-21PLN-00177>



City of Palo Alto City Council Staff Report

(ID # 14513)

Meeting Date: 6/20/2022

Report Type: Action Items

Title: Adoption of Resolutions: (1) Placing a Measure Affirming the Gas Utility Transfer on the November 2022 Ballot; (2) Placing a Business Tax on the November 2022 Ballot; and (3) Adopting a Spending Plan for Business Tax Proceeds

From: City Manager

The City Council is discussing this item on June 13, 2022, this report will be released in the June 16, 2022 City Council packet subsequent to that discussion.



City of Palo Alto

City Council Staff Report

(ID # 13964)

Report Type: Information Reports

Meeting Date: 6/20/2022

Summary Title: ADU Quarterly Report (Quarter 1 through Quarter 4 CY 2021)

Title: Accessory Dwelling Unit (ADU) Quarterly Report (Quarter 1 through Quarter 4, Calendar Year 2021)

From: City Manager

Lead Department: Planning and Development Services

Recommendation:

This is an informational report and no action is requested.

Executive Summary:

The Accessory Dwelling Unit (ADU) Quarterly Report keeps track of the ADU permit applications received, approved, and finalized yearly by the City, as well as the details of quarterly applications received. Since 2015, the City has received 391 ADU/JADU building permit applications and have issued a total of 255 permits. The City received and issued more ADU/JADU building permit applications in 2021 than in another year since 2015 with 136 submitted applications and 89 ADU/JADU permits issued. The details of the applications are provided in Attachment A of the staff report.

Background:

In June 2017, the City of Palo Alto amended the Zoning Code (Title 18) to adopt Accessory Dwelling Unit (ADU) regulations to comply with State adopted requirements. At adoption, the City Council directed staff to provide reports on the number of permits filed for the construction of ADUs. The City Council received the last development report for the third and fourth quarter of calendar year 2020 last August 30, 2021 ([Report ID # 13410](#)).

Council also adopted the City's ADU Ordinance (Ordinance 5507) on November 2020, which updated the City's ADU regulations to comply with new State requirements in effect as of January 1, 2020. This ordinance replaced the City's Interim Ordinance that was adopted in January of the same year.

Staff anticipate further revisions the ordinance coming forward later this year in response to Council’s PTC referral to explore affordable ADUs as well as changes to further clarify ordinance language.

Discussion:

This report tracks the ADU permit applications filed with the City and their status since 2015. The following table (Table 1) is a “snapshot” of the rise in ADU permit applications and decrease on impact fees collected before and after the adoption of new regulations.

Table 1: Summary of ADU Permits from 2015-2021

Category	2015	2016	2017	2018	2019	2020	2021
New ADU Applications Filed ¹	10	9	28	55	75	78	136
Permits: Ready to Issue (City Approved) ²	8	5	12	39	62	46	112
Permits: Issued (Permit Obtained) ³	8	5	12	36	62	43	89
Permits: Final Inspection Approved ⁴	3	4	9	12	33	46	37
Permits Expired			1	1			
Detached ADUs (Submitted) ⁵			20	35	52	52	80
Detached ADUs (Issued) ⁵			8	24	41	33	55
Attached ADUs (Submitted) ⁶			8	20	23	20	56
Attached ADUs (Issued) ⁶			4	11	21	9	34

Junior ADUs (Submitted) ⁷				1	1	1	25
Junior ADUs (Issued) ⁷				1	1	1	9
Average Application Processing Time (Days Including Weekends) ⁸	127	214	118	183	135	197	162
Average Construction Time (Days Including Weekends) ⁹	578	751	330	287	173	262	455
City Impact Fees Collected for New ADUs ¹⁰			\$451,514	\$402,012	\$198,962	\$44,057	\$139,592

Source: City of Palo Alto Accela Data January 2015 through January 2021

Notes:

1. Any ADU/JADU Application SUBMITTED for the year
2. Any ADU/JADU application Permit 'READY TO Issue' for the year (regardless of when it was submitted)
3. Any ADU/JADU Permit ISSUED for the year (regardless of when it was submitted)
4. Any ADU/JADU Permit receiving a Final Inspection (Ready to Occupy) for the year, regardless of when the application was submitted. Years 2015-2017 data point not available.
5. Any Detached ADU Permit Application submitted for the year/Any Detached ADU Permit Issued for the year, regardless of when the application was submitted. Years 2015-2016 data point not available.
6. Any Attached ADU Permit Application submitted for the year/Any Attached ADU Permit Issued for the year, regardless of when the application was submitted. Years 2015-2016 data point not available.
7. Any JADU Permit Application submitted for the year/Any JADU Permit Issued for the year, regardless of when the application was submitted. Years 2015-2016 data point not available.
8. Average number of days from permit application submittal to when permit is approved and ready to issue. This average includes weekends and days application is pending due to applicant preparation of resubmittal or additional information from applicant.
9. Average number of days from permit issued to final inspection completed. This average includes weekends and days staff is waiting for applicant to schedule the next required inspection.
10. Impact Fees collected for ADU's permitted for the year. Years 2015-2016 data point not available.

Data from Table 1 shows that the City received 136 new ADU/JADU applications in 2021, which is approximately a 75% increase in the number of ADUs submitted for all of 2020. The City also issued 89 ADU/JADU permits in 2021, twice as many permits issued for calendar year 2020.

The average processing time, the time an application is submitted to the time the permit is issued, fell by approximately 35 days or about an 18% decrease in processing time. On the other

hand, construction time, the time a permit is issued to begin construction to the time the final inspection is approved, increased to 455 days or about a 74% increase from year 2020. Supply chain issues, COVID affecting construction workers, and the City's constrained inspection resources may have contributed to the increase in construction time for calendar year 2021.

Approximately 49% of the applications submitted in 2021 were located north of Oregon Expressway while 51% of the applications were located south of the expressway. The majority of the ADU applications filed are for one-bedroom units or about 67% of all ADU/JADU's permitted in 2021. The unit sizes ranged from 178 to 1,218 square feet, with an average unit size of 552 square feet.

The increased ADU production will also help the City meet its 2023-31 Regional Housing Needs Allocation (RHNA). The City's 2023-31 RHNA requirement is 6,086 units. The State Department of Housing and Community Development (HCD) allows the average of a jurisdiction's past three years of ADU production and use that average to project its ADU production for the next eight years. Therefore, the average annual production of years 2019-2021 is 64.7 ADUs per year. Multiplied by eight (the number of years in the planning period), the City's project ADU production for 2023-31 is 517 units. Therefore, the 517 units will be applied towards the City's RHNA. These units will be included in the "above moderate" category.

Next Steps:

This is a quarterly report published by the Planning and Development Services Department.

Stakeholder Engagement:

This is an Informational Report for the City Council and does not require any stakeholder engagements.

Environmental Review:

Not Applicable.

Attachments:

Attachment32.a: Attachment A: ADU Quarterly Report, 2021 Calendar Year(PDF)

Building Permits Applied for in 2021															
Number of Applications	Dwelling Type	Project Location	Zoning	Date Filed	Application Status	Building Permit Issued	New Construction		Conversion		Type of Conversion			# of Bedrooms	ADU Size (SF)
							Attached	Detached	Attached2	Detached2	Garage	Other Accessory Structure/Space			
1	ADU	South	R-1 (8000)	1/4/2021	Pending Resubmittal	No	X						1	500	
2	ADU	North	R-1 (10000)	1/14/2021	Permit Issued	Yes	X						0	178	
3	ADU	North	R-1	1/19/2021	Permit Issued	Yes		X					2	664	
4	ADU	North	R-1	1/21/2021	Permit Issued	Yes		X					1	449	
5	ADU	North	RM-30	1/22/2021	Pending Resubmittal	No				X	X		1	351	
6	ADU	North	R-1	1/29/2021	Permit Issued	Yes				X	X		1	689	
7	ADU	North	R-1	2/1/2021	Permit Issued	Yes				X	X		1	267	
8	ADU	North	R-1	2/2/2021	Incomplete	No				X	X		2	589	
9	ADU	South	R-1	2/3/2021	Permit Issued	Yes				X	X		0	422	
10	ADU	South	R-1 (8000)	2/4/2021	Permit Issued	Yes				X		X	2	730	
11	ADU	North	R-1	2/11/2021	Permit Issued	Yes	X						1	1,218	
12	ADU	North	R-1	2/12/2021	Permit Issued	Yes		X					1	455	
13	ADU	South	R-1	2/16/2021	Permit Issued	Yes				X	X		1	594	
14	ADU	North	R-1	2/17/2021	Permit Issued	Yes	X						1	799	
15	ADU	North	R-1	2/18/2021	Permit Issued	Yes		X					1	691	
16	ADU	South	R-1	2/19/2021	Incomplete	No				X		X	1	517	
17	ADU	South	R-1	2/19/2021	Permit Issued	Yes	X						1	687	
18	ADU	South	R-1	2/19/2021	Finald	Yes				X		X	1	400	
19	ADU	North	R-1 (S)	2/22/2021	Permit Issued	Yes		X					1	383	
20	ADU	South	R-1 8000	2/22/2021	Permit Issued	Yes		X					2	745	
21	ADU	North	R-1 (S)	2/22/2021	Permit Issued	Yes		X					1	383	
22	ADU	North	R-1	3/10/2021	Permit Issued	Yes	X						1	314	
23	ADU	South	R-1	3/10/2021	Permit Issued	Yes	X						1	636	
24	ADU	South	R-1 (8000)	3/19/2021	Pending Resubmittal	No				X		X	1	450	
25	ADU	North	R-1	3/19/2021	Permit Issued	Yes		X					1	398	
26	ADU	South	R-1 (8000)	3/19/2021	Permit Issued	Yes		X					2	1,000	
27	ADU	South	R-1	3/23/2021	Permit Issued	Yes	X						1	418	
28	ADU	North	R-1	3/23/2021	Permit Issued	Yes		X					1	767	
29	ADU	South	R-1	3/24/2021	Permit Issued	Yes				X		X	1	261	
30	ADU	North	R-1 (7000)	3/25/2021	Finald	Yes				X	X		1	543	
31	ADU	North	R-1	3/25/2021	Permit Issued	Yes	X						1	725	
32	ADU	South	R-1	3/29/2021	Permit Issued	Yes				X		X	0	280	
33	ADU	South	R-1	4/1/2021	Permit Issued	Yes		X					1	660	
34	ADU	South	R-1	4/1/2021	Permit Issued	Yes				X		X	1	484	
35	ADU	South	R-1	4/5/2021	Permit Issued	Yes		X					0	385	
36	ADU	North	R-1	4/5/2021	Approved	No				X	X		2	1,000	
37	ADU	South	R-1 (7000)	4/6/2021	Permit Issued	Yes				X		X	0	463	
38	ADU	South	R-1 (8000)	4/14/2021	Permit Issued	Yes				X			1	579	
39	ADU	North	R-1 (10000)	4/15/2021	Permit Issued	Yes	X						1	450	
40	ADU	South	R-1	4/19/2021	Incomplete	No		X					0	390	
41	ADU	North	R-1	4/21/2021	Permit Issued	Yes		X					1	676	
42	ADU	North	R-1	4/22/2021	Finald	Yes				X		X	1	435	
43	ADU	South	R-1 (7000)(S)	4/27/2021	Finald	Yes				X		X	0	240	
44	ADU	North	R-1	4/27/2021	Permit Issued	Yes		X					1	897	
45	ADU	North	R-1	5/1/2021	Finald	Yes				X		X	1	450	
46	ADU	South	R-1	5/6/2021	Permit Issued	Yes	X						2	846	
47	ADU	South	R-1	5/7/2021	Permit Issued	Yes				X		X	1	420	
48	ADU	South	R-1	5/11/2021	Permit Issued	Yes				X		X	0	465	

Building Permits Applied for in 2021															
Number of Applications	Dwelling Type	Project Location	Zoning	Date Filed	Application Status	Building Permit Issued	New Construction		Conversion		Type of Conversion			# of Bedrooms	ADU Size (SF)
							Attached	Detached	Attached2	Detached2	Garage	Other Accessory Structure/Space			
49	ADU	North	R-1 (10000)	5/12/2021	Permit Issued	Yes						X	1	454	
50	ADU	North	R-1	5/14/2021	Pending Resubmittal	No		X					1	886	
51	ADU	South	R-1	5/17/2021	In Plan Check	No	X						1	564	
52	ADU	South	R-1 (8000)(S)	5/20/2021	Permit Issued	Yes		X					1	565	
53	ADU	North	R-1 (10,000)	5/24/2021	Permit Issued	Yes		X					0	345	
54	ADU	North	R-1 (10000)	5/26/2021	Permit Issued	Yes		X					1	519	
55	ADU	South	R-1	6/3/2021	Permit Issued	Yes	X						0	479	
56	ADU	North	R-2	6/3/2021	Finald	Yes		X					1	495	
57	ADU	North	R-1	6/3/2021	Permit Issued	Yes		X					1	560	
58	ADU	North	R-1	6/8/2021	Permit Issued	Yes		X					2	800	
59	ADU	South	R-1	6/11/2021	Incomplete	No		X					2	749	
60	ADU	South	R-1 (8000)	6/15/2021	Permit Issued	Yes	X						1	416	
61	ADU	South	R-1	6/16/2021	Permit Issued	Yes							1	392	
62	ADU	South	R-1	6/22/2021	Permit Issued	Yes			X		X		1	370	
63	ADU	North	R-1	6/23/2021	Permit Issued	Yes		X					1	294	
64	ADU	South	R-1 (S)	6/25/2021	Finald	Yes		X					1	390	
65	ADU	North	R-1	6/25/2021	Permit Issued	Yes				X		X	2	998	
66	ADU	South	R-1	6/29/2021	Permit Issued	Yes		X					1	798	
67	ADU	South	R-1	7/2/2021	Permit Issued	Yes		X					1	665	
68	ADU	South	R-1	7/8/2021	Permit Issued	Yes		X					1	665	
69	ADU	North	R-1 (10000)	7/8/2021	Permit Issued	Yes				X	X		1	328	
70	ADU	South	R-1 (S)	7/13/2021	Permit Issued	Yes	X						2	800	
71	ADU	South	R-1	7/14/2021	Pending Resubmittal	No	X						2	798	
72	ADU	North	R-1	7/14/2021	Permit Issued	Yes		X					2	749	
73	ADU	North	R-1	7/14/2021	Pending Resubmittal	No		X					1	681	
74	ADU	North	R-1	7/22/2021	Finald	Yes				X		X	0	462	
75	ADU	South	R-1	7/26/2021	Permit Issued	Yes		X					1	621	
76	ADU	South	RE	7/27/2021	Pending Resubmittal	No		X					2	1,150	
77	ADU	South	R-1	7/28/2021	Permit Issued	Yes		X					1	329	
78	ADU	South	R-1	7/28/2021	Permit Issued	Yes	X						1	329	
79	ADU	South	R-1	7/28/2021	Permit Issued	Yes	X						1	694	
80	ADU	South	R-1	7/28/2021	Permit Issued	Yes		X					1	742	
81	ADU	South	R-1	7/28/2021	Permit Issued	Yes		X					1	742	
82	ADU	North	R-1	7/29/2021	Permit Issued	Yes	X						1	499	
83	ADU	North	R-1	8/2/2021	Incomplete	No	X						1	495	
84	ADU	North	R-1 (S)	8/2/2021	Permit Issued	Yes		X					1	565	
85	ADU	South	R-1	8/3/2021	Pending Resubmittal	No		X					1	482	
86	ADU	North	R-1	8/4/2021	Pending Resubmittal	No		X					1	509	
87	ADU	North	R-1	8/11/2021	Permit Issued	Yes	X						1	800	
88	ADU	North	R-1 (10000)	8/11/2021	Permit Issued	Yes		X					1	495	
89	ADU	North	R-1	8/11/2021	Submitted	No							0	0	
90	ADU	South	R-1	8/23/2021	Permit Issued	Yes		X					1	793	
91	ADU	South	R-1 (S)	8/24/2021	Permit Issued	Yes		X					1	493	
92	ADU	North	R-1	8/25/2021	Permit Issued	Yes	X						1	798	
93	ADU	South	R-1	8/26/2021	Permit Issued	Yes	X						1	470	
94	ADU	South	R-1	8/30/2021	Pending Resubmittal	No				X		X	1	351	
95	ADU	South	R-1	8/31/2021	Permit Issued	Yes	X						1	314	
96	ADU	South	R-1	9/1/2021	Permit Issued	Yes		X					1	512	

Building Permits Applied for in 2021															
Number of Applications	Dwelling Type	Project Location	Zoning	Date Filed	Application Status	Building Permit Issued	New Construction		Conversion		Type of Conversion			# of Bedrooms	ADU Size (SF)
							Attached	Detached	Attached2	Detached2	Garage	Other Accessory Structure/Space			
97	ADU	North	R-1	9/1/2021	Incomplete	No			X		X		1	418	
98	ADU	North	R-1	9/3/2021	Incomplete	No			X			X	1	350	
99	ADU	South	R-1	9/7/2021	Permit Issued	Yes		X					1	495	
100	ADU	South	R-1	9/8/2021	Permit Issued	Yes	X						1	499	
101	ADU	South	R-1	9/13/2021	Permit Issued	Yes			X		X		0	430	
102	ADU	North	R-1 (10000)	9/16/2021	Permit Issued	Yes				X	X		1	367	
103	ADU	South	R-1 (8000)	9/16/2021	Permit Issued	Yes				X	X		1	615	
104	ADU	North	R-1	9/17/2021	Permit Issued	Yes				X	X		1	298	
105	ADU	North	R-1	9/17/2021	Permit Issued	Yes				X	X		1	298	
106	ADU	South	R-1 (8000)	9/21/2021	Finald	Yes		X					1	495	
107	ADU	South	R-1	9/22/2021	Pending Resubmittal	No					X	X	1	254	
108	ADU	North	R-1	9/22/2021	Permit Issued	Yes		X					1	723	
109	ADU	North	R-1 (10000)	9/27/2021	In Plan Check	No		X					1	678	
110	ADU	North	R-1 (10000)	9/27/2021	In Plan Check	No		X					1	678	
111	ADU	North	R-1	9/28/2021	Permit Issued	Yes	X						0	257	
112	ADU	South	R-1	9/28/2021	Pending Resubmittal	No	X						1	693	
113	ADU	South	R-1 (7000)	10/5/2021	Permit Issued	Yes	X						1	499	
114	ADU	North	PC-3571	10/5/2021	Pending Resubmittal	No		X					0	570	
115	ADU	South	R-1	10/5/2021	Pending Resubmittal	No				X	X		0	407	
116	ADU	South	R-1 (8000)	10/18/2021	In Plan Check	No	X						1	474	
117	ADU	North	RMD (NP)	10/20/2021	Permit Issued	Yes		X					1	426	
118	ADU	North	R-1	10/22/2021	Pending Resubmittal	No		X					1	747	
119	ADU	North	R-1	10/26/2021	Permit Issued	Yes			X		X		1	200	
120	ADU	South	R-1	10/26/2021	Permit Issued	Yes		X					1	260	
121	ADU	South	R-1	10/26/2021	In Plan Check	No				X	X		1	592	
122	ADU	North	R-1	10/27/2021	Pending Resubmittal	No		X					1	798	
123	ADU	North	R-1	11/1/2021	Pending Resubmittal	No			X		X		1	231	
124	ADU	North	R-1	11/3/2021	In Plan Check	No		X					1	799	
125	ADU	North	R-1 (10000)	11/4/2021	In Plan Check	No		X					2	691	
126	ADU	North	R-1 (10000)	11/4/2021	Pending Resubmittal	No		X					2	691	
127	ADU	South		11/10/2021	Permit Issued	Yes	X						1	407	
128	ADU	South	R-1	11/16/2021	Pending Resubmittal	No			X		X		1	198	
129	ADU	South	R-1 (10000)	11/18/2021	Pending Resubmittal	No		X					3	1,000	
130	ADU	North	R-1	11/23/2021	Pending Resubmittal	No			X			X	1	798	
131	ADU	South	R-1 (8000)	11/29/2021	Pending Resubmittal	No			X		X		1	263	
132	ADU	South	R-1	12/6/2021	Pending Resubmittal	No				X	X		1	592	
133	ADU	North	R-1	12/9/2021	Permit Issued	Yes				X	X		1	512	
134	ADU	South	R-1	12/15/2021	Permit Issued	Yes	X						1	393	
135	ADU	South	R-1 (S)	12/15/2021	Incomplete	No			X		X		1	365	
136	ADU	North	R-1 (10000)	12/22/2021	Permit Issued	Yes	X						2	499	



City of Palo Alto

City Council Staff Report

(ID # 14472)

Meeting Date: 6/20/2022

Report Type: Information Reports

Title: Police Response to OIR Report

From: City Manager

Lead Department: Police

Recommendation

This is an informational report, and no Council action is required.

Background

Since 2006, OIR Group has been contracted by the City of Palo Alto to act as an Independent Police Auditor (IPA). The IPA provides an independent review of qualifying administrative investigations and public complaints investigated by the Palo Alto Police Department, publishes a bi-annual report reviewing those investigations, and gives recommendations on ways to improve investigative processes and department practices.

On February 14, 2022, the IPA presented the [December 2020-2021 report](#) to the Council.

On March 14, 2022, Council requested the Department prepare written responses to the IPA recommendations. In the future, Department responses will be published as an addendum to the IPA report. For the December 2020-2021 report, which has already been published, the Department is providing these responses as an informational item to the Council.

Discussion

The Department reviewed the IPA recommendations in detail and consulted with the IPA and appropriate staff members about them. In most cases, the Department agreed with the IPA's recommendations and modified existing policies or procedures accordingly. The Department addresses its responses to each of the IPA recommendations in the attached document. In the interest of public awareness, the Department publishes an updated version of its [policy manual](#) on the Department's website on a quarterly basis. The next quarterly publication is scheduled to occur in August 2022.

Attachments:

- **Attachment33.a:** PAPD Response to Dec 2020-2021 IPA Recommendations



DATE: MAY 26, 2022

TO: ED SHIKADA, CITY COUNCIL

FROM: ASSISTANT CHIEF ANDREW BINDER

SUBJECT: POLICE DEPARTMENT RESPONSE TO DEC 2020-2021 IPA RECOMMENDATIONS

RECOMMENDATION ONE: PAPD should go beyond a “letter of the law” assessment when evaluating an allegation that an officer used his discretion in a retaliatory or otherwise improper fashion.

The Department agrees that if there is an allegation an officer used their discretion in a retaliatory or otherwise improper fashion, the Department should interview the officer to determine intent and rationale for the officer’s actions instead of solely relying on the “letter of the law” to reach a conclusion on the officer’s conduct.

RECOMMENDATION TWO: PAPD should address allegations of officer misconduct in straightforward and timely ways, apart from concerns about parallel proceedings that may involve some of the same concerns.

The Department agrees with this recommendation and has revised its administrative procedures to reflect the Department’s commitment and expectation for the prompt resolution of all administrative matters while remaining mindful of parallel court proceedings.

RECOMMENDATION THREE: PAPD should prioritize the timely resolution of cases, and should hold managers accountable as needed to ensure that this occurs.

The Department agrees with this recommendation and will continue to balance the prioritization of the timely resolution of administrative cases with other critical department operations as personnel capacity allows.

RECOMMENDATION FOUR: PAPD should advise its members of the apparent need to obtain a blood draw in order to support a successful prosecution and consider changing policy to require it in cases involving suspected driving while intoxicated (marijuana or other drugs).

The Department agrees with advising its officers of the importance in obtaining a blood sample or other biological (urine) sample when it can be lawfully obtained in support of a successful prosecution. This has been accomplished via a department training memorandum.

RECOMMENDATION FIVE: PAPD should ensure, through documentation, that any recommended verbal counseling does in fact occur.

The Department agrees with this recommendation and has created an Administrative Investigation Disposition memorandum which documents departmental action taken as part of an administrative

investigation. This memorandum is provided to the involved officer and retained in the administrative case file once the investigation has been completed.

RECOMMENDATION SIX: PAPD should determine how a body-worn camera should be placed that would still successfully video events when wearing a traffic vest and import that knowledge to the involved officer and the Department as a whole.

The Department agrees with this recommendation and has revised the Police Policy Manual to address its expectations for wearing body-worn cameras in conjunction with other articles of clothing so that it is able to successfully capture events.

RECOMMENDATION SEVEN: The Department should assign two investigators to key interviews in its internal affairs cases, and at a minimum should ensure such staffing for the interview of the subject employee.

The Department agrees with this recommendation and has revised its administrative procedures to ensure that two investigators be assigned to key interviews. Although it was not the case for all interviews related to the reviewed investigation, the Department's typical practice has always been to assign two investigators to such interviews.

RECOMMENDATION EIGHT: PAPD should revise its force review protocols to instruct supervisors that when an initial attempt at a subject interview is not productive as a result of an observed physical or mental condition, the reviewer should attempt to re-interview the subject at a later, more favorable time, or document why such an attempt was not made.

The Department agrees with this recommendation and has revised the Police Policy Manual to ensure investigators attempt to re-interview a subject if the initial attempt to interview is not productive or document why such an attempt was not made.

RECOMMENDATION NINE: PAPD should develop protocols to ensure that body-worn camera evidence of any reportable force be reviewed by the supervisor assigned the force review close in time to the date of the incident.

The Department agrees with this recommendation and has revised the Police Policy Manual to ensure body-worn camera evidence of any reportable force as part of a force review is reviewed by a supervisor or manager close in a timely manner.

RECOMMENDATION TEN: PAPD should ensure that in force cases for which there is a seeming discrepancy in the evidence (as in gaps between officer versions, or between reports and body-worn camera footage), the review is elevated to a formal internal affairs investigation.

The Department agrees with this recommendation. In the reviewed investigation, the Department did not find any apparent discrepancy and the video evidence was comprehensive, so no further investigation was deemed necessary.

RECOMMENDATION ELEVEN: PAPD should revise its protocols to ensure that PAPD personnel assigned to administrative investigations attempt to interview all civilian victims and witnesses, even when they are represented by counsel.

The Department agrees with this recommendation and has revised its administrative procedures to ensure that administrative investigators attempt to interview civilian victims and witnesses, even when represented by counsel and if no interview occurs, provide an explanation as to why.

RECOMMENDATION TWELVE: PAPD should advise those assigned to conduct internal investigations that witness officers to any force incident should be interviewed, if possible, even if they are employed by another police agency.

The Department agrees that in situations in which a force incident occurs relevant witness officers should be interviewed when feasible but recognizes that, in some cases, comprehensive video evidence may obviate the need to interview all officers present.

RECOMMENDATION THIRTEEN: During internal investigations into uses of force, PAPD should retrieve and review any body-worn cameras of other agency witness officers.

The Department agrees that as part of an administrative force investigation, supervisors should attempt to obtain and review body-worn camera footage of non-PAPD witness officers and has revised the Police Policy Manual.

RECOMMENDATION FOURTEEN: Per its stated intent, PAPD should modify its policy requiring officers to contact residents of yards prior to searching, ensuring that specific questions are asked about potential individuals in the back yard, the Department's intent to deploy a K-9, an advisement to residents to stay inside during the search, and a follow up contact when the search has been completed.

The Department agrees that, when time and circumstances allow, officers should contact residents of yards prior to searching, ensuring that specific questions are asked about potential individuals in the back yard, the Department's intent to deploy a K-9, an advisement to residents to stay inside during the search, and a follow up contact when the search has been completed and has revised the Police Policy Manual to reflect this.

RECOMMENDATION FIFTEEN: The K-9 handler and PAPD cover officer should be counseled on the importance of identifying themselves as police officers during any attempts at apprehension.

The Department agrees with this recommendation and has revised the Police Policy Manual to expressly reflect the Department's existing expectation for officers to identify themselves prior to the use of force.

RECOMMENDATION SIXTEEN: PAPD should revise policy to ensure that any post-incident interview of a person subjected to a K-9 deployment be handled by a supervisor.

Department policy already provides that any post-incident administrative interview of a person subjected to a K-9 deployment be handled by a supervisor. Consistent with best practices, the Department will continue to allow the investigating officer to conduct post-incident interviews of a person subjected to a K-9 deployment in a professional manner unless circumstances provide that such interview is best handled by a supervisor.

RECOMMENDATION SEVENTEEN: PAPD should advise all members of the K-9 program (including the involved officer in this incident) that even when formal announcements are not practicable, officers should provide a modified warning so that the subject and other potential uninvolved individuals are advised of the impending intent to deploy the police dog.

The Department agrees that when formal announcements are not practical, officers should provide a modified warning of the impending intent to deploy the police dog once circumstances make it feasible to do so. This has been addressed in the Police Policy Manual.

RECOMMENDATION EIGHTEEN: PAPD should follow through where possible on obtaining relevant photographs of injuries and medical records in force cases resulting in hospital visits.

The Department agrees with this recommendation and has revised the Police Policy Manual to ensure that officers should follow through where possible on obtaining relevant photographs of injuries and attempt to obtain medical records in force cases resulting in hospital visits.

RECOMMENDATION NINETEEN: PAPD supervisors should refrain from going beyond the involved officer's own claims in justifying force through the listing of possible threat-based rationales.

The Department agrees with this recommendation and has revised its administrative procedures to reflect the refrain of supervisory actions beyond the officer's own claims in justifying force.

Schedule of Meetings

Published June 9, 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.

THURSDAY, June 9

Human Relations Commission, 6:00 p.m.

MONDAY, June 13

Sp. Architectural Review Board Meeting, 9:30 a.m.

Sp. City Council Meeting, 5:00 p.m.

TUESDAY, June 14

Sustainability and Climate Action Plan Ad Hoc Committee Meeting, 8:30 a.m.

Policy & Services Committee Meeting, 7:00 p.m.

WEDNESDAY, June 15

City Council Rail Committee Meeting, 1:00 p.m.

THURSDAY, June 16

Architectural Review Board Meeting, 8:30 a.m.

City/School Liaison Committee Meeting, 8:30 a.m.

Public Art Commission Meeting, 7:00 p.m.

MONDAY, June 20

Sp. City Council Meeting, 3:00 p.m.

TUESDAY, June 21

Sp. City Council Meeting, 3:00 p.m.

TUESDAY, June 28

Parks and Recreation Commission, 7:00 p.m.

WEDNESDAY, June 29

Planning & Transportation Commission Meeting, 6:00 p.m.

THURSDAY, July 7

Architectural Review Board Meeting, 8:30 a.m.

WEDNESDAY, July 13

Planning & Transportation Commission Meeting, 6:00 p.m.

THURSDAY, July 14

Historic Resources Board Meeting, 8:30 a.m.

Human Relations Commission Meeting, 6:00 p.m.



City of Palo Alto
City Council
Supplemental Report

(ID # 14528)

Meeting Date: 6/20/2022

Report Type: Consent Calendar

Title: Approval of a Contract with EPI-USE Labs, LLC to Host Online the City's SAP ERP System and Provide Related Services in an Amount Not to Exceed \$2,214,140 (including of \$2,014,140 for Basic Services and a Contingency of \$200,000 for Additional Services Approved by City via Task Order) over a Three-and-a-Half-Year Term

From: City Manager

Lead Department: City Clerk

The contract for this item was not included in the original production of the packet and is produced as part of a late packet distribution.

Attachments:

- **Attachmenta:** C22182051 EPI-USE AWS & SAP Basis Support Svcs

CITY OF PALO ALTO CONTRACT NO. C22182051**AGREEMENT FOR PROFESSIONAL SERVICES****BETWEEN THE CITY OF PALO ALTO AND EPI-USE LABS, LLC**

This Agreement for Professional Services (this “Agreement”) is entered into as of the 21st day of June, 2022 (the “Effective Date”), by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and EPI-USE LABS, LLC, a Wyoming limited liability company, located at 2002 Summit Boulevard, #825, Atlanta, GA, 30319 (“CONSULTANT”).

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

RECITALS

A. CITY intends to obtain information technology support to the City’s AWS Cloud and SAP Basis Services (the “Project”) and desires to engage a consultant to provide information technology professional services, cloud computing hosting and support services, and as-needed SAP application technical / functional support services 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 the date of its full execution through December 31, 2025, unless terminated earlier pursuant to Section 19 (Termination) of this Agreement. The parties may agree to extend the term of this Agreement via written amendment pursuant to Section 29.4 herein.

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.

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 **Two Million Fourteen Thousand One Hundred Forty Dollars (\$2,014,140.00)**. 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 **Two Hundred Thousand Dollars (\$200,000.00)** 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 **Two Million Two Hundred Fourteen Thousand One Hundred Forty Dollars (\$2,214,140.00)**, 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 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. Notwithstanding the above, nothing in this Section 8 shall be construed to require CONSULTANT to be responsible for an error/omission arising from the gross negligence, active negligence or willful misconduct of the CITY, its officers, employees, agents or contractors, 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.

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. 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 B: Subcontracts Authorized: Notwithstanding Section 11 (Assignment) above, CITY agrees that subcontractors may be used to complete the Services. The subcontractors authorized by CITY to perform work on this Project are:

Peloton Group LLC

Amazon Web Services, Inc. ("AWS")

CONSULTANT shall be responsible for directing the work of any subcontractors and for any compensation due to subcontractors. CITY assumes no responsibility whatsoever concerning compensation of subcontractors. CONSULTANT shall be fully responsible to CITY for all acts and omissions of subcontractors. CONSULTANT shall change or add subcontractors only with the prior written approval of the City Manager or designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign Lyall Hinton, Account Manager, 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 Jitendra Kulkarni, Information Technology Department, 250 Hamilton Avenue, Palo Alto, CA, 94301, Telephone: (650) 329-2466. 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.

Day-to-day communications by CITY regarding the implementation of the Scope of Services (Exhibit A), including for example and without limitation communications relating to acceptance, escalation or other day-to-day implementation issues, shall be given either in writing or via e-mail to the Key Contacts listed in the Scope of Services (Exhibit A). Notwithstanding the foregoing, any legal notices, including for example and without limitation, notice of alleged breach, suspension and termination, shall be made pursuant to Section 20 (Notices) of this Agreement.

SECTION 14. INTELLECTUAL PROPERTY; DATA. All work product, including without limitation, all writings, drawings, studies, sketches, photographs, plans, reports, specifications, computations, models, recordings, data, calculations, documents, and other materials and copyright interests developed under this Agreement, in any format or media, as unique to this engagement with CITY, shall be and remain the exclusive property of CITY without restriction or limitation upon their use. 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.

14.1 **Intellectual Property Rights in the Consultant Products.** The parties understand and agree that pursuant to this Agreement, CONSULTANT will provide online hosting and management for the CITY's enterprise resource planning (ERP) software system ("ERP system") which is licensed to the CITY pursuant to separate contract(s) between CITY and the provider(s) of the ERP system and any constituent components thereof. Pursuant to this Agreement, CONSULTANT will host and manage the CITY's ERP system on CITY's behalf on Amazon Web Services ("AWS") utilizing AWS's platform-as-a-service ("PAAS") and infrastructure-as-a-service ("IAAS") capabilities to provide the Services to the CITY and its Authorized Users (defined below) as detailed in this Agreement. In providing the Services to the CITY under this Agreement, CONSULTANT and/or its third-party licensor(s), as applicable, shall retain all right, title, and interest in and to any Consultant Products (as defined below) utilized in providing the Services. CITY acknowledges that any Consultant Products provided pursuant to this Agreement whether separately or included in any deliverable and/or work product, are the exclusive property of CONSULTANT (or its third-party licensor) and remain so notwithstanding the license granted to CITY in the paragraph below. The Consultant Products are the confidential and proprietary information of CONSULTANT or such third-party licensor, and the products also may be protected by the copyright, patent, trade secret and/or intellectual property laws of the United States, United Kingdom and other countries. For purposes of this Agreement, Consultant Product shall mean, CONSULTANT'S (or a third-party's licensed to CONSULTANT) proprietary software, software products, and any other inventions, intellectual property, know-how, proprietary data and materials supplied by CONSULTANT to CITY under this Agreement (whether as part of the Services, a deliverable, work product or otherwise) including, without limitation any Consultant Product so designated in the Scope of Services and the products marketed under the CONSULTANT brand, including but not limited to: Data Sync Manager

(DSM), DSM Client Sync (CS), DSM Object Sync (OS), DSM Data Secure (DS), DSM System Builder (SB), Variance Monitor (VM), Query Manager (QM), Advanced Time Process Manager (ATPM), and Unified Platform, as well as the AWS PAAS and IAAS utilized in the provision of Services under this Agreement, plus any enhancements or modifications made at any time to any of the above.

14.2 **Grant of Right to Use the Consultant Products.** Subject to the terms of this Agreement, CONSULTANT hereby grants to CITY a non-exclusive, non-assignable license to access and use the Consultant Products for the term of this Agreement as contemplated herein. The license granted to CITY hereunder includes the right to provide to the CITY's Authorized Users access to and use of the Consultant Products in accordance with this Agreement. "Authorized User" means a person authorized by CITY to access and use the ERP system and/or Consultant Products, including any CITY employee, contractor, consultant, or agent, or any other individual or entity authorized by CITY. If the Consultant Products provided pursuant to this Agreement consist of, or includes, public-facing functionalities, the license granted hereunder also extends to public users to access and use the public-facing functionalities of the Consultant Products. CONSULTANT warrants that it has the right to provide the foregoing license to access and use the Consultant Products pursuant to this Agreement, that CONSULTANT has obtained any and all necessary permissions from third parties to provide the Consultant Products, and that access to and use of the Consultant Products by CITY and its Authorized Users in accordance with the terms of this Agreement shall not infringe the copyright of any third party.

14.3 **Restrictions on Use of Consultant Products.**

14.3.1 **Title to the Consultant Products.** CITY acknowledges that title to the Consultant Products shall at all times remain with CONSULTANT and/or its third-party licensors, and that CITY has no rights in the Consultant Products except those expressly granted under this Agreement.

14.3.2 **Proprietary Markings.** CITY agrees not to remove, obscure or modify any copyright or other proprietary markings or legends placed upon or contained within the Consultant Products or included in or on the materials, if any, produced by the Consultant Products.

14.3.3 **Unauthorized Use.** CITY agrees not to knowingly permit anyone other than Authorized Users to access or use the Consultant Products.

14.3.4 **Proprietary Information.** CITY acknowledges that the Consultant Products are proprietary and confidential in nature to CONSULTANT and/or its third-party licensors. CITY will use commercially reasonable efforts to prevent unauthorized access to and use of the Consultant Products.

14.4 **Ownership of Data; Grant of License to City Data.** The parties acknowledge and agree that CITY owns the City data, content, documents, materials and other information, in any format or media, collected, stored, imported or inputted into, or gathered by, the ERP system and/or Consultant Products, including without limitation data from third parties ("City Data"); that the CITY has a right to control, access and retrieve City Data at any time during the term of the Agreement, in computer-readable format. The CITY hereby grants to

CONSULTANT and its subcontractors, if any, the limited, non-exclusive, non-transferable, revocable rights to access and use City Data during the term of this Agreement solely for the purposes of performing CONSULTANT's obligations to CITY hereunder and supporting CITY's use of the ERP system and/or Consultant Products hereunder, as well as to generate aggregated, system-wide collations of industry and business data in a non-attributed, non-identifiable manner for product improvement and product creation that does not identify CITY or detail of its particular data, and as is otherwise expressly permitted under this Agreement. This Agreement does not grant CONSULTANT or its subcontractors, if any, any intellectual property license or rights in or to the City Data except those expressly granted herein. Upon termination or expiration, if CITY will leave the ERP system and/or Consultant Products, CONSULTANT and CITY shall work together to provide CITY with a copy of City Data in mutually-agreed computer-readable format(s). CITY shall have the option to choose from one of several methods to obtain a copy of City Data. Once such data has been provided to CITY, CONSULTANT shall use, or cause to be used, industry-standard secure means of destruction or erasure of any City Data remaining in its possession and, at the CITY's request, certify the same.

14.5. **Data Security.** CONSULTANT will maintain, or cause to be maintained, a data security program for the ERP system that will include reasonable administrative, physical, technical, organizational and other security measures to protect against unauthorized access to, or destruction, loss, unavailability or alteration of, any City Data accessed by CONSULTANT and its subcontractors, if any, in the performance of this Agreement including without limitation City Data processed or stored by the ERP system and/or Consultant Products. Contractor will provide security for its networks and all internet connections consistent with industry best practices, and will promptly install all patches, fixes, upgrades, updates and new versions of any security software it employs. City Data will be encrypted at rest and in transit with controlled access.

14.6. **Backup and Recovery of City Data.** As a part of the Services, CONSULTANT is responsible for maintaining a backup of City Data and for an orderly and timely recovery of such data in the event of data corruption or interruption of the Services. Unless otherwise described in Exhibit A (Scope of Services), CONSULTANT will maintain a contemporaneous backup of City Data that can be recovered within the requirements in this Agreement and as outlined in the service level obligations detailed in Exhibit A (Scope of Services) and maintain the security of City Data as further described herein. CONSULTANT'S backup of City Data will not be considered in calculating storage used by City.

14.7. **Notification of Legal Requests.** CONSULTANT will immediately notify City upon receipt of any subpoenas, service of process, litigation holds, discovery requests and other legal requests ("Legal Requests") related to City's Data under this Agreement, or which in any way might reasonably require access to City's Data, and in no event later than 24 hours after it receives the request. CONSULTANT will not respond to Legal Requests related to City without first notifying City other than to notify the requestor that the information sought is potentially covered under a non-disclosure agreement. CONSULTANT will retain and preserve City Data in accordance with the City's instruction and requests, including, without limitation, any retention schedules and/or litigation hold orders provided by the City to CONSULTANT, independent of where the City Data is stored.

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. For the avoidance of doubt, any such auditing shall be done at CITY's own cost and upon reasonable notice to CONSULTANT.

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 gross negligence, 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 16.A. LIMITATION OF LIABILITY.

16.A.1. LIMITATION OF LIABILITY OF CONSULTANT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CONSULTANT BE LIABLE TO CITY, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES OR FOR ANY LOSS OF PROFIT OR LOSS OF BUSINESS BY CITY, EVEN IF CONSULTANT HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH POTENTIAL CLAIM, LOSS OR DAMAGE. EXCEPT AS PROVIDED IN THE IMMEDIATELY FOLLOWING SENTENCE, IN NO EVENT SHALL THE TOTAL AGGREGATE LIABILITY UNDER THIS AGREEMENT OF CONSULTANT TO CITY EXCEED ONE THIRD THE DOLLAR AMOUNT PROVIDED FOR IN SECTION 4 ("NOT TO EXCEED COMPENSATION") OF THIS AGREEMENT FOR EACH ANNUAL TERM OF THE AGREEMENT. CONSULTANT'S LIABILITY LIMIT SET FORTH HEREIN SHALL NOT APPLY TO (1) DAMAGES CAUSED BY CONSULTANT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (2) CONSULTANT'S OBLIGATIONS TO INDEMNIFY AND DEFEND CITY PURSUANT TO SECTION 16 ("INDEMNIFICATION") OF THIS AGREEMENT, (3) LIMIT CLAIMS OR GENERAL DAMAGES THAT FALL WITHIN THE

INSURANCE COVERAGE OF THIS AGREEMENT, (4) STATUTORY DAMAGES, AND (5) WRONGFUL DEATH CAUSED BY CONSULTANT.

16.A.2. **LIMITATION OF LIABILITY OF CITY.** CITY'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE COMPENSATION PROVIDED FOR IN SECTION 4 ("NOT TO EXCEED COMPENSATION") OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH THIS AGREEMENT. CITY'S LIABILITY LIMIT SET FORTH HEREIN SHALL NOT APPLY TO (1) DAMAGES CAUSED BY CITY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

SECTION 16.B. WARRANTY LIMITATIONS. CONSULTANT shall not be liable for any system errors, incorrect results or any other damage or malfunction to the extent caused by functionality created by CITY, its employees, its CITY consultants, or its CITY contractors using Consultant Products, nor shall CONSULTANT and CONSULTANT employees and contractors trouble-shoot or repair such non-authorized CITY-created functionality cost-free. In no case shall CITY's use of any customization option made available by CONSULTANT within its Consultant Products (for example and without limitation a define-your-own ticket type or ticket description within CONSULTANT's Client Central Consultant Product) be deemed a non-authorized CITY-created functionality for purposes of any warranty limitation provided in this Section 16.B. Troubleshooting of any non-authorized CITY-created functionality shall be excluded from any existing standard service level agreement between the parties and shall be performed upon execution and approval of a Task Order pursuant to Section 4 (Not to Exceed Compensation) or a written amendment to this Agreement pursuant to Section 29.4 herein, at the same hourly rate (or agreed fixed rate) for services as stated in this Agreement. All Services, deliverables and/or work products will conform materially to the requirements and specifications for such Services, deliverables and/or work products as set forth in this Agreement and any applicable Task Order or amendment hereto. All Services, deliverables and/or work products will be provided in a professional and workmanlike manner in accordance with Section 6 (Qualifications/Standard of Care) 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 sixty (60) 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 all work product, as detailed in Section 14 (Intellectual Property; Data), 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 (Intellectual Property; Data).

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.

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.

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 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 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
- EXHIBIT B: SCHEDULE OF PERFORMANCE
- EXHIBIT C: COMPENSATION
- EXHIBIT C-1: SCHEDULE OF RATES
- EXHIBIT D: INSURANCE REQUIREMENTS
- EXHIBIT E: INFORMATION PRIVACY POLICY
- EXHIBIT F: CYBERSECURITY TERMS AND CONDITIONS
- EXHIBIT G: ADDENDUM – SUPPLEMENTAL TERMS – AWS SOLUTION PROVIDER PROGRAM FOR END CUSTOMERS

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

CONTRACT No. C22182051 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

EPI-USE LABS, LLC

City Manager

DocuSigned by:
Officer 1
By: *Kevin Mukheibir*
Name: Kevin Mukheibir
Title: Global Managed Services Lead

APPROVED AS TO FORM:

City Attorney or designee

DocuSigned by:
Officer 2 (Required for Corp. or LLC)
By: *Lyll Hinton*
Name: Lyll Hinton
Title: VP Services, Americas

EXHIBIT A SCOPE OF SERVICES

The CONSULTANT will provide Hosting Services in AWS Cloud and SAP Basis Support Services for the City's ERP system, including the Services detailed below in this Exhibit A, entitled "SCOPE OF SERVICES."

SCOPE OF SERVICES – OVERVIEW

This scope of services overview summarizes at a high level the Services to be provided, broken out into Tasks 1-5, which carry over to Exhibit B (Schedule of Performance) and Exhibit C (Compensation). Following this overview, the scope of services is provided in greater detail.

A. (TASK 1) Transfer to CONSULTANT the CITY's existing Amazon Web Services (AWS) hosting account in AWS cloud

CONSULTANT will transfer to CONSULTANT the CITY's existing Amazon Web Services (AWS) hosting account for the CITY's ERP system including but not limited to the following activities:

- (1) Perform account transfer process in AWS cloud to CONSULTANT from CITY's current third-party provider to enable the CONSULTANT to assume hosting and management and other services as detailed in this Agreement.

B. (TASK 2) Maintain account with AWS for hosting City's infrastructure

CONSULTANT will maintain the CITY's account with AWS for hosting the CITY's ERP system, including but not limited to the following account activities:

- (1) Pay annual hosting fees to AWS for maintaining City's infrastructure.

C. (TASK 3) Perform hosting and networking maintenance services

CONSULTANT will provide hosting and maintenance services including but not limited to the following:

- (1) Ensure uptime and security of all SAP related servers.
- (2) Offer Operating System support (SUSE Linux and Windows) on an as needed basis.
- (3) Offer Networking support on an as needed basis (e.g. opening of firewall ports, etc.).
- (4) Share AWS pricing details (including AWS billing invoices per month) for all hosted AWS services and help City realize any pricing discounts as and when offered by AWS.
- (5) Share Cloudwatch report on a monthly basis and latest resource consumption.
- (6) Share AWS hosting bill on a monthly basis.
- (7) Manage and configure firewall in AWS for Direct Connect and Internet access from AWS.
- (8) Manage and configure Site to Site and Client to Site VPN for AWS access.
- (9) Ensure designated City staff members have full read access to the AWS administrator console for auditing and troubleshooting purposes.
- (10) Help with Security Penetration testing services as and when requested.
- (11) Provide documentation and cross-training to City's Operations staff as requested.

D. (TASK 4) Perform SAP Basis Services

CONSULTANT will provide SAP Basis Services including but not limited to the following:

- (1) Ensure all SAP systems are available in AWS cloud and performing as per SLA.
- (2) Perform backups regularly [Server level and Database level].
- (3) Restore servers and/or databases when necessary [All SAP servers are running on HANA database; one interface application servers are running on MySQL].
- (4) Apply SAP Kernel patches as necessary [Once a quarter or six months].
- (5) Apply Database patches as necessary [Once a year or so].
- (6) Apply SAP HR legal patches and other required support packs/stacks as necessary [Usually once a year].
- (7) Monitor SAP applications and resources using SAP Solution Manager [Solution Manager is already configured].
- (8) Help with performance tuning of SAP application and/or databases.
- (9) Provide documentation and cross-training to City's Basis staff as requested.
- (10) Provide access to City's Basis staff at OS and Database level as needed basis and consider them as an extension to your own Basis team.
- (11) Share resumes of all potential Basis resources that support City's SAP environment.

E. (TASK 5 – Additional Services) Perform ad-hoc services on as needed requests that are not covered in the Scope of Services. These services constitute Additional Services under Section 4 (Not to Exceed Compensation) of this Agreement, implemented pursuant to City-approved Task Order as detailed in Section 4. Examples of such Additional Services include without limitation:

- (1) Perform ad-hoc (Additional Services per Section 4) hosting and networking services such as enabling additional AWS services, building new application and/or database servers that are not included in the Scope of Services.
- (2) Perform ad-hoc (Additional Services per Section 4) Basis services such as installation and configuration of new SAP applications and SAP HANA databases that are not included in the Scope of Services.
- (3) Perform other ad hoc (Additional Services per Section 4) services that are not included in the Scope of Services as may be requested by CITY.
- (4) Any Managed Services specifically requested by the City of Palo Alto outside normal business hours (except for P1 incidents and in-scope Managed Services production system work).

(THIS SCOPE OF SERVICES IS CONTINUED ON THE NEXT PAGE.)

SCOPE OF SERVICES – IN DETAIL

1. Key Contacts

CONSULTANT's Key Contacts for this Agreement are as follows below. Day-to-day communications regarding implementation of the Agreement are to be directed to the appropriate Key Contact, as detailed in Section 13 (Project Management) of the Agreement.

Account Manager:

Lyall Hinton
Americas Services
+1 415 343 5368
lyall@labs.epiuse.com

Basis Service Delivery Manager:

Arno Groenewald
Service Delivery Manager
+1 404 528 4347
arnog@labs.epiuse.com

AWS (Cloud) Service Delivery Manager:

Sethu Manuel
Service Delivery Manager
+91 949 682 4501
sethu.manuel@epiuse.com

Address:

2002 Summit Blvd,
#300 Atlanta,
Georgia 30319

2. Managed Services Overview

The purpose of this Scope of Services is to communicate the objectives, deliverables, and activities to carry out this Scope of Services for the provision of AWS Cloud and SAP Basis Support Services (also referred to herein as the "Managed Services") for the City's SAP systems, as defined in Section 14 (Intellectual Property; Data) of this Agreement.

The City SAP landscape is used to deliver business critical functions, and it is pivotal that these systems remain reliable and accurate. The Managed Services delivery model is core in supporting such services, which include:

- Cloud services (AWS), which include platform and infrastructure services.
- Security services providing network and application security protocols to secure and protect valuable personal and City-specific information.
- Basis services with specialized SAP platform maintenance services.

By using EPI-USE developed IP and products, the automated software applications provide the Managed Services team with the ability to proactively monitor, alert and resolve issues before they can cause delays to business-critical functions.

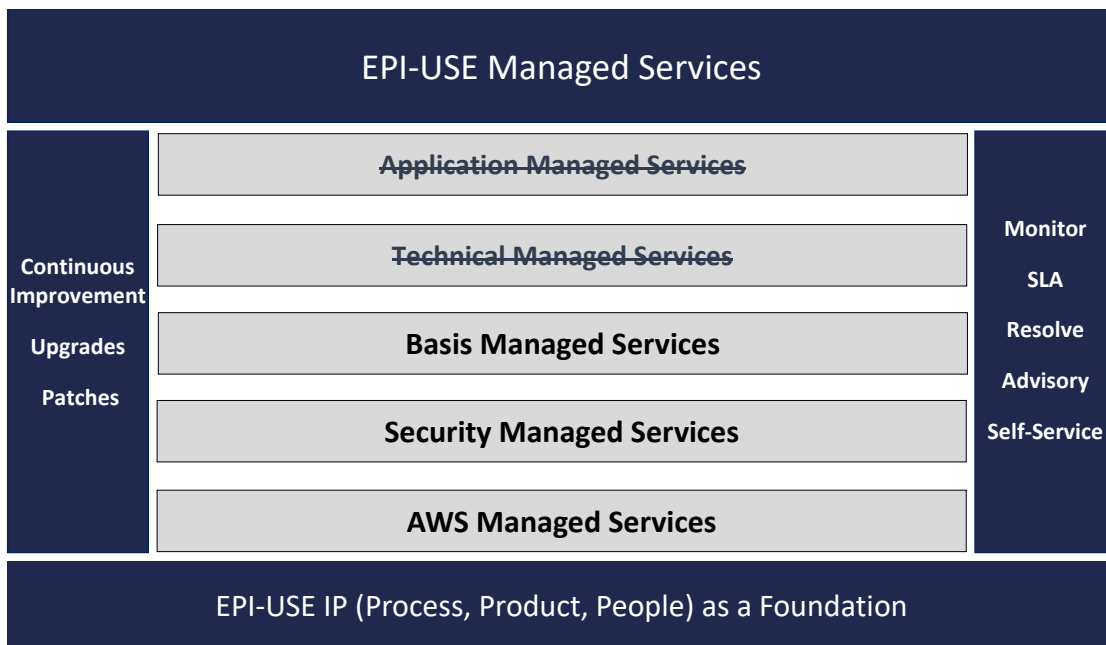
The service delivery framework is made possible with a variety of tasks occurring during a calendar year ranging from daily, weekly, monthly, quarterly, bi-annually, and annual activities. A mixture of run-the-services, proactive support, advisory services, and a centralized ticketing environment ensures this continuity can be achieved. These activities form part of the overall Managed Services solution provided to the City.

To highlight a few:

- 24/7 support, as remote services.
- Daily checks, monitoring, alerts, proactive maintenance and housekeeping.
- Incident management.
- Service level agreement (SLA) tracking.
- Operating system, database and SAP system support packs and patching.
- System refreshes to non-production systems; and
- Client Central for document repository.

To carry out this service, EPI-USE Labs will have the responsibility to determine and manage all qualified and skilled resources used to provide the solution as a service to the City. EPI-USE shall provide the City with Managed Services as outlined in this Scope of Services. . On completion of a transition and onboarding period, EPI-USE will commence with the Managed Services offering.

Figure 1: EPI-USE Labs Managed Services Scope of Services for the City



3. Operating Model

The EPI-USE Managed Services offering provides basis and platform solution coverage across the SAP areas as depicted in Figure 1. The operating model centers around allocating a dedicated single point of contact (SPOC – Service Delivery Managers) per area (Cloud and Basis) to ensure continuity in

communication and solution delivery standards. The team structure will consist of a variety of lead functions to manage architecture, risk, basis, and platform streams. Additionally, the team has been structured in an agile manner, ensuring the required delivery capability is readily available through peak periods.

To ensure continuity with minimal impact, the Managed Services team members will be selected from the large pool of EPI-USE Labs consultants who will become familiar with the City processes and systems.

Some of the main priorities of the Managed Services model will be on monitoring, housekeeping and incident management, governed by Service Level Agreements (SLAs). Incidents, changes, and requests will be raised by CITY with EPI-USE Labs via the EPI-USE ticketing system, Client Central. The EPI-USE Support team will assess incidents quickly and recommend approaches to incident resolution or propose changes to the system.

Standby and after-hours support will be provided for production system emergencies and tasks that cannot be executed during normal business hours. An outline of Roles and Responsibilities is outlined in Addendum B, as some activities will be carried out by the City's internal basis team as detailed therein. Furthermore, SAP basis administration on the Sandbox will be carried out by the City's internal team, while at the same time, EPI-USE Labs will encourage knowledge transfer activities to the City's internal Basis team.

3.1 Service Operating hours

Normal service operating hours relating to normal business hours is detailed below. This excludes US federal holidays.

Monday to Friday: 08:00 to 17:00 US Pacific Time

3.2 Governance

The governance structure for EPI-USE's service delivery will include all stakeholders from EPI-USE and City's IT department (or other staff as needed) in the service delivery model, along with an escalation process, which will be part of the Managed Services engagement itself. Monthly service review meetings (also referred to as steering committee meetings) will be held to monitor and share information about service delivery, for example, about performance, tickets, incidents, and the status of responses to incidents. The three escalation levels are as follows:

- Level 1 – Service Manager (also referred to as Service Delivery Manager)
- Level 2 – Account Executive; and
- Level 3 – Executive Sponsor.

The Service Delivery Manager will resolve most escalations as that role encompasses an overview of all the activities for the City under this Agreement. Issues the Service Delivery Manager cannot resolve will be referred up the escalation structure for resolution at a higher level.

The Service Delivery Manager will be the owner of the monthly service reviews and sit on the steering committee for monthly service reviews. Any additional scope (also referred to herein as Additional Services per Section 4 of this Agreement) items to this Agreement will be outlined and a way forward will be discussed in these meetings, to be implemented in accordance with the provisions of this

Agreement, for example, pursuant to a Task Order per Section 4 or a contract amendment per Section 29.4.

3.2.1 Governance and Review reporting

The following reports will be provided at the monthly service review meeting, or when required:

- Platform performance metrics.
- End-user response times and trends.
- Network statistics.
- CPU performance.
- System uptime.
- Incident SLA reports.
- Total number of tickets handled (both AWS- and SAP-related)
- Storage and usage.
- Backup/DR reporting; and
- AV reporting.

3.3 Service Levels (or “Service Level Agreements” or “SLAs”)

EPI-USE will adhere to the Service Levels detailed below, providing timely resolution of incidents and technical issues, and ensuring that the City’s SAP enterprise resource planning (ERP) system continues to deliver efficient services to the City’ business units. A Service Level may also be referred to herein as a “Service Level Agreement” or “SLA”.

Figure 2:Service Levels (SLA)

Px	Definition	Response time after Notification	Provide Solution Time	Target Resolution Time	Escalation Path
P1	<p>Emergency:</p> <ul style="list-style-type: none"> • Entire organization is affected. • Core business process cannot be carried out. • Security violation. 	1 hour	4 hours	1 day	Resolution > 1 day Escalation path: Email to Service Manager (1 st), Account Executive (2 nd).
P2	<p>Critical:</p> <ul style="list-style-type: none"> • Multiple users or departments are directly affected. • Incident has serious impact on critical tasks and no workaround is available. 	4 hours	1 day	3 days	Resolution > 2 days Escalation path: Email to Service Manager (1 st), Account Executive (2 nd).

	<ul style="list-style-type: none"> Customer affected. 				
P3	<p>High:</p> <ul style="list-style-type: none"> System cannot function as designed or installed. Small group of users are directly affected. Compliance timeline is affected. 	1 day	3 days	Requires resource estimation, City's approval, prioritization, and scheduling	
P4	<p>Medium:</p> <ul style="list-style-type: none"> Small number of users are affected. Isolated incident. Degraded performance and/or is difficult to use. 	5 days	2-3 weeks	Requires resource estimation, City's approval, prioritization, and scheduling	
P5	<p>Low:</p> <ul style="list-style-type: none"> User requests general information, service, or consultation. <ul style="list-style-type: none"> Cosmetic enhancements. Report enhancements. 	5 days	4-6 weeks	Requires resource estimation, City's approval, prioritization and scheduling	

* P2-P5 tickets are subject to core business working hours and exclude out-of-hours, weekends, and public holidays, unless by mutual agreement.

3.3.1 System Availability Service Levels

System availability is defined as the availability of any SAP Service. EPI-USE Labs considers a system available, if it can operate the system within the bounds of the services EPI-USE Labs provides.

Table 1: System Availability

System availability (uptime)	
Landscape	Uptime*
Production	99.5%
Non-Production	99.0%

*Measurement of uptime excludes maintenance windows and other planned downtimes.

System Availability percentage is calculated as follows:

$$\text{System Availability Percentage} = \frac{\text{Total Minutes in the Month} - \text{Downtime}}{\text{Total Minutes in the Month}} * 100$$

System Availability ("SA") determines the minimum system uptime commitment.

Downtime excludes Total Minutes in the Month attributable to:

- Scheduled downtime during a regular maintenance window.
- Any other scheduled downtime, which the City has been notified of at least five business working days prior to such scheduled downtime; or
- Unavailability caused by factors outside of the Supplier's reasonable control, such as unpredictable and unforeseeable events that could not have been avoided, even if reasonable care had been exercised.

Regular Maintenance

EPI-USE Labs would preferably like to set a weekly maintenance window for system and infrastructure. During this time, the City should not expect system uptime (downtimes are not SLA relevant) and should not schedule any jobs or processes. The window can be pre-agreed on prior to contract start. All maintenance downtimes (regular or irregular) will be pre-arranged and pre-approved via the change process.

Recommended maintenance window: Weekly, Saturday: 14:00 to 20:00 PST. (TBD)

Irregular Maintenance

It is possible that certain intensive maintenance activities may not be possible to achieve within the regular maintenance window. In the case of a longer than regular outage, the supplier will provide five days' advance notice and work with the City to find a time window that is most suitable for the City users.

Maintenance exceptions

While EPI-USE will endeavor to accommodate occasional requests for exceptions to these maintenance windows, EPI-USE cannot guarantee that exceptions can be accommodated. The shared nature of many data center facilities dictates certain maintenance requirements. In the case of urgent hardware replacement or security fixes that could otherwise negatively impact the City, as well as the ability of EPI-USE Labs to meet SLA commitments to the City, such changes to maintenance schedules may not always be possible. EPI-USE will consult with the City in the event of these exceptions.

3.3.2 Disaster Recovery Service Levels

A disaster recovery service is applicable to all the production virtual machines. Networking is designed to have a fast recovery time, but in the event of a physical network connectivity failure, the recovery of the production virtual machines can be a manual process. EPI-USE will recover the virtual machines, from replicated backups from the disaster recovery data center. The service levels below are based on the backup and recovery of the SAP systems in the event of a disaster.

Table 2: Disaster Recovery RTO and RPO

Disaster Recovery		
	Scope	Time
RTO	Production servers	24 hours
RPO	Production servers	24 Hours

The recovery time objective (RTO) is the time it will take to recover to the recovery point objective (RPO). The RPO is the point in the past to which the supplier will recover the system.

3.3.3 Backup Frequency and Retention Levels

Backups are broken down into three sections:

- Virtual machine.
- File level; and
- Database.

Below is a summary of the retention policy.

Table 3: Backup and Retention

Backup and Retention policy				
Object	Frequency	Level	Landscape	Retention Period
Virtual machine (with Database)	Daily	Full	All	30 days
Virtual machine (with Database)	Monthly	Full	All	12 months

Virtual machine (with Database)	Yearly	Full	All	3 years (contract period)
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Database backups require the use of the database integration agent that is provided with the backup environment. EPI-USE Labs utilizes a snapshot of the virtual machine, complete with database, which will be taken and retained.

3.4 Managed Services - SAP Systems Inventory

EPI-USE Labs will provide the SAP Service platform in AWS utilizing a virtualized environment as specified below:

- Primary data center location: AWS US-WEST (Oregon)
- The supported City SAP Landscape servers in scope, which will form part of the Managed Services component, are listed in Addendum A: Managed Services SAP Systems Inventory.
- Database: HANA; and
- Operating System: Linux, Windows.

Connectivity: The hosted landscape will be accessible over an encrypted point-to-point IPsec terminating on the City's vWAN hub in AWS and from there into the City environment.

4. Platform (AWS) Managed Services Scope

EPI-USE will deliver a flexible Cloud Managed Service to help the City get the most out of the AWS platform, containing costs and managing complexity.

EPI-USE will be the single provider and administrator to help reduce subscription spend and increase the operational efficiency and effectiveness of the SAP landscape in the cloud.

4.1 Maintain account with AWS

EPI-USE will maintain the AWS account for the City's AWS infrastructure. EPI-USE will also take care of paying the AWS fees on an annual or monthly basis and charge these fees back to the City at AWS list prices. The exact AWS fees payable will only be available after EPI-USE reviews the services and associated costs in the City's AWS account. EPI-USE will conduct a Well-Architected Review that includes a full assessment of the City's AWS spend.

4.2 AWS Platform Support Services

The AWS platform administration will include:

- Subscription and tenancy administration.
- Resource group administration.
- Networking services administration.

- Virtual machine administration.
- Storage administration.
- Connectivity administration from AWS to the City network edge;
- Platform, connectivity, monitoring and alerting
- Security configuration and administration; and
- Backup and disaster recovery administration.

4.3 Operating System Support Services

The service supporting operating systems administration will include:

- Monitoring the operating system.
- Improving system performance
- Operating system administration
- Capacity planning and monitoring
- Operating system patch management
- Antivirus management
- Backup and restore management
- Disaster recovery workload management and testing; and
- General fault and configuration of operating system.

4.4 Deliverables and Frequency

Table 4 refers to the summary deliverable and frequency of platform services.

Table 4: Platform as a Service

Service Area	Deliverable	Frequency
Cloud Services (Platform)	Service desk (Client Central)	Daily
	Incident management	Daily
	Change management (formal change approval)	Weekly
	Request management (small change with no approval)	Daily
	Problem management (RCA)	Daily
	Service level management	Monthly
	Event management	Daily
	Platform Housekeeping and monitoring	Daily

Governance reporting:	Monthly
Performance metrics.	
End-user response times and trends.	
Network statistics.	
CPU performance.	
Backup compliance.	
AV compliance.	
Vulnerability scanning (Quarterly).	
Penetration testing (Annually).	

4.5 EPI-USE's AWS Access

There are two operating modes within AWS Organizations: Consolidated Billing and All Features.

All Features will be enabled. The City's usage and invoices are made available to EPI-USE, and EPI-USE will have full control over what the City's End Customer Accounts can do in accordance with this Agreement including but not limited to Exhibit G (Addendum – Supplemental Terms – AWS Solution Provider Program for End Customers). Additionally, through AWS Single Sign-On integration with AWS Organizations, EPI-USE will also have access to Client Content. EPI-USE will provide access to their Program Management Account to the City and will work with the City to use only IAM to access the Program Management Account. Further, EPI-USE may choose to restrict its access to the Program Management Account via its root user credentials, by working with the City to implement multi-factor authentication and giving City sole control over one of the factors required for authentication. To access a copy of the AWS Organizations user guide, visit https://docs.aws.amazon.com/organizations/latest/userguide/orgs_introduction.html (or any successor or related location designated by AWS, as may be updated by AWS from time to time).

4.6 AWS Support

In managing the City's AWS account, EPI-USE will register the City for the support type the City has selected below and will include the City as a named support contact. The City's named support contact person will be determined during the onboarding process, and, as needed thereafter, may be changed by written notice to EPI-USE from the City's Project Manager or Chief Information Officer.

The City hereby selects the continued use of **AWS Business Support** for the performance of this Agreement. Signing this Agreement provides written confirmation of this selection.

4.7 [RESERVED]

5. Security Managed Services Scope

EPI-USE Labs will maintain ISO 27001 certification and on an annual basis an SSAE16-SOC 2 report, or their equivalent can be made available to the City on request. EPI-USE will handle the City data according to its information classification and handling standards. The City information is classified as Confidential and appropriate information handling, human resources and technical security measures are in place to reduce the risk of accidental or malicious information disclosure. EPI-USE have adopted the ISO 27001 information security framework, which governs all aspects of information security. EPI-USE have been certified as ISO 27001 compliant by external, accredited auditors.

5.1 Data and Security

EPI-USE Labs uses reasonable security technologies in providing the services. EPI-USE Labs will implement technical and organizational measures to secure personal data processed in the services, in accordance with applicable data protection laws.

The City is responsible for the City data and entering it into the SAP cloud systems.

EPI-USE will be connecting to the City's AWS environment in two ways and both these processes are transparent as they are logged in detail.

- SSM method through AWS web console. With this method, the complete access is logged by AWS itself and city will have access to these log entries from the AWS console.
- Through Openvpn, managed by EPI-USE. The Openvpn server logs these entries in great detail, which may be accessed through the Openvpn server admin web panel. Both services provide the City with complete access to the log records of connected users.

Security responsibilities – Table 5 specifies which of the parties are responsible for the various security areas.

Table 5: Security Responsibilities

Security Area	EPI-USE Responsible	City Responsible
Firewall on AWS platform	X	
Intrusion Detection System on AWS platform	X	
Virtual Private Connection on AWS platform	X	
Virtual Private Connection at the City site		X
Virtual Private Connection on end user devices		X
Access Control and User Management on Operating System	X	

Access Control and User Management on Database	X	
Application Access Control and User Management on SAP		X
Patch Management on Operating System	X	
Infrastructure/Database Access Control and User Management	X	
Internal Vulnerability Scanning	X	
Manage AWS Security Services (Security Hub, Guardduty, Inspector etc..)	X	

6. Basis Managed Services Scope

EPI-USE Labs will be responsible for SAP Basis Managed Services for the SAP landscape. The following services are included.

6.1 Daily Checks and Housekeeping

The purpose is to check and maintain to be proactive should any incident or requests arise. Housekeeping will constitute preventative proactive management and various automation activities will be carried out where applicable. EPI-USE Labs will enable the City to have visibility of critical systems with the use of EPI-USE Labs software or 3rd party software, if required. EPI-USE Labs will carry out these tasks once either daily, weekly, or monthly and the check sheets/reports will be made available to the City on the Client Central Workspace. Where possible, these tasks will be carried out automatically with the use of EPI-USE Labs or 3rd party software.

6.2 Monitoring and Alerts

EPI-USE Labs will monitor all hosted systems and alert on critical events, using EPI-USE Labs and/or third-party software. A critical event is defined as:

- SAP production outage which influences critical business functions.

For critical events, EPI-USE will be alerted (via a paging system to the standby team) of the defined critical event, triggering an automated P1 incident entry in Client Central. This in turn will, initiate the P1 incident response procedure.

The P1 response procedure in client central will add the applicable the City system owners (Defined in Client Central) as watchers to the ticket, which will in turn send an email to all watchers every time new information is added or changed to this P1 ticket. Response times and resolution times will adhere to the defined SLA times.

A contact list will be generated for contacting business unit owners (including a backup resource). This will be used to drive any communication via Client Central tickets that would arise during an outage or serious issue.

6.3 SAP Basis Landscape Advisory

EPI-USE will provide SAP landscape advisory services on an ongoing basis. These recommendations will be discussed in the monthly review meetings. This advisory service will pertain to SAP performance enhancements and short, medium, and long-term SAP landscape roadmap guidance. The following are:

- Advice on end of SAP support on SAP versions.
- Advice on target SAP versions available.
- Advice on target SAP kernel.
- Advice on target enhancement pack.
- Advice on latest database version.
- Advice on capacity planning.
- Proactive Basis process and setup improvements
- Large HANA database tables in production; and
- HANA Database sizes/growth.

6.4 Support Pack updates

This function is deemed part-and-parcel of the SAP Basis managed services. EPI-USE Labs will apply the following:

- Database patches annually
- SAP Kernel updates bi-annually
- Security patches, where deemed necessary and as required
- SAP service packs annually
- SAP HR legal patches annually
- SAP Notes on request

Major software (OS, DB, Application) release upgrades e.g. a full release upgrade and EHPs are excluded from the scope of work and will be handled as separate projects. Functional and application testing will not form part of the scope of these upgrades and is limited to the technical application.

6.5 System Refreshes (as-needed, upon request)

EPI-USE will help launch the CITY's separately contracted-for Libelle system refresh tool once per quarter, as a part of the support services. Once launched, the City staff will complete the system refresh operation. SAP system client copies, using the standard SAP tools, are included under the support services.

To implement any additions to this Scope of Services, a Task Order for Additional Services pursuant to Section 4 (Not to Exceed Compensation) will be used. As detailed in Section 13 (Addendum C: Change Request Form) below, a Change Request Form (shown in Addendum C) may only be used pursuant to Section 4 (Not to Exceed Compensation) of this Agreement, regarding Additional Services, as an Attachment A (Scope of Work) to an approved Task Order as detailed in Section 4.

6.6 Deliverables and Frequency

Table 6 refers to the summary deliverable and frequency of Basis Managed Services.

Table 6: Basis as a Service Deliverables

Service Area	Deliverable	Frequency
Basis Services	Service desk (Client Central)	Daily
	Incident management	Daily
	Change management (formal change approval)	Weekly
	Request management (small change with no approval)	Daily
	Problem management (RCA)	Daily
	Service level management	Monthly
	Event management	Daily
	Patches	Annual
	Basis Housekeeping and monitoring	Daily
	Governance reporting: System uptime. Incident SLA reports. Performance metrics. Storage and usage.	Monthly

6.7 Excluded from Scope

The following tasks are specifically excluded from the Scope of Services of this Agreement and, if desired, would need to be implemented via a Task Order as Additional Services pursuant to Section 4 (Not to Exceed Amount), or via contract amendment pursuant to Section 29.4, of this Agreement:

- Major SAP NetWeaver release upgrades.

- User access management, SAP Authorizations and Roles.
- Although the technical transport management function is part of the responsibility of EPI-USE Labs, the change management process and approval of changes will remain the responsibility of the City.
- End user device support is excluded (e.g., printers, desktops, SAP GUI)
- Additional SAP NetWeaver application implementations and the support of these environments after implementation.
- All other services outside the current SAP landscape.

6.8 General Assumptions

- Business days are Mondays to Fridays excluding federal holidays
- Business hours are between 8AM and 5PM (PST)
- Support is offered during business hours, except for P1 Incidents, which are, supported 24/7
- Measurement of service levels is suspended for the time that an incident is under the responsibility of the City or any third party or EPI-USE Labs
- EPI-USE Labs will assign a Service Delivery Manager to the City who will be responsible for all support- related issues
- If standby is required for P2 to P4 incidents outside of business hours, the City can request this before the time
- After-hours work should be limited to 10 (ten) hours per month, excluding work for P1 incident
- All requests for after-hours support must be submitted 48 hours in advance. These requests must be directed to the applicable Service Delivery Manager
- All service requests must be submitted in ticket form, regardless of verbal or email agreements. SLA's are measured based on tickets only.

7. On-boarding, Transfer and Transitioning

The transition and handover phase will be critical to the success of our support service. The onboarding process starts with the handover between the EPI-USE team and the City team of the existing SAP systems, AWS platform and AWS account. This phase should commence in the month prior to the actual ongoing Managed Services engagement commencing. Service transition will be crucial to ensuring that EPI-USE has a good understanding of:

- City's latest system platform, landscape, and configuration
- to transfer the existing AWS Account and billing responsibility to EPI-USE
- the organization and how it operates
- the internal support team's skills and capabilities
- other vendors that provide support (EPI-USE will require information)
- any outstanding and open tickets.

By assessing these elements of the current support service, EPI-USE will be better placed to advise on service management processes, transition steps, and knowledge transfer requirements as part of the transition phase.

Transition activities will include the review of documentation, facilitated workshops with the City, and system familiarization.

The transition phase consists of three main areas: Assessment (information gathering), Design and Setup, and Handover, as further detailed below.

Assessment (information gathering)

During this phase, EPI-USE will spend time reviewing:

- all documentation (including but not limited to functional, technical, and business process documentation)
- the platform, landscape setup and configuration
- to transfer the existing AWS Account, and this will entail:
 - EPI-USE have root access to the AWS account
 - The AWS account has been un-linked from the incumbent outgoing provider's AWS Master Payer account (if applicable)
 - EPI-USE's payment method has been updated in the account
 - An AWS support plan has been agreed for the AWS account
- the current status of outstanding incidents and service requests
- skills of the internal support and IT teams
- current support procedures (incident management, change management).

Design and Setup

Given sufficient information, EPI-USE will start designing the support service to be delivered from the start of the contract including:

- Adjusting the support methodology and processes to fit the City's requirements. This will be done in collaboration with the City.
- Aligning with the City's incident and change management processes and introducing and knowledge transfer of Client Central.
- Discussing and designing a skills' matrix and recommending a knowledge transfer plan.
- Assessing the gap – if any – in levels of documentation required (for business processes, configuration, and system landscape) and agreeing to an approach to fill this gap.
- Agreeing on an approach to handover from the incumbent outgoing provider, ensuring that all outstanding incidents and service requests are addressed.

Handover

Handover to EPI-USE Labs is the last transition phase. EPI-USE will start to take on some elements of the support contract while allowing the outgoing supplier to close existing incidents and service requests. Normally, EPI-USE would recommend a period of joint operation when EPI-USE takes responsibility for the resolution of new issues. This transition period with the incumbent outgoing provider can be up to two weeks. The Design and Setup phase normally ensures that the responsibilities for all parties are clearly agreed and that all parties, including the incumbent outgoing provider, are in agreement with the approach. This is important to ensure continuity of service for the City.

The three-stage process is applied in conjunction with the fundamental principle of People, Process and Technology, which forms the foundation for successful service management. In order to transition

smoothly from the City's incumbent outgoing provider to EPI-USE, all three key areas need to be carefully considered as part of the transition planning.

8. Ad-hoc Services (as needed, upon request)

Perform ad-hoc services on as-needed requests that are not covered in the Scope of Services. These services constitute Additional Services under Section 4 (Not to Exceed Compensation) of this Agreement, implemented pursuant to City-approved Task Order as detailed in Section 4. Examples of such Additional Services include without limitation:

- (1) Perform ad-hoc (Additional Services per Section 4) hosting and networking services such as enabling additional AWS services, building new application and/or database servers that are not included in the Scope of Services.
- (2) Perform ad-hoc (Additional Services per Section 4) Basis services such as installation and configuration of new SAP applications and SAP HANA databases that are not included in the Scope of Services.
- (3) Perform other ad hoc (Additional Services per Section 4) services that are not included in the Scope of Services as may be requested by CITY.
- (4) Any Managed Services specifically requested by the City of Palo Alto outside normal business hours (except for P1 incidents and in-scope Managed Services production system work).

9. Client Central Service Desk

Client Central will be utilized as a service desk for the Managed Services support, with Client Central user and role management included. Further to the service desk (ticketing) offering, a knowledge base and downloads area will be allocated in the workspace for various shared documents and artefacts for e.g., platform information, technical documents, functional documents, how-to, solution suggestions, recorded video trainings and suggestions.

9.1 Service Desk Ticketing

Standard features included:

- Ticket feature to record all incidents, changes or activity with the date and time of change as well as the person responsible for the change.
- Attachments can be added to each ticket. This is stored on the ticket itself (unless removed) and is separate from the downloads mentioned above.
- The ticket records and displays the response and resolution time on the ticket, in relation to the defined SLA.
- Buttons are used to drive the workflow on a ticket and change it from one state to another, e.g., in progress, awaiting info or completed. They can be configured to require a comment or to simply progress the workflow. Buttons can be colored as required to highlight the purpose of the button (e.g., green for approval).
- States in a workflow have the following qualities:

- The name can be defined as required.
- The color can be used to better show the purpose of the status (e.g., green for approved).
- The status can either be open (SLA is counting), waiting (SLA is paused, someone is waiting for feedback) or closed (the SLA has been stopped and ticket has been resolved).
- Tickets can be linked to each other to quickly navigate between relevant tickets.
- Tickets can be filtered based on any of the fields in the ticket, assignee, status, SLA compliance, date updated, and status. This helps to easily find and report on individual tickets.
- Big scale reporting can also be done on any of the above-mentioned factors. City can use the information to build graphs in Client Central to display specific data visually.
- Custom filters can be built so that reports can be saved and reused as required

9.2 Ticket Type and Description

- Incidents: Incidents happening in the landscape that interrupts daily operation. Typically logged by the City's users.
- Change request: Scheduled changes, usually preceded by a Service request. A single change request documents the changes made (as specified in a service request) per individual landscape tier as the date and time of each change is different. This results in one Service request and multiple change requests connected to it.
- Service requests: non-incidents (typically) logged by Business to implement/change something in the landscape.
- Problem ticket: mainly used for keeping track of RCA investigations. Also used to keep track of performance/service improvement mini projects. Typically, all P1 Incidents require an associated Problem ticket, but multiple Incidents can be linked to the same Problem ticket.
- Events: Tickets logged by the Managed Services team to communicate proactive monitoring incidents. This is usually connected to monitoring tool alerts or monitoring/daily health checks performed by the Managed Services.
- Internal KB: Requests for Knowledge base article creation on a certain subject.
- Patch: Pro-Active patches/alerts (typically from 3rd party vendors like SAP, OS vendors, etc.)
- Define-your-own wherein City can define its own ticket type/description.

9.3 Knowledge Base Area

The Knowledge base consists of documents of a word-type format that can be created by and shared with authorized users. They can also be added to tickets as required by pasting the article link on the ticket.

The structure can be configured by creating nested directories if required. City can search for a knowledge base article by using the search bar. The search bar works with a wildcard search technique to search for matching content in all articles, or City can search for tags that were added to the article during the article creation.

9.4 Downloads Area

Downloads is a dedicated document repository for business relevant documents that can be uploaded to, downloaded from, and shared with authorized users.

The structure can be configured by creating nested directories if required. City can search for a file by using the search bar based on the file name or description.

10. Costing and Fees

Costing and fees for this Agreement shall be as detailed elsewhere in this Agreement including but not limited to Section 4 (Not to Exceed Compensation) and Exhibit C (Compensation).

10.1 AWS Fees

Estimated AWS fees are provided in Exhibit C (Compensation) of this Agreement, however, as noted in said Exhibit C, AWS consumption will be invoiced based on actual AWS spend and using AWS's actual published list prices. AWS fees will be invoiced separately from the Managed Services fees and billed on a monthly basis.

Reserved Instance and Savings Plan purchases will be reviewed on an as-needed basis and these purchases are required to be approved by the City pursuant to a Task Order as Additional Services under Section 4 (Not to Exceed Compensation), or as a contract amendment pursuant to Section 29.4, of this Agreement. Depending on the commitment period these purchases will be paid by the City all upfront or amortized over the duration of the remaining Agreement term, pursuant to a Task Order as Additional Services under Section 4, or as a contract amendment pursuant to Section 29.4, of this Agreement.

Notwithstanding any information received to date; any additional clarifications which may have been provided, or the outcome of any discovery workshops conducted, EPI-USE has calculated its AWS pricing based purely on its current understanding of the City's requirements. The City therefore acknowledges that, except for items which may arise solely because of EPI-USE's actions during the engagement, EPI-USE shall be entitled to recover AWS fees for those items which would not have been known at the outset of the engagement, and which increases the AWS spend budget. Any changes outside of the AWS spend budget stated in this Agreement, shall be approved in writing by the City pursuant to a Task Order as Additional Services under Section 4 (Not to Exceed Compensation), or as a contract amendment pursuant to Section 29.4, of this Agreement.

If the City exceeds the usage limits applicable to the AWS Service subscription, the City agrees to pay for the fees and charges for such over-usage pursuant to a Task Order as Additional Services under Section 4 (Not to Exceed Compensation), or as a contract amendment pursuant to Section 29.4, of this Agreement. For any extension of a subscription term within the term of this Agreement or the provision of a Service upgrade, the then-current AWS price will apply. At the beginning of each new subscription term within the term of this Agreement, EPI-USE may, in consultation with the City, increase AWS fees to reflect increased AWS costs imposed by AWS. Not raising fees is not a waiver of EPI-USE's right to do so if AWS raises its fees. EPI-USE will notify the City as soon as practicable of any changes in AWS fees by e-mail. Failure by the City to pay the fees when due and payable, if not timely cured by City after notice of the failure from Consultant, may result in suspension of access to, or rights to use the Services.

11. Addendum A: Managed Services Systems Inventory

The AWS infrastructure services inventory to be included on the AWS managed services:

Table 7: AWS services inventory

Service	Configuration summary
S3 Standard	50 TB per month PRD
Amazon FSx for Windows File Server	Desired storage capacity (1 TB) STG
Amazon Virtual Private Cloud (VPC)	Number of Site-to-Site VPN Connections (10) QAS
Amazon Elastic File System (EFS)	Data stored in Standard storage (5 TB per month) DEV
Amazon S3 Glacier (Glacier API only)	S3 Glacier storage (10 TB per month) SBX
Amazon EC2 (r5.large) Quantity - 12	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) PRD
Amazon EC2 (r5.xlarge) Quantity - 8	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) STG
Amazon EC2 (x1.16xlarge) Quantity - 3	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (4000 GB) QAS
Amazon EC2 (t2.small) Quantity - 2	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) DEV
Amazon EC2 (t2.xlarge) Quantity - 1	Operating system (Windows), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) PRD
Amazon EC2 (m5.large) Quantity - 1	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB)

	STG
Amazon EC2 (m4.2xlarge) Quantity - 1	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) QAS
Amazon EC2 (r5a.large) Quantity - 4	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (150 GB) DEV
Amazon EC2 (r5.2xlarge) Quantity - 1	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) PRD
Amazon EC2 (t2.xlarge) Quantity - 1	Operating system (Linux), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (500 GB) STG

The corresponding SAP systems relevant within the scope of Managed Services:

Table 8: SAP System inventory

City SAP systems				
System type	Version	Tier	Database	Operating system
ECC	EHP 8	PRD	HANA	Suse Linux
ECC	EHP 8	STG	HANA	Suse Linux
ECC	EHP 8	QAS	HANA	Suse Linux
ECC	EHP 8	DEV	HANA	Suse Linux
ECC	EHP 8	SBX	HANA	Suse Linux
BW	7.5, SP16	PRD	HANA	Suse Linux
BW	7.5, SP16	STG	HANA	Suse Linux
BW	7.5, SP16	QAS	HANA	Suse Linux
BW	7.5, SP16	DEV	HANA	Suse Linux
CRM	7.0, EHP4	PRD	HANA	Suse Linux
CRM	7.0, EHP4	STG	HANA	Suse Linux
CRM	7.0, EHP4	QAS	HANA	Suse Linux
CRM	7.0, EHP4	DEV	HANA	Suse Linux
Gateway		PRD	HANA	Suse Linux
Gateway		STG	HANA	Suse Linux
Gateway		QAS	HANA	Suse Linux

Gateway		DEV	HANA	Suse Linux
ESS/ MSS Portal		PRD	HANA	Suse Linux
ESS/ MSS Portal		STG	HANA	Suse Linux
ESS/ MSS Portal		QAS	HANA	Suse Linux
ESS/ MSS Portal		DEV	HANA	Suse Linux
Solution Manager		PRD	HANA	Suse Linux
NWDI		DEV	HANA	Suse Linux
BSI Taxfactory/Jump Server		PRD	HANA	Suse Linux
Open VPM Server		PRD		Suse Linux
SAP Router		PRD		Windows
SAP AD		PRD		Windows
Fiori Frontend		PRD	HANA	Suse Linux
Fiori Frontend		STG	HANA	Suse Linux
Fiori Frontend		QAS	HANA	Suse Linux
Fiori Frontend		DEV	HANA	Suse Linux
HANA DB Server		PRD	HANA	Suse Linux
HANA DB Server		QAS STG	HANA	Suse Linux
HANA DB Server		DEV	HANA	Suse Linux

12. Addendum B: City and EPI-USE Labs Responsibilities

The following table will define the high-level responsibilities of the parties in a RACI format.

Table 9: RACI Table

ID	Service R – Responsible, A - Accountable, C – Communicated, I – Informed, P- Participate	Frequency	EPI-USE	CoPA
1	Service Management			
1.1	Account Management			
1.1.1	Governance meetings	Monthly	RAC	RAC
1.1.2	Platform capacity planning (usage-based)	Ongoing	R	CI
1.1.3	Platform capacity planning (future project-based)	Quarterly	R	CI
1.1.4	Provide SLA and usage reports and performance metrics	Monthly	RA	CI
1.2	Service Request Management			
1.2.1	Log service requests in Client Central	Ongoing	CI	RA
1.2.2	Review, approve service requests	Ongoing	RA	RA
1.3	Incident Management			
1.3.1	Daily support desk operations	Ongoing	RA	RA
1.3.2	Review, approve, resolve, escalate incidents	Ongoing	RA	RA
1.3.3	Confirm resolved incidents/solutions	Ongoing	RA	RA
1.3.4	Create incidents/solutions	Ongoing	RA	RA
1.4	SAP Online Support Service			
1.4.1	Create OSS users	Ongoing	CI	RA
1.4.2	Assign OSS permissions	Ongoing	CI	RA
1.4.3	Manage developer keys	Ongoing	CI	RA
1.4.4	Manage object keys	Ongoing	CI	RA
1.4.5	Support management of S-User ID	Ongoing	CI	RA
1.4.6	Monitor remote support connection to OSS	Ongoing	CI	RA

1.4.7	Open/close SAP remote support connections	Ongoing	CI	RA
2	Infrastructure			
2.1	Data Center Management			
2.1.1	Infrastructure (AWS) all support	Ongoing	RA	CI
2.1.2	AWS tenancy administration	Ongoing	RA	CI
2.2	Network Management			
2.2.1	Proactively monitor data center networks and utilization	Ongoing	RA	CI
2.2.2	Change data center network configuration	Ongoing	RA	CI
2.2.3	All network maintenance	Ongoing	RA	CI
2.3	Storage Management			
2.3.1	Proactively monitor storage performance & capacity	Ongoing	RA	CI
2.3.1	Manage data files, file systems and disks	Ongoing	RA	CI
2.3.1	Scale storage capacity (additional)	Request	RA	CI
2.4	Operating System			
2.4.1	Create/maintain OS users	Ongoing	RA	CI
2.4.2	Monitor for/report security incidents	Ongoing	RA	CI
2.4.3	Configure/change OS parameters	Ongoing	RA	CI
2.4.4	Monitor/remediate OS, logs, file systems	Ongoing	RA	CI
2.4.5	Interact with vendor to remediate OS issues	Ongoing	RA	CI
2.4.6	Proactively monitor swap and paging	Ongoing	RA	CI
2.4.7	Proactively monitor memory usage	Ongoing	RA	CI
2.4.8	Manage OS patches	Ongoing	RA	CI
2.4.9	Perform OS upgrades	Ongoing	Project	CI
2.5	System Startup/Shutdown			
2.5.1	Scheduled OS/hardware system startup & shutdown	Request	RA	CI
2.5.2	Shutdown/restart OS/hardware after failure/maintenance	Ongoing	RA	CI

2.6	Backup/Restore			
2.6.1	Perform periodic file system and database backups	Ongoing	RA	CI
2.6.2	Requests for ad-hoc backups	Ongoing	RA	CI
2.6.3	Monitor backup processes	Ongoing	RA	CI
2.6.4	Perform periodic backup/restore testing; include result in the relevant report	Biannual	RA	CI
2.6.5	Perform restore and recovery of file systems/databases/tables after failure	Ongoing	RA	CI
2.6.6	Perform restore and recovery of file systems/databases/tables upon request	Ongoing	RA	CI
2.6.7	Perform verification of restored systems	Ongoing	RA	CI
2.6.8	Perform functional verification	Ongoing	RA	CI
2.7	Integration			
2.7.1	Configure integration with customer directory service	Ongoing	RA	CI
2.7.2	Integration with SAP Cloud (Network connections and VPN)	Ongoing	RA	CI
2.8	SFTP Service			
2.8.1	Provide file sharing on hosted systems	Request	RA	CI
2.8.2	User and access management to hosted systems	Request	RA	CI
2.8.3	Create/maintain shared folders	Request	RA	CI
2.8.4	Implement and maintain antivirus software on servers	Ongoing	RA	CI
2.8.5	Antivirus software licenses	Ongoing	RA	CI
2.8.6	Backup data on shared folders	Ongoing	RA	CI
2.8.7	Restore data on shared folders	Request	RA	CI
3	Database Management			
3.1	SAP HANA			
3.1.1	Proactively monitor database health and resource usage	Ongoing	RA	CI

3.1.2	Monitor table growth to prevent operational issues	Ongoing	RA	CI
3.1.3	Partition/rebalance tables due to uneven growth	Ongoing	RA	CI
3.1.4	Plan and perform file system extensions	Ongoing	RA	CI
3.1.5	Perform HANA housekeeping (manage logs, traces, free up resources)	Ongoing	RA	CI
3.1.6	Maintain HANA configuration parameters based on best practices	Ongoing	RA	CI
3.1.7	Start/stop database	Request	RA	CI
3.1.8	Add hardware for scale-out configuration	Request	RA	CI
3.1.9	Update/patch database	Ongoing	RA	CI
3.1.10	Configure HANA Transports Management	Request	RA	CI
3.1.11	Implement /maintain additional SAP tools (in HANA context delivered by SAP)	Request	RA	CI
3.1.12	Analyze and optimize expensive SQL statements for improved performance	Request	RA	CI
3.1.13	System troubleshooting to resolve issues and return HANA to normal operation	Ongoing	RA	CI
3.1.14	Create/maintain HANA Studio users	Request	RA	CI
3.1.15	Management of database users	Ongoing	RA	CI
3.1.16	Backups	Ongoing	RA	CI
3.1.17	Recover database after technical issues	Ongoing	RA	CI
4	Basic Operations			
4.1	Monitoring			
4.1.1	Configuration of basis monitoring tools	Ongoing	RA	CI
4.1.2	Monitoring of alert consoles for different tools	Ongoing	RA	CI
4.1.3	Logging of performance events	Ongoing	RA	CI
4.1.4	Respond to events according to notification and escalation procedures	Ongoing	RA	CI
4.1.5	Identification, installation, and activation of monitoring tools	Ongoing	RA	CI

4.2	SAP Upgrades & Enhancement Packs			
4.2.1	SAP Major release upgrades	Request	Project	CI
4.2.2	SAP Enhancement Pack upgrades	Request	Project	CI
4.2.3	Upgrade database	Request	RA	CI
4.2.4	Perform functional changes and developments	Request	CI	RA
4.2.5	Testing of upgraded system and functionality	Request	CI	RA
4.3	SAP Support Packs			
4.3.1	Apply SAP kernel upgrades	Biannual	RA	CI
4.3.2	Apply SAP patches	Annual	RA	CI
4.3.3	Apply SAP Notes	Request	RA	RA
4.3.4	Post-support pack testing	Request	CI	RA
4.4	SAP Security Management			
4.4.1	Create/maintain/review/audit roles, profiles, authorizations	Ongoing	CI	RA
4.4.2	Create/maintain/lock/unlock users, assign roles	Ongoing	CI	RA
4.4.3	Maintain users/roles/profiles in client 000	Ongoing	RA	CI
4.4.4	Provide customer access to client 000	Request	RA	CI
4.4.5	Monitor and share information about security fixes published by SAP	Ongoing	RA	RA
4.5	Client Copies & Refreshes (excludes repository, to non-production targets)	Maximum quarterly		
4.5.1	Perform copy/refresh	Request	CI	RA
4.5.2	Perform technical post-processing	Request	CI	RA
4.5.3	Perform validation of copied/refreshed system	Request	CI	RA
4.6	System Copies (to non-production)			
4.6.1	Perform system copy	Request	CI	RA
4.6.2	Perform technical post-processing	Request	CI	RA
4.6.3	Perform validation of installed system	Request	RA	CI

4.7	Change Control			
4.7.1	Application development, customizing, configuration, maintenance, support	Ongoing	CI	RA
4.7.2	Planning change requests	Ongoing	CI	RA
4.7.3	Apply SAP notes for applications	Ongoing	CI	RA
4.7.4	Apply SAP security notes	Ongoing	RA	RA
4.8	Printer Management			
4.8.1	Create, change, lock, unlock, maintain printers within SAP	Request	CI	RA
4.8.2	Printers within SAP, configured on the OS (due to security constraints)	Request	RA	CI
4.8.3	Analyze printing and spool issues	Request	CI	RA
4.8.4	Spool system housekeeping	Ongoing	CI	RA
4.8.5	Design and implement print forms	Request	CI	RA
4.8.6	Troubleshoot issues with printer hardware	Request	CI	RA
4.9	Desktop Support			
4.9.1	SAPGUI support	Request	CI	RA
4.9.2	SAP SSO support	Ongoing	CI	RA
4.9.3	Desktop and front-end user support	Request	CI	RA
4.10	Additional Proactive Services			
4.10.1	Analyze SAP EarlyWatch Alert reports and consider technical recommendations	Ongoing	RA	CI
4.10.2	Implement data archiving strategy and processes	Request	CI	RA
4.10.3	Monitor and maintain data archiving systems	Ongoing	CI	RA
4.11	System Installations / Migrations			
4.11.1	Install new systems / migrate from on premise to cloud	Request	Project	CIP
4.11.2	Technical configuration of all installed/migrated systems	Request	Project	CIP
4.11.3	Integration of new/migrated systems to cloud operations environment	Request	Project	CIP

4.11.4	Integrate all hosted systems with customer Solution Manager in cloud	Request	Project	CIP
4.12	Disaster Recovery			
4.12.1	Implement disaster recovery setup according to architecture blueprint	Request	RA	CIP
4.12.2	Develop plan for disaster recovery (data center and system infrastructure only)	Request	RA	CIP
4.12.3	Manage and monitor disaster recovery architecture and replication	Ongoing	RA	CIP
4.12.4	Develop plan for disaster recovery of applications and connectivity to cloud	Request	RA	CIP
4.12.5	Test disaster recovery system (data center and system infrastructure only)	Quarterly	RA	CIP
4.12.6	Execute full disaster recovery failover test	Annually	RA	CIP
4.12.7	Technical and connectivity testing for disaster recovery failover	Annually	RA	CIP
4.12.8	Application testing for disaster recovery failover	Annually	RA	CI
4.13	Management of Local Area Network			
4.13.1	Provide and maintain network at sites	Ongoing	CI	RA
5	NetWeaver ABAP Operations			
5.1	General Operations			
5.1.1	Proactive availability monitoring of SAP instances	Ongoing	RA	CI
5.1.2	Troubleshooting SAP instances	Ongoing	RA	CI
5.1.3	Analyze systems logs and fix technical failures	Ongoing	RA	CI
5.1.4	Proactive monitoring of SAP processes	Ongoing	RA	CI
5.1.5	Analyze update terminations and take appropriate action	Ongoing	RA	CI
5.1.6	Clean up terminated updates	Ongoing	RA	CI
5.1.7	Analyze lock entries and take appropriate action	Ongoing	RA	CI

5.1.8	Proactively monitor ABAP short dumps	Ongoing	RA	CI
5.1.9	Troubleshoot performance issues (excludes ABAP and application issues)	Ongoing	RA	CI
5.1.10	Maintain SAP system profile parameters	Ongoing	RA	CI
5.1.11	Implement/update tools for SAP support service readiness	Ongoing	RA	RA
5.1.12	Management of web service runtime	Ongoing	CI	RA
5.1.13	Configure RFC connections to SAP and non-SAP systems	Ongoing	CI	RA
5.2	Interface Administration			
5.2.1	Create/execute/monitor/troubleshoot batch input sessions	Ongoing	RA	CI
5.2.2	Configure/monitor/troubleshoot interfaces and related (IDOCs, scripts etc.) basis configuration	Ongoing	RA	CI
5.3	Job Scheduling			
5.3.1	Schedule and monitor standard housekeeping jobs	Ongoing	RA	CI
5.3.2	Schedule/monitor/change application batch jobs	Request	CI	RA
5.4	Change Control			
5.4.1	Configure and maintain SAP Transport Management System and routes	Request	RA	CI
5.4.2	Release tasks and transport requests	Ongoing	CI	RA
5.4.3	Import transport requests	Request	CI	RA
5.4.4	Troubleshooting SAP Transport Management System	Ongoing	RA	CI
5.4.5	Address functional transport issues	Ongoing	CI	RA
5.4.7	Testing of completed transport requests	Ongoing	CI	RA
6.0	Sandbox Basis administration	Ongoing	RA	P
6.1	Knowledge transfer to City basis on Sandbox	Ongoing	R	P

13. Addendum C: Change Request Form

The Change Request Form provided below may only be used pursuant to Section 4 (Not to Exceed Compensation) of this Agreement, regarding Additional Services, as an Attachment A (Scope of Work) to an approved Task Order as detailed in Section 4. The Change Request Form, by itself, is not permitted to be used separate from a Task Order as detailed under Section 4 and any use of a Change Request Form that is separate from and not part of an approved Task Order as detailed under Section 4 shall be void and without effect.

Agreement ref:	Originator:
Client name: City of Palo Alto	Change request date:
Title of change:	
Reason for change:	Include an outline of the reason for the change and the impact of not implementing it. Attach written change request.
Description of change:	Include full details of the change including any specifications, areas of the Services impacted.
Impact on charges:	Include full details of any charges, if any, for the change, and any revision to the charges.
Impact on agreement:	Describe the resulting updates to the Clauses and Schedules to the Agreement.
Implementation schedule:	
Assumptions / additional information:	Provide any assumptions made at the time of the change and any relevant supporting information.

14. [RESERVED]

15. [RESERVED]

**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

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. Exhibit A (Scope of Services) also contains deliverable and frequency information for the provision of Services under this Agreement.

Milestones	Completion Number of Days/Weeks (as specified below) from NTP
1. Task 1: Transfer existing AWS hosting account in AWS cloud	5 to 6 weeks
2. Task 2: Maintain account with AWS for hosting City’s infrastructure	Annual ongoing
3. Task 3: Perform hosting and networking maintenance services	Annual ongoing
4. Task 4: Perform SAP Basis Services	Annual ongoing
5. Task 5: Perform ad-hoc services on as needed requests that are not covered in the Scope of Services. These services constitute Additional Services under Section 4 (Not to Exceed Compensation) of this Agreement, implemented pursuant to City-approved Task Order as detailed in Section 4.	As-needed basis with the performance schedule as provided in the approved Task Order, as noted in the checkbox below.

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

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 rate schedule attached as Exhibit C-1 up to the not to exceed budget amount for each task 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.

(CONTINUED ON THE NEXT PAGE.)

BUDGET SCHEDULE

TASK	NOT TO EXCEED AMOUNTS			
	CONTRACT YEAR 1	CONTRACT YEAR 2	CONTRACT YEAR 3	SUBTOTALS
Task 1 (Transfer existing AWS hosting account in AWS cloud)	\$4,500 (One-time)	--	--	\$4,500 (One-time)
Task 2 (Maintain account with AWS for hosting City's infrastructure. Task 2 costs include estimated AWS costs. If actual AWS costs are lower than estimated, Consultant will charge City the lower costs. If actual AWS costs are higher, City may apply Additional Services funds to cover the overage per Section 4, or the parties will amend the Agreement per Section 29.4 for City to add funds to cover the overage.)	\$192,000 (One-time) \$144,000 (Annual)	-- \$144,000 (Annual)	-- \$144,000 (Annual)	\$192,000 (One-time) \$432,000 (Annual)
Task 3 (Perform hosting and networking maintenance services)	\$86,400 (Annual)	\$86,400 (Annual)	\$86,400 (Annual)	\$359,200
Task 4 (Perform SAP Basis Services)	\$8,640 (One-time Fee) \$372,600 (Annual)	-- \$372,600 (Annual)	-- \$372,600 (Annual)	\$8,640 (One Time) \$1,117,800 (Annual)
Subtotals for Services (Tasks 1-4)	\$808,140	\$603,000	\$603,000	\$2,014,140
Reimbursable Expenses (if any)	\$0	\$0	\$0	\$0
Subtotals for Services and Reimbursable Expenses (if any)	\$808,140	\$603,000	\$603,000	\$2,014,140
Task 5 (Additional Services) (Perform ad-hoc services on as-needed requests that are not covered in the Scope of Services. These services constitute Additional Services under Section 4 (Not to Exceed Compensation) of this Agreement, implemented pursuant to City-approved Task Order as detailed in Section 4.)	As needed, per Task Order, per Section 4 of this Agreement, Not to Exceed Amount at Far Right Across All Contract Years	As needed, per Task Order, per Section 4 of this Agreement, Not to Exceed Amount at Far Right Across All Contract Years	As needed, per Task Order, per Section 4 of this Agreement, Not to Exceed Amount at Far Right Across All Contract Years	\$200,000
Maximum Total Compensation	\$808,140*	\$603,000*	\$603,000*	\$2,214,140

*Maximum Total Compensation Amounts per each contract year in the table above do not include the cost of Additional Services that may be approved by City per Section 4 (Not to Exceed Compensation); the cumulative amount of which across all contract years shall not exceed the maximum amount for Additional Services in this Agreement.

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**

**EXHIBIT C-1
SCHEDULE OF RATES**

CONSULTANT's schedule of rates is as follows:

<u>Position Title</u>	<u>Hourly Rate</u>
Senior Basis or AWS Architect	\$155.00
Basis Engineer or AWS	\$120.00

Note: Hourly rate range is set for the duration of the engagement.

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	\$2,000,000	\$2,000,000
		PROPERTY DAMAGE	\$2,000,000	\$2,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$2,000,000	\$2,000,000
YES	TECHNOLOGY ERRORS AND OMISSIONS LIABILITY COVERAGE. THE POLICY SHALL AT A MINIMUM COVER PROFESSIONAL MISCONDUCT OR LACK OF REQUISITE SKILL FOR THE PERFORMANCE OF SERVICES DEFINED IN THE CONTRACT AND SHALL ALSO PROVIDE COVERAGE FOR THE FOLLOWING RISKS: (i) NETWORK SECURITY LIABILITY ARISING FROM UNAUTHORIZED ACCESS TO, USE OF, OR TAMPERING WITH COMPUTERS OR COMPUTER SYSTEMS, INCLUDING HACKERS, EXTORTION, AND (ii) LIABILITY ARISING FROM INTRODUCTION OF ANY FORM OF MALICIOUS SOFTWARE INCLUDING COMPUTER VIRUSES INTO, OR OTHERWISE CAUSING DAMAGE TO THE CITY'S OR THIRD PERSON'S COMPUTER, COMPUTER SYSTEM, NETWORK, OR SIMILAR COMPUTER RELATED PROPERTY AND THE DATA, SOFTWARE AND PROGRAMS THEREON. CONTRACTOR SHALL MAINTAIN IN FORCE DURING THE FULL LIFE OF THE CONTRACT. THE POLICY SHALL PROVIDE COVERAGE FOR BREACH RESPONSE COSTS AS WELL AS REGULATORY FINES AND PENALTIES AS WELL AS CREDIT MONITORING EXPENSES WITH LIMITS SUFFICIENT TO RESPOND TO THESE OBLIGATIONS.	ALL DAMAGES	\$5,000,000	\$5,000,000
YES	CYBER AND PRIVACY INSURANCE. SUCH INSURANCE SHALL INCLUDE COVERAGE FOR LIABILITY ARISING FROM COVERAGE IN AN AMOUNT SUFFICIENT TO COVER THE FULL REPLACEMENT VALUE OF DAMAGE TO, ALTERATION OF, LOSS OF, THEFT, DISSEMINATION OR DESTRUCTION OF ELECTRONIC DATA AND/OR USE OF CONFIDENTIAL INFORMATION, "PROPERTY" OF THE CITY OF PALO ALTO THAT WILL BE IN THE CARE, CUSTODY, OR CONTROL OF VENDOR, INFORMATION INCLUDING BUT NOT LIMITED TO, BANK AND CREDIT CARD ACCOUNT INFORMATION OR PERSONAL INFORMATION, SUCH AS NAME, ADDRESS, SOCIAL SECURITY NUMBERS, PROTECTED HEALTH INFORMATION OR OTHER PERSONAL IDENTIFICATION INFORMATION, STORED OR TRANSMITTED IN ELECTRONIC FORM.	ALL DAMAGES	\$5,000,000	\$5,000,000

YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		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: CONTRACTOR, 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 CONTRACTOR AND ITS SUBCONTRACTORS, 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>

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

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 INSUREDS.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

EVIDENCE OF INSURANCE AND OTHER RELATED NOTICES ARE REQUIRED TO BE FILED WITH THE CITY OF PALO ALTO.

EXHIBIT E INFORMATION PRIVACY POLICY

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POLICY AND PROCEDURES 1-64/IT

Revised: December 2017



INFORMATION PRIVACY POLICY

POLICY STATEMENT

The City of Palo Alto (the "City") strives to promote and sustain a superior quality of life for persons in Palo Alto. In promoting the quality of life of these persons, it is the policy of the City, consistent with the provisions of the California Public Records Act, California Government Code §§ 6250 – 6270, to take appropriate measures to safeguard the security and privacy of the personal (including, without limitation, financial) information of persons, collected in the ordinary course and scope of conducting the City's business as a local government agency. These measures are generally observed by federal, state and local authorities and reflected in federal and California laws, the City's rules and regulations, and industry best practices, including, without limitation, the provisions of California Civil Code §§ 1798.3(a), 1798.24, 1798.79.8(b), 1798.80(e), 1798.81.5, 1798.82(e), 1798.83(e)(7), and 1798.92(c). Though some of these provisions do not apply to local government agencies like the City, the City will conduct business in a manner which promotes the privacy of personal information, as reflected in federal and California laws. The objective of this Policy is to describe the City's data security goals and objectives, to ensure the ongoing protection of the Personal Information, Personally Identifiable Information, Protected Critical Infrastructure Information and Personally Identifying Information of persons doing business with the City and receiving services from the City or a third party under contract to the City to provide services. The terms "Personal Information," "Protected Critical Infrastructure Information", "Personally Identifiable Information" and "Personally Identifying Information" (collectively, the "Information") are defined in the California Civil Code sections, referred to above, and are incorporated in this Policy by reference.

PURPOSE

The City, acting in its governmental and proprietary capacities, collects the Information pertaining to persons who do business with or receive services from the City. The Information is collected by a variety of means, including, without limitation, from persons applying to receive services provided by the City, persons accessing the City's website, and persons who access other information portals maintained by the City's staff and/or authorized third-party contractors. The City is committed to protecting the privacy and security of the Information collected by the City. The City acknowledges federal and California laws, policies, rules, regulations and procedures, and industry best practices are dedicated to ensuring the Information is collected, stored and utilized in compliance with applicable laws.

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The goals and objectives of the Policy are: (a) a safe, productive, and inoffensive work environment for all users having access to the City's applications and databases; (b) the appropriate maintenance and security of database information assets owned by, or entrusted to, the City; (c) the controlled access and security of the Information provided to the City's staff and third party contractors; and (d) faithful compliance with legal and regulatory requirements.

SCOPE

The Policy will guide the City's staff and, indirectly, third party contractors, which are by contract required to protect the confidentiality and privacy of the Information of the persons whose personal information data are intended to be covered by the Policy and which will be advised by City staff to conform their performances to the Policy should they enjoy conditional access to that information.

CONSEQUENCES

The City's employees shall comply with the Policy in the execution of their official duties to the extent their work implicates access to the Information referred to in this Policy. A failure to comply may result in employment and/or legal consequences.

EXCEPTIONS

In the event that a City employee cannot fully comply with one or more element(s) described in this Policy, the employee may request an exception by submitting Security Exception Request. The exception request will be reviewed and administered by the City's Information Security Manager (the "ISM"). The employee, with the approval of his or her supervisor, will provide any additional information as may be requested by the ISM. The ISM will conduct a risk assessment of the requested exception in accordance with guidelines approved by the City's Chief Information Officer ("CIO") and approved as to form by the City Attorney. The Policy's guidelines will include at a minimum: purpose, source, collection, storage, access, retention, usage, and protection of the Information identified in the request. The ISM will consult with the CIO to approve or deny the exception request. After due consideration is given to the request, the exception request disposition will be communicated, in writing, to the City employee and his or her supervisor. The approval of any request may be subject to countermeasures established by the CIO, acting by the ISM.

MUNICIPAL ORDINANCE

This Policy will supersede any City policy, rule, regulation or procedure regarding information privacy.

RESPONSIBILITIES OF CITY STAFF

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POLICY AND PROCEDURES 1-64/IT

Revised: December 2017

A. RESPONSIBILITY OF CIO AND ISM

The CIO, acting by the ISM, will establish an information security management framework to initiate and coordinate the implementation of information security measures by the City's government.

The City's employees, in particular, software application users and database users, and, indirectly, third party contractors under contract to the City to provide services, shall be guided by this Policy in the performance of their job responsibilities.

The ISM will be responsible for: (a) developing and updating the Policy, (b) enforcing compliance with and the effectiveness of the Policy; (c) the development of privacy standards that will manifest the Policy in detailed, auditable technical requirements, which will be designed and maintained by the persons responsible for the City's IT environments; (d) assisting the City's staff in evaluating security and privacy incidents that arise in regard to potential violations of the Policy; (e) reviewing and approving department-specific policies and procedures which fall under the purview of this Policy; and (f) reviewing Non-Disclosure Agreements (NDAs) signed by third party contractors, which will provide services, including, without limitation, local or 'cloud-based' software services to the City.

B. RESPONSIBILITY OF INFORMATION SECURITY STEERING COMMITTEE

The Information Security Steering Committee (the "ISSC"), which is comprised of the City's employees, drawn from the various City departments, will provide the primary direction, prioritization and approval for all information security efforts, including key information security and privacy risks, programs, initiatives and activities. The ISSC will provide input to the information security and privacy strategic planning processes to ensure that information security risks are adequately considered, assessed and addressed at the appropriate City department level.

C. RESPONSIBILITY OF USERS

All authorized users of the Information will be responsible for complying with information privacy processes and technologies within the scope of responsibility of each user.

D. RESPONSIBILITY OF INFORMATION TECHNOLOGY (IT) MANAGERS

The City's IT Managers, who are responsible for internal, external, direct and indirect connections to the City's networks, will be responsible for configuring, maintaining and securing the City's IT networks in compliance with the City's information security and privacy policies. They are also responsible for timely internal reporting of events that may have compromised network, system or data security.

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E. RESPONSIBILITY OF AUTHORIZATION COORDINATION

The ISM will ensure that the City's employees secure the execution of Non-Disclosure Agreements (NDA), whenever access to the Information will be granted to third party contractors, in conjunction with the Software as a Service (SaaS) Security and Privacy Terms and Conditions. An NDA must be executed prior to the sharing of the Information of persons covered by this Policy with third party contractors. The City's approach to managing information security and its implementation (i.e. objectives, policies, processes, and procedures for information security) will be reviewed independently by the ISM at planned intervals, or whenever significant changes to security implementation have occurred.

The CIO, acting by the ISM, will review and recommend changes to the Policy annually, or as appropriate, commencing from the date of its adoption.

GENERAL PROCEDURE FOR INFORMATION PRIVACY**A. OVERVIEW**

The Policy applies to activities that involve the use of the City's information assets, namely, the Information of persons doing business with the City or receiving services from the City, which are owned by, or entrusted to, the City and will be made available to the City's employees and third party contractors under contract to the City to provide Software as a Service consulting services. These activities include, without limitation, accessing the Internet, using e-mail, accessing the City's intranet or other networks, systems, or devices.

The term "information assets" also includes the personal information of the City's employees and any other related organizations while those assets are under the City's control. Security measures will be designed, implemented, and maintained to ensure that only authorized persons will enjoy access to the information assets. The City's staff will act to protect its information assets from theft, damage, loss, compromise, and inappropriate disclosure or alteration. The City will plan, design, implement and maintain information management systems, networks and processes in order to assure the appropriate confidentiality, integrity, and availability of its information assets to the City's employees and authorized third parties.

B. PERSONAL INFORMATION AND CHOICE

Except as permitted or provided by applicable laws, the City will not share the Information of any person doing business with the City, or receiving services from the City, in violation of this Policy, unless that person has consented to the City's sharing of such information during the conduct of the City's business as a local government agency with third parties under contract to the City to provide services.

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C. METHODS OF COLLECTION OF PERSONAL INFORMATION

The City may gather the Information from a variety of sources and resources, provided that the collection of such information is both necessary and appropriate in order for the City to conduct business as a local government agency in its governmental and proprietary capacities. That information may be gathered at service windows and contact centers as well as at web sites, by mobile applications, and with other technologies, wherever the City may interact with persons who need to share such formation in order to secure the City's services.

The City's staff will inform the persons whose Information are covered by this Policy that the City's web site may use "cookies" to customize the browsing experience with the City of Palo Alto web site. The City will note that a cookie contains unique information that a web site can use to track, among others, the Internet Protocol address of the computer used to access the City's web sites, the identification of the browser software and operating systems used, the date and time a user accessed the site, and the Internet address of the website from which the user linked to the City's web sites. Cookies created on the user's computer by using the City's web site do not contain the Information, and thus do not compromise the user's privacy or security. Users can refuse the cookies or delete the cookie files from their computers by using any of the widely available methods. If the user chooses not to accept a cookie on his or her computer, it will not prevent or prohibit the user from gaining access to or using the City's sites.

D. UTILITIES SERVICE

In the provision of utility services to persons located within Palo Alto, the City of Palo Alto Utilities Department ("CPAU") will collect the Information in order to initiate and manage utility services to customers. To the extent the management of that information is not specifically addressed in the Utilities Rules and Regulations or other ordinances, rules, regulations or procedures, this Policy will apply; provided, however, any such Rules and Regulations must conform to this Policy, unless otherwise directed or approved by the Council. This includes the sharing of CPAU-collected Information with other City departments except as may be required by law.

Businesses and residents with standard utility meters and/or having non-metered monthly services will have secure access through a CPAU website to their Information, including, without limitation, their monthly utility usage and billing data. In addition to their regular monthly utilities billing, businesses and residents with non-standard or experimental electric, water or natural gas meters may have their usage and/or billing data provided to them through non-City electronic portals at different intervals than with the standard monthly billing.

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POLICY AND PROCEDURES 1-64/IT

Revised: December 2017

Businesses and residents with such non-standard or experimental metering will have their Information covered by the same privacy protections and personal information exchange rules applicable to Information under applicable federal and California laws.

E. PUBLIC DISCLOSURE

The Information that is collected by the City in the ordinary course and scope of conducting its business could be incorporated in a public record that may be subject to inspection and copying by the public, unless such information is exempt from disclosure to the public by California law.

F. ACCESS TO PERSONAL INFORMATION

The City will take reasonable steps to verify a person's identity before the City will grant anyone online access to that person's Information. Each City department that collects Information will afford access to affected persons who can review and update that information at reasonable times.

G. SECURITY, CONFIDENTIALITY AND NON-DISCLOSURE

Except as otherwise provided by applicable law or this Policy, the City will treat the Information of persons covered by this Policy as confidential and will not disclose it, or permit it to be disclosed, to third parties without the express written consent of the person affected. The City will develop and maintain reasonable controls that are designed to protect the confidentiality and security of the Information of persons covered by this Policy.

The City may authorize the City's employee and or third party contractors to access and/or use the Information of persons who do business with the City or receive services from the City. In those instances, the City will require the City's employee and/or the third party contractors to agree to use such Information only in furtherance of City-related business and in accordance with the Policy.

If the City becomes aware of a breach, or has reasonable grounds to believe that a security breach has occurred, with respect to the Information of a person, the City will notify the affected person of such breach in accordance with applicable laws. The notice of breach will include the date(s) or estimated date(s) of the known or suspected breach, the nature of the Information that is the subject of the breach, and the proposed action to be taken or the responsive action taken by the City.

H. DATA RETENTION / INFORMATION RETENTION

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POLICY AND PROCEDURES 1-64/IT

Revised: December 2017

The City will store and secure all Information for a period of time as may be required by law, or if no period is established by law, for seven (7) years, and thereafter such information will be scheduled for destruction.

I. SOFTWARE AS A SERVICE (SAAS) OVERSIGHT

The City may engage third party contractors and vendors to provide software application and database services, commonly known as Software-as-a-Service (SaaS).

In order to assure the privacy and security of the Information of those who do business with the City and those who received services from the City, as a condition of selling goods and/or services to the City, the SaaS services provider and its subcontractors, if any, including any IT infrastructure services provider, shall design, install, provide, and maintain a secure IT environment, while it performs such services and/or furnishes goods to the City, to the extent any scope of work or services implicates the confidentiality and privacy of the Information.

These requirements include information security directives pertaining to: (a) the IT infrastructure, by which the services are provided to the City, including connection to the City's IT systems; (b) the SaaS services provider's operations and maintenance processes needed to support the IT environment, including disaster recovery and business continuity planning; and (c) the IT infrastructure performance monitoring services to ensure a secure and reliable environment and service availability to the City. The term "IT infrastructure" refers to the integrated framework, including, without limitation, data centers, computers, and database management devices, upon which digital networks operate.

Prior to entering into an agreement to provide services to the City, the City's staff will require the SaaS services provider to complete and submit an Information Security and Privacy Questionnaire. In the event that the SaaS services provider reasonably determines that it cannot fulfill the information security requirements during the course of providing services, the City will require the SaaS services provider to promptly inform the ISM.

J. FAIR AND ACCURATE CREDIT TRANSACTION ACT OF 2003

CPAU will require utility customers to provide their Information in order for the City to initiate and manage utility services to them.

Federal regulations, implementing the Fair and Accurate Credit Transactions Act of 2003 (Public Law 108-159), including the Red Flag Rules, require that CPAU, as a "covered financial institution or creditor" which provides services in advance of payment and which can affect consumer credit, develop and implement procedures for an identity theft program for new and existing accounts to detect, prevent, respond and mitigate potential identity theft of its customers' Information.

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Revised: December 2017

CPAU procedures for potential identity theft will be reviewed independently by the ISM annually or whenever significant changes to security implementation have occurred. The ISM will recommend changes to CPAU identity theft procedures, or as appropriate, so as to conform to this Policy.

There are California laws which are applicable to identity theft; they are set forth in California Civil Code § 1798.92.

NOTE: Questions regarding this policy should be referred to the Information Technology Department, as appropriate.

Recommended:	<small>DocuSigned by:</small>  <small>7914D9887578424...</small>	12/5/2017
	Director Information Technology/CIO	Date

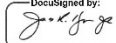
Approved:	<small>DocuSigned by:</small>  <small>39E7298FB2084DB...</small>	12/13/2017
	City Manager	Date

EXHIBIT F CYBERSECURITY TERMS & CONDITIONS



City of Palo Alto
Information Security
Document Version: V3.0
Doc: InfoSec 110

CYBERSECURITY TERMS AND CONDITIONS

In order to assure the privacy and security of the personal information of the City's customers and people who do business with the City, including, without limitation, vendors, utility customers, library patrons, and other individuals and companies, who are required to share such information with the City, as a condition of receiving services from the City or selling goods and services to the City, including, without limitation, the Software as a Service services provider (the "Consultant") and its subcontractors, if any, including, without limitation, any Information Technology ("IT") infrastructure services provider, shall design, install, provide, and maintain a secure IT environment, described below, while it renders and performs the Services and furnishes goods, if any, described in the Statement of Work, Exhibit B, to the extent any scope of work implicates the confidentiality and privacy of the personal information of the City's customers. The Consultant shall fulfill the data and information security requirements (the "Requirements") set forth in Part A below.

A "secure IT environment" includes (a) the IT infrastructure, by which the Services are provided to the City, including connection to the City's IT systems; (b) the Consultant's operations and maintenance processes needed to support the environment, including disaster recovery and business continuity planning; and (c) the IT infrastructure performance monitoring services to ensure a secure and reliable environment and service availability to the City. "IT infrastructure" refers to the integrated framework, including, without limitation, data centers, computers, and database management devices, upon which digital networks operate.

In the event that, after the Effective Date, the Consultant reasonably determines that it cannot fulfill the Requirements, the Consultant shall promptly inform the City of its determination and submit, in writing, one or more alternate countermeasure options to the Requirements (the "Alternate Requirements" as set forth in Part B), which may be accepted or rejected in the reasonable satisfaction of the Information Security Manager (the "ISM").

Part A. Requirements:

The Consultant shall at all times during the term of any contract between the City and the Consultant:

- (a) Appoint or designate an employee, preferably an executive officer, as the security liaison to the City with respect to the Services to be performed under this Agreement.
- (b) Comply with the City's Information Privacy Policy;
- (c) Have adopted and implemented information security and privacy policies that are documented, are accessible to the City, and conform to ISO 27001/2 – Information Security Management Systems (ISMS) Standards. See the following:
http://www.iso.org/iso/home/store/catalogue_tc/catalogue_detail.htm?csnumber=42103
http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=50297
- (d) Conduct routine data and information security compliance training of its personnel that is appropriate to their role.
- (e) Develop and maintain detailed documentation of the IT infrastructure, including software versions and patch levels.
- (f) Develop an independently verifiable process, consistent with industry standards, for performing professional and criminal background checks of its employees that (1) would permit verification of employees' personal identity and employment status, and (2) would enable the immediate denial of access to the City's confidential data and information by any of its employees who no

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- longer would require access to that information or who are terminated.
- (g) Provide a list of IT infrastructure components in order to verify whether the Consultant has met or has failed to meet any objective terms and conditions.
 - (h) Implement access accountability (identification and authentication) architecture and support role-based access control ("RBAC") and segregation of duties ("SoD") mechanisms for all personnel, systems, and Software used to provide the Services. "RBAC" refers to a computer systems security approach to restricting access only to authorized users. "SoD" is an approach that would require more than one individual to complete a security task in order to promote the detection and prevention of fraud and errors.
 - (i) Assist the City in undertaking annually an assessment to assure that: (1) all elements of the Services' environment design and deployment are known to the City, and (2) it has implemented measures in accordance with industry best practices applicable to secure coding and secure IT architecture.
 - (j) Provide and maintain secure intersystem communication paths that would ensure the confidentiality, integrity, and availability of the City's information.
 - (k) Deploy and maintain IT system upgrades, patches and configurations conforming to current patch and/or release levels by not later than one (1) week after its date of release. Emergency security patches must be installed within 24 hours after its date of release.
 - (l) Provide for the timely detection of, response to, and the reporting of security incidents, including on-going incident monitoring with logging.
 - (m) Notify the City within one (1) hour of detecting a security incident that results in the unauthorized access to or the misuse of the City's confidential data and information.
 - (n) Inform the City that any third party service provider(s) meet(s) all of the Requirements.
 - (o) Perform security self-audits on a regular basis and not less frequently than on a quarterly basis, and provide the required summary reports of those self-audits to the ISM on the annual anniversary date or any other date agreed to by the Parties.
 - (p) Accommodate, as practicable, and upon reasonable prior notice by the City, the City's performance of random site security audits at the Consultant's site(s), including the site(s) of a third-party service provider(s), as applicable. The scope of these audits will extend to the Consultant's and its third-party service provider(s)' awareness of security policies and practices, systems configurations, access authentication and authorization, and incident detection and response.
 - (q) Cooperate with the City to ensure that to the extent required by applicable laws, rules and regulations, and the Confidential Information will be accessible only by the Consultant and any authorized third-party service provider's personnel.
 - (r) Perform regular, reliable secured backups of all data needed to maximize the availability of the Services. Adequately encrypt the City of Palo Alto's data, during the operational process, hosted at rest, and the backup stage at the Vendors' environment (including Vendor's contracting organization's environment).
 - (s) Maintain records relating to the Services for a period of three (3) years after the expiration or earlier termination of this Agreement and in a mutually agreeable storage medium. Within thirty (30) days after the effective date of expiration or earlier termination of this Agreement, all of those records relating to the performance of the Services shall be provided to the ISM.
 - (t) Maintain the Confidential Information in accordance with applicable federal, state, and local data and information privacy laws, rules, and regulations.
 - (u) Encrypt the Confidential Information before delivering the same by electronic mail to the City and or any authorized recipient.
 - (v) Provide Network Layer IP filtering services to allow access only from the City of Palo Alto's IP address to the Vendor environment (primarily hosted for the City of Palo Alto).
 - (w) Offer a robust disaster recovery and business continuity (DR-BCP) solutions to the City for the systems and services the Vendor provides to the City.

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City of Palo Alto
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- (x) Provide and support Single Sign-on (SSO) and Multifactor Authentication (MFA) solutions for authentication and authorization services from the "City's environment to the Vendor's environment," and Vendor's environment to the Vendor's cloud services/hosted environment." The Vendor shall allow two employees of the City to have superuser and super-admin access to the Vendor's IT environment, and a cloud-hosted IT environment belongs to the City.
- (y) Unless otherwise addressed in the Agreement, shall not hold the City liable for any direct, indirect or punitive damages whatsoever including, without limitation, damages for loss of use, data or profits, arising out of or in any way connected with the City's IT environment, including, without limitation, IT infrastructure communications.
- (z) The Vendor must provide evidence of valid cyber liability insurance policy per the City's **EXHIBIT "D" INSURANCE REQUIREMENTS.**

Part B. Alternate Requirements:

EXHIBIT G**ADDENDUM****SUPPLEMENTAL TERMS – AWS Solution Provider Program for End Customers**

This Addendum (“**Addendum**”) to the Agreement (“**Agreement**”) between EPI-USE Labs, LLC (“**EPI-USE**”) and the CITY OF PALO ALTO, a California chartered municipal corporation (“**Client**”), apply solely to the AWS Authorized Services (“**Authorized Services**”) and Solutions (defined below) and not to any other EPI-USE product or service. EPI-USE is an authorized solution provider and value-added reseller (“**Authorized Solution Provider**”) for Amazon Web Services, Inc (“**AWS**”). Client desires to obtain these Authorized Services or integrated solutions combining one or more products or services (“**Solutions**”) from EPI-USE. Client can use the AWS accounts to purchase Solutions from EPI-USE. EPI-USE will be Client’s point of contact for the Solutions on such accounts, including for pricing and billing. In the event of any ambiguity or conflict between the terms of this Addendum and the terms of the Agreement, the terms and conditions of this Addendum shall prevail.

The Addendum terms, AWS Solution Provider Program Guide for End Customers, is available at: <https://s3-us-west-2.amazonaws.com/solution-provider-program-legal-documents/AWS+Solution+Provider+Program+-+Program+Guide+for+End+Customers.pdf> and may be updated by AWS from time to time.

1. Definitions

- 1.1. “End Customer” is the Client who signed the Agreement, as well as references to “you” and “your”, in this Addendum.

Capitalized terms have the meanings set forth in the Services Agreement between End Customer and EPI-USE Labs, LLC, to which this Addendum is an incorporated attachment.

2. Access to and Use of Authorized Services.

The AWS Solution Provider Program Guide provides information on opening, accessing, and using *your own AWS accounts* to purchase Authorized Services from your Authorized Solution Provider. The Services Agreement will govern all access to and use of the Services on your AWS accounts, except for fees, payment, pricing, and tax terms for your use of the Services, which are superseded by such terms in your agreement with your Authorized Solution Provider. You will receive your invoice from and pay your Authorized Solution Provider for your use of the Solutions, as well as your use of any other Services on the AWS accounts. You hereby agree that your Authorized Solution Provider is EPI-USE, and you authorize EPI-USE, as your agent, to access your AWS accounts to provide the Authorized Services to you.

3. Program account Creation.

If you do not already have an AWS account, you can create an AWS account, or EPI-USE can assign an AWS account to you (with AWS’s consent). If EPI-USE creates AWS accounts on your behalf (with your written consent), you should request the root user credentials at the time the accounts are created, unless the account is a Master Payer or Management account, then EPI-USE will retain the root user credentials. AWS does not disclose root user credentials and cannot release those credentials to you.

For a list of tasks that require root user credentials, please visit:

https://docs.aws.amazon.com/general/latest/gr/aws_tasks-that-require-root.html (or any successor or related location designated by AWS, as may be updated by AWS from time to time per AWS's discretion).

3.1 Joining Accounts.

In order to transition your AWS account from a direct account with AWS to a program account in the Solution Provider Program governed by your Services Agreement with AWS (an “**End Customer Account**”); (a) you must join the account to the Management Account specified by EPI-USE (“**Program Management Account**”) using AWS Organizations or any successor or related Service designated by AWS (Service Terms apply), and, (b) for the account, the Tax Settings page in the console must be updated to EPI-USE's tax settings, including business legal address, tax registration number, and business legal name or if directed pursuant to the Tax Settings page, the Payment Methods page in the console must be updated to EPI-USE's billing information, including billing address. You can transition additional AWS accounts from direct accounts with AWS to End Customer Accounts in the Solution Provider Program in the same way, or you can authorize EPI-USE in writing to create End Customer Accounts on your behalf.

3.2 Assigning Accounts.

If you already have AWS Organizations set up for your accounts, you may want to assign your own Management Account to EPI-USE (with AWS's consent). When you assign your Management Account to EPI-USE, it will become the Program Management Account in the Solution Provider Program, and you will need to provide the root user credentials to the Authorized Solution Provider's account, but the Member Accounts joined to the Program Management Account will be End Customer Accounts and will remain your own accounts. Refer to section 3.3 (Account Settings) below.

3.3 Account Settings:

The terms governing the Program Management Account are between AWS and EPI-USE. When assigning your Management Account to EPI-USE to become the Program Management Account, you will need to provide the Management Account root user credentials to EPI-USE. To properly assign the account details under the Solution Provider Program, the following party's information should be included for Program Management Accounts and Program Accounts:

	PROGRAM MANAGEMENT ACCOUNT (aka payer account)	END CUSTOMER ACCOUNTS (aka linked accounts)
Email/Domain	EPI-USE's	End Customer's (using an email domain owned by End Customer)
Billing Information	EPI-USE's	EPI-USE's
Tax Settings	EPI-USE's	EPI-USE's
Company Name	EPI-USE's	End Customer's (using your company's full legal name)
Root User Credentials	EPI-USE's	End Customer

If you have any special arrangements with AWS with respect to any AWS accounts that you intend to transition from a direct account with AWS to an End Customer Account in the Solution Provider Program, contact your current AWS account manager to discuss any potential implications on your special arrangement.

4. Authorized Solution Provider Access.

There are two operating modes within AWS Organizations: Consolidated Billing and All Features. You should work with your Authorized Solution Provider to determine which mode is best for you.

If Consolidated Billing is enabled, only your usage and invoices are made available to your Authorized Solution Provider. You can then use AWS Identity and Access Management (IAM) to manage your Authorized Solution Provider's access to your End Customer Account, AWS resources, and the Services. For guidance and best practices, visit <https://docs.aws.amazon.com/IAM/latest/UserGuide/best-practices.html> (or any successor or related location designated by AWS, as may be updated by AWS from time to time).

If All Features is enabled, your usage and invoices are made available to your Authorized Solution Provider, and your Authorized Solution Provider will have full control over what your End Customer Accounts can do. Additionally, through AWS Single Sign-On integration with AWS Organizations, your Authorized Solution Provider may also have access to your Content. Your Authorized Solution Provider may provide access to their Program Management Account to you and can work with you to use only IAM to access the Program Management Account. Further, your Authorized Solution Provider may choose to restrict its access to the Program Management Account via its root user credentials, by working with you to implement multi-factor authentication and giving you sole control over one of the factors required for authentication.

If you allow your Authorized Solution Provider to collect, use, transfer, disclose, and otherwise process your Content or Account Information, including personal data, you should familiarize yourself with your Authorized Solution Provider's relevant privacy practices, which may differ from AWS's privacy practices.

Note that in accordance with the AWS Organizations user guide, once All Features mode is enabled, you cannot revert to Consolidated Billing mode. To access a copy of the AWS Organizations user guide, visit https://docs.aws.amazon.com/organizations/latest/userguide/orgs_introduction.html (or any successor or related location designated by AWS, as may be updated by AWS from time to time).

5. Authorized Services

If you purchase AWS Managed Services from EPI-USE, you may disclose confidentially to EPI-USE the AWS Managed Services Addendum between you and AWS.

6. AWS and Authorized Solution Provider Relationship

EPI-USE and its affiliates are not agents of AWS for any purpose and do not have the authority to bind AWS.

7. Leaving Your Authorized Solution Provider

If you decide to leave your Authorized Solution Provider; (a) you must unjoin your End Customer Accounts from the Program Management Account you are leaving (or have EPI-USE assign the Program Management Account to you), and (b) for the accounts, the Tax Settings page in the console must be updated to your tax settings, including business legal address, tax registration number, and business legal name (if applicable) or if directed pursuant to the Tax Settings page, the Payment Methods page in the console must be updated to your billing information, including billing address. Consult your Agreement

with your Authorized Solution Provider to determine the implications of termination. EPI-USE will continue to bill you for any usage or services reported to EPI-USE until the following steps are completed:

- Provide a valid payment method;
- Agree to the terms of the AWS Customer Agreement for the account;
- Verify the account by phone;
- Choose an AWS Support plan for the account; and
- Email EPI-USE a verification of the steps taken to remove/unlink the account from EPI-USE. Verification must be sent to: euaws-cloudfinance@epiuse.com



City of Palo Alto
City Council
Supplemental Report

(ID # 14526)

Meeting Date: 6/20/2022

Report Type: Action Items

Title: PUBLIC HEARING: Adoption of the Community Development Block Grant Funds (CDBG) Fiscal Year 2022-23 Annual Action Plan and Adoption of a Resolution Approving Use of CDBG Funds for FY 2022-23; Approval of a Substantial Amendment to the CDBG Fiscal Year 2020-21 Annual Action Plan and Adoption of an Associated Resolution; and Budget Amendments in the FY 2023 Operating Budget in the CDBG Fund and the General Fund

From: City Manager

Lead Department: Planning and Development Services

Additional Recommendation

1. Approve an amendment to the Fiscal Year 2023 Operating Budget Appropriation for the General Fund (requires 2/3 approval) by:
 - a. Increasing the expense appropriation in the Planning and Development Services Department by \$167,477; and
 - b. Decreasing the Budget Stabilization Reserve by \$167,477.

Executive Summary

This At-Places Memorandum summarizes an issue that arose after publication of the staff report and includes an additional recommendation for a budget amendment in the General Fund. Staff recommends reconsideration of federal funding, Community Development Block Grant (CDBG) for Downtown Streets Team (Downtown Streets) and reallocating the funding to the Mitchell Park 525 East Charleston housing project. Staff's assessment is that Downtown Streets may no longer qualify as a Community Based Development Organization (CDBO) and therefore CDBG funding should be reallocated. Staff recommends funding Downtown Streets programs in Fiscal Year 2022-2023 from the General Fund Budget Stabilization Reserve, as reflected in the additional budget amendment recommendation. Funding adjustments for the FY 2021-2022 period will be brought forward in a subsequent report as part of the FY 2022 Year-End process for Council's consideration.

Discussion

The Department of Housing and Urban Development (HUD) administers of the CDGB program, including all the requirements grantees must meet to receive funding under certain CDBG

funding categories. Specifically, funding for the Economic Development, Housing Rehabilitation, Public Improvements and Facilities category can only be allocated to qualified CDBOs.

To qualify for as a CBDO, organizations must meet all the criteria set forth by the Department of Housing and Urban Development (HUD) in §570.204(c)(1), (2), or (3). Staff has consulted with HUD and Downtown Streets to evaluate options for compliance. Downtown Streets has indicated a preference for applying for an exemption, a process defined by HUD. The exemption request letter to HUD would describe that, though Downtown Streets does not meet the specific criteria listed above, the Downtown Streets organizations remains sufficiently similar in purpose, function, and scope to qualified CBDOs. An exemption request would be lengthy, and approval is not guaranteed. HUD advised the process could take at least six months.

If the City does not reallocate the \$160,477 and Downtown Streets does not get the exemption in time, the potential consequence could be not achieving the HUD timeliness ratio by May 1, 2023. Under the provisions of 24 CFR 570.802 of the CDBG regulations, 60 days prior to the end of the program year (May 1, 2023), the grantee (City of Palo Alto) is considered timely if the balance in its line of credit does not exceed 1.5 times the annual grant. HUD determines this by calculating the ratio of unexpended funds to the annual grant award. To do this, HUD sums the amount of program income the City has on hand and the funds remaining in the CDBG line of credit and divides it by the amount of the annual grant award. If the ratio is less than or equal to 1.5 times the grant amount, the City would be considered timely. If the ratio is more than 1.5 times the grant amount, then the City would be considered untimely, and in noncompliance. Not meeting the timeliness test could potentially cause HUD to reduce the City’s CDBG allocation the following year.

Reallocation

CDBG has three allocation categories:

	Category	Cap
1	Public Services	15% of City Allocation
2	Planning and Administration	20% of City Allocation
3	Economic Development, Housing Rehabilitation, Public Improvements and Facilities	Uncapped

Downtown Streets falls into category three. If Council concurs with staff recommendation and reallocates these funds, they should be allocated to another organization within category three. Due to increasing pre-development costs, Eden Housing is interested in receiving additional CDBG funding for its project at 525 East Charleston. Table 2, below, summarizes this year’s recommended allocations including the recommended revision.

Table 2: 2022-23 CDBG Annual Action Plan			
Agency/Program Name	2021-22 Funded Amount	2022-23 Original Recommended Amount	2022-23 Revised Recommended Amount
<i>Public Services</i>			
Alta Housing – SRO Resident Support	\$24,535	\$22,413	\$22,413
Catholic Charities/ Ombudsman Program for the rights of seniors in long term care facilities.	\$10,000	\$10,000	\$10,000
LifeMoves (formerly Inn Vision)/Opportunity Services Center	\$31,545	\$26,660	\$26,660
Silicon Valley Independent Living Center/Housing and Emergency Services	\$14,020	\$14,021	\$14,021
Project Sentinel/Fair Housing Services	n/a	\$24,881	\$24,881
<i>Public Services Total (Not to Exceed \$97,975)</i>	\$80,100	\$97,975	\$97,975
<i>Planning & Administration</i>			
City of Palo Alto/CDBG Administration	\$99,304	\$121,816	\$121,816
Project Sentinel/Fair Housing Services	\$33,698	\$8,817	\$8,817
<i>Planning & Administration Total (Not to Exceed \$130,633)</i>	\$133,002	\$130,633	\$130,633
<i>Economic Development</i>			
Downtown Streets Team/Workforce Development Program	\$160,477	\$160,477	\$0.00
<i>Economic Development Total</i>	\$160,477	\$160,477	\$0.00
<i>Rehabilitation</i>			
Rebuilding Together Peninsula/ Critical health and safety related home repair needs for low-income homeowners.	\$73,135	\$73,135	\$73,135
Mitchell Park – 525 E. Charleston – Affordable Housing (Construction)	n/a	\$190,948	\$351,425
<i>Rehabilitation Total</i>	\$73,135	\$264,083	\$424,560
<i>New CDBG-CV Allocation</i>			
MOVE Mountain View – Safe Parking Program	n/a	\$160,300	\$160,300
LifeMoves – COVID-19 Testing Program	n/a	\$34,201	\$34,201
<i>New CDBG-CV Allocation Total</i>	n/a	\$194,501	\$194,501
GRAND TOTAL		\$847,669	\$847,669

Alternate Funding Source for Downtown Streets

Downtown Streets has been essential in the past at providing services to those in need in Palo Alto. Since CDBG funding is not recommended to be allocated to Downtown Streets this year, the City proposes to fund the program using funds from the General Fund Budget Stabilization Reserve in FY 2023. A resolution for this issue in FY 2022 funding will be brought forward for Council's consideration at a later date as part of the FY 2022 Year-End process.

Resource Impact

The recommendation in this report will result in continued financial support of Downtown Streets Team programs and an additional General Fund expense of \$167,477 in FY 2023. The General Fund Budget Stabilization Reserve (BSR) was recommended to be \$45.4 million or 18.3 percent of the FY 2023 Budget, as part of the Budget Adoption Report ([CMR 14352](#)). This action will reduce the BSR to \$45.2 million or 18.2 percent of the FY 2023 Budget, which is within the approved 15 percent to 20 percent range, but slightly below the Council target of 18.5 percent. Funding adjustments for FY 2022 Downtown Streets Team allocations will be brought forward during the FY 2022 Year-End process to ensure the City remains in compliance with HUD requirements.



City of Palo Alto
City Council
Late Packet Staff Report

(ID # 13984)

Meeting Date: 6/20/2022

Report Type: Action Items

Title: Adoption of Resolutions: (1) Placing a Measure Affirming the Gas Utility Transfer on the November 2022 Ballot; (2) Placing a Business Tax on the November 2022 Ballot; and (3) Adopting a Spending Plan for Business Tax Proceeds

From: City Manager

Lead Department: Administrative Services

RECOMMENDATION

Staff recommends that the City Council:

1. Adopt the attached Resolution to submit a measure to the voters at the general municipal election on November 8, 2022, to affirm the natural gas utility transfer (Attachment A);
2. Adopt the attached Resolution to submit a measure to the voters at the general municipal election on November 8, 2022, to adopt a business tax (Attachment B); and
3. Adopt the attached Resolution to inform the public of Council's spending plan for business tax proceeds (Attachment C)

BACKGROUND & DISCUSSION

The City of Palo Alto places a high value on fiscal sustainability and has worked diligently to address this in a variety of areas. The Fiscal Sustainability Workplan of 2019 ([CMR 10267](#)) outlines a number of City initiatives, including proactive funding contributions for the city's long-term liabilities for both pension and Other Post-Employment Benefits (OPEB) and strategies to structurally balance the General Fund's revenue and expenditures on an ongoing basis. The two revenue measures before Council are important elements in continuing progress towards long term sustainable budgets that meet the public's needs.

Measure Affirming the Gas Utility Transfer. Palo Alto is fortunate to own and operate its own utilities. In 1950, Palo Alto voters approved a Charter provision authorizing the use of some utility rate revenues for City services. This was a common practice. California cities that started publicly-owned utilities in the post-war era typically set rates at reasonable levels and used some of the proceeds to fund city services. Over the ensuing decades, Palo Alto's gas and electric utilities have transferred funds each year into the City's general fund, providing a stable

revenue source that supports City services, including police protection, fire and emergency medical services, 911 response, parks, and roads.

In 2010, California voters adopted Proposition 26, which added new rules on how cities may set rates and charges for services, and how the funds collected may be spent. The new law did not directly address utility transfers, and most California cities with public utilities continued to make their annual transfers. Since 2010, however, a series of court decisions raised questions about the transfers, and in 2016, a class action lawsuit, *Green v. City of Palo Alto*, was filed that claimed Palo Alto's gas and electric transfers are unlawful under Proposition 26. In 2021, the Santa Clara Superior court held that the electric transfer is lawful and may continue. The court also held, however, that a portion of the gas transfer is a tax that requires voter approval to continue. Both sides have appealed.

City leaders believe it is prudent to seek voter affirmation of the gas transfer so that the services funded by the transfer and valued by the community can continue. Voter affirmation of the transfer will continue Palo Alto's longstanding gas rate-setting practice and will not be the cause of a rate increase.

In the meantime, the City has been reserving funds so that money is available to refund to ratepayers at the appropriate time. Last year, the City cut services to account for the revenue reduction, including firefighters, police officers, and librarians. Next year, the City will use one-time funds to partially restore these services but if the transfer is not ratified by the voters, ongoing service reductions will likely be required.

Measure Adopting a Business Tax. Palo Alto is one of only a few California cities that does not require local businesses to contribute to city services through a business tax. Prior to the COVID-19 pandemic, the Council discussed adding a business tax to enhance long term fiscal sustainability and to help meet significant emerging public needs, particularly with respect to rail grade separations and affordable housing. The Council considered various business tax models. On [March 23, 2020](#), in response to the COVID-19 public health emergency and sharp economic contraction, the City Council directed staff to discontinue work on the development of a local business tax measure for November 2020. In August 2021 ([CMR 12381](#)), Council directed City staff to resume this work and designated the Finance Committee as the working body to review and make recommendations on a potential a potential business tax for the November 2022 election. Taken together, over four years the Committee and City Council have met a total of 23 times to discuss a potential business tax, including refinement of the tax structure, a spending plan for revenues, constituent polling, and community and stakeholder engagement. A summary of the City's work on revenue generating ballot measures can be found in [CMR 13983, Attachment G](#).

Staff returned to the City Council on June 13, 2022 ([CMR 13983](#) and [CMR 14501](#)) with draft language for a business tax and a measure to affirm the gas general fund transfer for the

November 2022 election, and a resolution to establishing Council’s intentions for the use of business tax proceeds. Attached to this report are:

- Resolution of the Council of the City of Palo Alto Calling a Special Election for November 8, 2022 for Submittal to the Qualified Electors of the City a Measure Affirming the City’s Gas Utility General Fund Transfer (which includes the ballot question and ordinance amending the Palo Alto Municipal Code to affirm the gas general fund transfer)
- Resolution of the Council of the City of Palo Alto Calling a Special Election for November 8, 2022 for Submittal to the Qualified Electors of the City a Measure Amending Title 2 of the Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating in the City of Palo Alto (which includes the ballot question and ordinance amending the Palo Alto Municipal Code to establish a business tax)
- Resolution of the Council of the City of Palo Alto Regarding Uses of Proceeds of a Business Tax to be Submitted to the Voters for Approval in November 2022

TIMELINE

The Santa Clara County Registrar of Voters (ROV) requires measure resolutions be submitted no later than August 12, 2022.

RESOURCE IMPACT

Ballot Measure Placement Resource Impact

The ROV estimates that placing two measures on the November 2022 election ballot will cost approximately \$172,000, or \$86,000 each. Total costs for the November 2022 election, including Councilmember elections, is estimated at \$333,000. Appropriation for these funds is included in the FY 2023 Proposed Budget at the prior estimate of \$320,000.

Ballot Measure Revenue Generation Resource Impact

The revenue generated by a potential ballot measure will be directly impacted by the structure and rates approved by the City Council. The revenue estimates are summarized below:

- *Affirmation of the Gas Utility Transfer: \$7 million gross revenues annually*
This would affirm the current practice of inclusion of this expense in the development of gas utility rates and would not increase gas rates beyond existing forecasted changes. Current gas utility rates for residential customers remain below comparators such as PG&E. Additional information on gas rate comparisons can be found in the FY 2023 Gas Utility Financial Plan.

- *Business Tax: approximately \$19 million gross revenues annually*
The total estimated net revenue assumes the tax characteristics as directed in Council's June 13, 2022 meeting and contained in the attached Resolution and Ordinance. Administrative costs to collect and implement the tax are estimated to range between \$500,000 and \$1 million.

STAKEHOLDER ENGAGEMENT

Feedback was solicited from the community and stakeholders in the form of an online and mail-in communitywide survey (433 respondents), six focus group sessions, a community listening session, city newsletter and blog posts, utility bill inserts, and three voter polls. A landing page on the City's website titled, [Fiscal Sustainability: A Community Conversation](#), was also developed.

ENVIRONMENTAL REVIEW

This activity is not a project under the 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:

- **Attachmenta:** Attachment A: Resolution Placing Gas Utility Transfer on November 2022 Ballot
- **Attachmentb:** Attachment B: Resolution Placing a Business Tax on November 2022 Ballot
- **Attachmentc:** Attachment C: Business Tax Spending Resolution

Not Yet Approved

Resolution No. _____

Resolution of the Council of the City of Palo Alto Calling a Special Election for November 8, 2022 for Submittal to the Qualified Electors of the City a Measure Affirming the City's Gas Utility General Fund Transfer

R E C I T A L S

A. Pursuant to the City of Palo Alto Charter, Article VII, Section 2 (Public Utilities Revenue) the City of Palo Alto annually transfers funds from the natural gas utility to the general fund to fund general city services.

B. In 2021, in the case of *Green v. City of Palo Alto*, Santa Clara County Superior Court No. 16CV300760, the Superior Court determined that the portion of transferred funds that are generated from retail natural gas rates are a tax and therefore unlawful under Article XIII C, section 1, subdivision (e)(2) of the California Constitution unless approved by voters.

C. The City depends on the gas utility transfer to fund basic City services such as roads, parks, libraries, climate change reduction, and police, fire, emergency medical, and 9-1-1 response.

D. A proposed ordinance attached hereto and incorporated herein by reference as Attachment "A" (the "Ordinance") would amend the Palo Alto Municipal Code to affirm Palo Alto's existing and decades-old practice of annually transferring up to 18% of the gross revenues of the gas utility (generated by retail natural gas rates) to the general fund to support general city services.

E. By its Resolution No. 10045 the City Council called a general municipal election for November 8, 2022 ("Election").

F. Pursuant to Government Code Section 53724 and Elections Code Section 9222, the City Council desires to submit the Ordinance to the voters of the City.

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

SECTION 1. Findings. The City Council finds and determines that each of the findings set forth above are true and correct.

SECTION 2. General Tax Election. The City Council proposes to impose the general tax set forth in the Ordinance and to present this proposal to the voters on November 8, 2022.

SECTION 3. Measure. Pursuant to Elections Code Section 9222, the City Council hereby submits the Ordinance to the voters at the Election and orders the following question to be submitted to the voters at the Election:

NOT YET APPROVED

Shall the measure affirming the City of Palo Alto’s existing and decades-old practice of annually transferring no more than 18% of the gross revenues from the City’s natural gas utility (generated by the City’s retail natural gas rates) to its general fund to support general city services such as roads; parks; libraries; climate change reduction; police, fire, emergency medical, and 9-1-1 response; providing approximately \$7 million annually in existing revenues until ended by voters, be adopted?	YES	
	NO	

This question requires the approval of a majority of those casting votes.

SECTION 4. Adoption of Measure. The measure to be submitted to the voters is attached to this Resolution as Attachment A and incorporated herein by this reference.

SECTION 5. Notice of Election. Notice of the time and place of holding the Election is hereby given, and the City Clerk is authorized, instructed and directed to give further or additional notice of the Election, in time, form and manner as required by law.

SECTION 6. Impartial Analysis. Pursuant to Elections Code Section 9280, the City Council hereby directs the City Clerk to transmit a copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the City Clerk on or before August 23, 2022.

SECTION 7. Ballot Arguments. Pursuant to Elections Code Section 9286 et. seq., August 16, 2022 at 5:00 p.m. shall be the deadline for submission of arguments in favor of, and arguments against, any local measures on the ballot. If more than one argument for and/or against is received, the priorities established by Elections Code Section 9287 shall control.

SECTION 8. Rebuttal Arguments. The provisions of Elections Code Section 9285 shall control the submission of any rebuttal arguments. The deadline for filing rebuttal arguments shall be August 23, 2022 at 5:00 p.m.

SECTION 9. Consolidation Request. The Council of the City of Palo Alto requests the governing body of any other political subdivision, or any officers otherwise authorized by law, to partially or completely consolidate such elections and the City Council consents to such consolidation. The Council requests the Board of Supervisors of Santa Clara County to include on the ballots and sample ballots, all qualified measures submitted by the City Council to be ratified by the qualified electors of the City of Palo Alto. The Council acknowledges that the Election will be held and conducted according to procedures in the Elections Code, including Section 10418.

SECTION 10. Request for County Services. Pursuant to Section 10002 of the Elections Code, the Council of the City of Palo Alto hereby requests the Board of Supervisors of Santa Clara

NOT YET APPROVED

County to permit the Registrar of Voters to render services to the City of Palo Alto relating to the conduct of Palo Alto’s General Municipal and Special Elections which are called to be held on Tuesday, November 8, 2022. The services shall be of the type normally performed by the Registrar of Voters in assisting the clerks of municipalities in the conduct of elections including, but not limited to, checking registrations, mailing ballots, hiring election officers and arranging for polling places, receiving absentee voter ballot applications, mailing and receiving absent voter ballots and opening and counting same, providing and distributing election supplies, and furnishing voting machines.

SECTION 11. Transmittal of Resolution. The City Clerk is hereby directed to submit forthwith a certified copy of this resolution to the Santa Clara County Board of Supervisors and to the Registrar of Voters.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney

Director of Administrative Services

NOT YET APPROVED

Attachment A

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Chapter 2.28 (Fiscal Procedures) of Title 2 of the Palo Alto Municipal Code to Authorize the City Council to Annually Transfer from the Gas Utility to the General Fund an Amount Equal to 18% of the Gross Revenues of the Gas Utility, Generated by the City's Retail Natural Gas Rates

The People of the City of Palo Alto do ordain as follows:

SECTION 1. Chapter 2.28 of the Palo Alto Municipal Code is hereby amended by adding Section 2.28.185 as follows:

Chapter 2.28
FISCAL PROCEDURES

2.28.185 Gas Utility Transfer

Each fiscal year the City Council may transfer from the gas utility to the general fund an amount equal to 18% of the gross revenues of the gas utility received during the fiscal year two fiscal years before the fiscal year of the transfer. At its discretion, the City Council may decide to transfer a lesser amount. The projected cost of the transfer shall be included in the City's retail gas rates as part of the cost of providing gas service.

SECTION 2. General Tax. Proceeds of the tax imposed by this Ordinance shall be deposited in the general fund of the City and shall be available for any legal purpose.

SECTION 3. Amendment or Repeal. The City Council may repeal Section 2.28.185 of the Palo Alto Municipal Code or amend that Section without a vote of the people except that any amendment to Section 2.28.185 that increases the amount or rate of tax due from any person beyond the amounts and rates authorized by this Ordinance may not take effect unless approved by a vote of the people.

SECTION 4. Severability. If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining portions of this Ordinance shall nonetheless remain in full force and effect. The people hereby declare that they would have adopted each section, subsection, sentence, clause, phrase, or portion of this Ordinance, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions of this Ordinance be declared invalid or unenforceable.

SECTION 5. Effective Date. This ordinance shall be effective only if approved by a majority of the voters and shall go into effect immediately after the vote is declared by the City Council.

NOT YET APPROVED

Attachment A

SECTION 6. Execution. The Mayor is hereby authorized to attest to the adoption of this Ordinance by the voters of the City by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Palo Alto voting on the 8th day of November, 2022.

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Services

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Calling a Special Election for November 8, 2022 for Submittal to the Qualified Electors of the City a Measure Amending Title 2 of the Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating in the City of Palo Alto

R E C I T A L S

A. The City of Palo Alto is one of only a few California cities that does not require local businesses to contribute to city services through a business tax. As Palo Alto looks to the future, City leaders have determined that the time has come to seek voter approval to tax businesses operating in the City, so that all do their part to meet the City's evolving challenges, including the need for long term stable funding for public safety services and the need for significant investments in affordable housing and grade separated train crossings that maintain mobility for vehicles, bicyclists and pedestrians.

B. A proposed ordinance attached hereto and incorporated herein by reference as Attachment "A" (the "Ordinance") would amend the Palo Alto Municipal Code to add Chapter 2.37 to Title 2, to establish a general tax on businesses operating in the City of Palo Alto at an annual rate of ten cents/square foot occupied by the business, with annual adjustments for inflation and exemptions for grocery stores and businesses under 5,000 square feet.

C. By its Resolution No. 10045 the City Council called a general municipal election for November 8, 2022 ("Election").

D. Pursuant to Government Code Section 53724 and Election Code Section 9222, the City Council desires to submit the Ordinance to the voters of the City.

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

SECTION 1. Findings. The City Council finds and determines that each of the findings set forth above are true and correct.

SECTION 2. General Tax Election. The City Council proposes to impose the general tax set forth in the Ordinance and to present this proposal to the voters on November 8, 2022.

SECTION 3. Measure. Pursuant to Elections Code Section 9222, the City Council hereby submits the Ordinance to the voters at the Election and orders the following question to be submitted to the voters at the Election:

NOT YET APPROVED

Shall the measure to raise funds for improving public safety, affordable housing, rail crossing safety, homeless services, and general city services, by levying a tax on businesses in the City of Palo Alto at an annual rate of 10 cents/square foot occupied by the business, with annual adjustments for inflation and exemptions for grocery stores and all businesses under 5,000 square feet, raising approximately \$19 million annually until ended by voters, be adopted?	YES	
	NO	

This question requires the approval of a majority of those casting votes.

SECTION 4. Adoption of Measure. The measure to be submitted to the voters is attached to this Resolution as Attachment A and incorporated herein by this reference.

SECTION 5. Notice of Election. Notice of the time and place of holding the election is hereby given, and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

SECTION 6. Impartial Analysis. Pursuant to California Elections Code Section 9280, the City Council hereby directs the City Clerk to transmit a copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the City Clerk on or before August 23, 2022.

SECTION 7. Ballot Arguments. Pursuant to Elections Code Section 9286 et. seq., August 16, 2022 at 5:00 p.m. shall be the deadline for submission of arguments in favor of, and arguments against, any local measures on the ballot. If more than one argument for and/or against is received, the priorities established by Elections Code Section 9287 shall control.

SECTION 8. Rebuttal Arguments. The provisions of Elections Code Section 9285 shall control the submission of any rebuttal arguments. The deadline for filing rebuttal arguments shall be August 23, 2022 at 5:00 p.m.

SECTION 9. Consolidation Request. The Council of the City of Palo Alto requests the governing body of any other political subdivision, or any officers otherwise authorized by law, to partially or completely consolidate such elections and the City Council consents to such consolidation. The Council requests the Board of Supervisors of Santa Clara County to include on the ballots and sample ballots, all qualified measures submitted by the City Council to be ratified by the qualified electors of the City of Palo Alto. The Council acknowledges that the election will be held and conducted according to procedures in the Elections Code, including Section 10418.

SECTION 10. Request for County Services. Pursuant to Section 10002 of the California Elections Code, the Council of the City of Palo Alto hereby requests the Board of Supervisors of Santa Clara County to permit the Registrar of Voters to render services to the City of Palo Alto

NOT YET APPROVED

relating to the conduct of Palo Alto’s General Municipal and Special Elections which are called to be held on Tuesday, November 8, 2022. The services shall be of the type normally performed by the Registrar of Voters in assisting the clerks of municipalities in the conduct of elections including, but not limited to, checking registrations, mailing ballots, hiring election officers and arranging for polling places, receiving absentee voter ballot applications, mailing and receiving absent voter ballots and opening and counting same, providing and distributing election supplies, and furnishing voting machines.

SECTION 11. Transmittal of Resolution. The City Clerk is hereby directed to submit forthwith a certified copy of this resolution to the Santa Clara County Board of Supervisors and to the Registrar of Voters.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney

Director of Administrative Services

NOT YET APPROVED

Attachment A

Ordinance No. _____
 Ordinance of the Council of the City of Palo Alto Amending Title 2 of the
 Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating
 in the City of Palo Alto

The People of the City of Palo Alto do ordain as follows:

SECTION 1. Title 2 (Administrative Code) of the Palo Alto Municipal Code is hereby amended by adding Chapter 2.37 (Business Tax) as follows:

**Chapter 2.37
 BUSINESS TAX**

2.37.010 Title

This chapter is the “City of Palo Alto Business Tax Ordinance.”

2.37.020 Definitions

The definitions in this section apply to the words and phrases used in this chapter unless the context clearly indicates otherwise.

- (a) “Business” means any commercial enterprise, trade, calling, art, vocation, profession, occupation, or means of livelihood, whether or not carried on for gain or profit.
- (b) “Business operator” means a person who transacts, maintains, manages, operates, controls, engages in, conducts, carries on, or owns a business in the city. It does not include the employee of a business who is not an owner or proprietor of the business.
- (c) “Calendar year” means the year beginning January 1 and ending December 31.
- (d) “City” means the City of Palo Alto.
- (e) “CPI Index” means the Consumer Price Index—All Urban Consumers for All Items for the San Francisco-Oakland-Hayward Area or any successor to that index designated by the Federal Bureau of Labor Statistics or the City Council.
- (f) “Fiscal year” means the year beginning July 1 and ending June 30.
- (g) “Fixed place of business” means a place of business located in the city boundaries and occupied for the particular purpose of operating a business. For the business of renting or leasing real property, the real property being rented or leased is part of the fixed place of business.

NOT YET APPROVED

- (h) “Grocery store” means a business that exists for the primary purpose of selling a range of food items to consumers for consumption off site, such as canned foods; dry goods; fresh produce; fresh meats, fish, and poultry; and any area that is not separately owned within the store where food is prepared and served, including a bakery, deli, and meat and seafood departments, or as otherwise defined in 14 CCR section 18982(a)(3), provided that any store that combines grocery items with other retail products or services is a grocery store for the purpose of this chapter only if two-thirds or more of the occupied space is designated to the sale of grocery items as listed in this section.
- (i) “Hotel” has the meaning provided in section 2.33.010.
- (j) “Operate” means to conduct a business and includes all stages of conducting a business from initial planning to the wind-down of a business, whether or not a profit is being made.
- (k) “Person” means any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, receiver, syndicate or other group or combination acting as a unit and includes the plural as well as the singular number.
- (l) “Quarter” means the three-month quarter of the fiscal year. The “first quarter” is the months of July, August, and September; the “second quarter” is the months of October, November, and December; the “third quarter” is the months of January, February, and March; and the “fourth quarter” is the months of April, May, and June. The term “same quarter of the previous fiscal year” means the quarter of the same number in the previous fiscal year.
- (m) “Square footage” means the rentable square footage used by a business as specified in a business’s lease or, if the business floor space is owned by the business, as calculated in the same manner as if the area was rented using commonly accepted standards of measurement for leasing purposes such as the Standard Methods of Measurement published by the Building Owners and Managers Association (BOMA). Any method of measurement used must meet the following minimum standards:
- (1) It shall be computed by measuring to the inside finish of permanent outer building walls and shall include space used by columns and projections necessary to the building.
 - (2) It shall include both the area used by the business and a proportionate share of the building service areas such as lobbies, corridors and other common areas in a building unless assigned to another business for tax calculation purposes or unless agreed otherwise between the landlord and tenant.
 - (3) It shall not include vertical penetrations through the building such as stairs, elevators, or heating, ventilation, air conditioning, utility, or telephone systems, except on the lowest floor of stairs and elevators.

NOT YET APPROVED

- (4) For the business of renting or leasing property, it shall include area used primarily for the business operator's offices and operational facilities.
- (5) It shall not include residential uses, including multiple-family use as defined in section 18.04.030(102), two-family use as defined in section 18.04.030(141), single-family residential use as defined in section 18.04.030(86)(A)), mobile home park as defined in section 18.04.030(97), residential care homes as defined in section 18.04.030(124), supportive housing as defined in section 18.04.030(135.5), transitional housing as defined in section 18.04.030(138), emergency shelter as defined in section 18.04.030(50), and any equivalent residential use defined by the City.
- (6) It shall include hotel as defined in section 18.04.030(73).
- (7) Square footage for businesses with multiple locations will be measured and tax assessed will be calculated based on the aggregate square footage for the business for all locations in the City.
- (n) "Tax Administrator" means the Director of Administrative Services, or successor position, or their designee.
- (o) "Transient Occupancy Tax" means the tax imposed under section 2.33.020.
- (p) "Transitory business" means a business that operates in the city for less than 90 days in the course of one calendar year (such as seasonal sale lots, special events, concerts/performances/circuses, filming, and party rentals).
- (q) "Vacant" means a severable portion of the physical location that a business is occupying, such as an entire floor, a building, or a portion of a floor with independent entrance and exit, that is free from any use, fixtures, furniture, and equipment, and is immediately available for use by a new tenant or owner.

2.37.030 Obligation to Pay Business Tax

- (a) It is unlawful for any business operator, either for themselves or for any other person, to operate in the city any business taxed under this chapter without paying all business tax required by this chapter.
- (b) If a business has more than one business operator, then the payment of the business tax by one business operator excuses any other business operators from the obligation to pay the business tax for that period for which the tax has been paid.
- (c) The requirement to pay business tax is in addition to and separate from the requirement to obtain a business registration certificate under section 4.60.030.

NOT YET APPROVED

- (d) The payment of business tax does not authorize the doing of any act which the person or business paying the business tax is not otherwise entitled to do and does not excuse the business from complying with other applicable Code requirements.

2.37.040 Imposition of Business Tax

Any business operator operating a business at a fixed place of business in the city must pay a business tax at the following rates:

- (a) Beginning January 1, 2023, the tax shall be imposed at the rate of \$0.05 per month per square foot of square footage occupied or used by the business at the beginning of the quarter, with no tax being imposed for the first 5,000 square feet.
- (b) Beginning January 1, 2024, the tax shall be imposed at the rate of \$0.10 per month per square foot of square footage occupied or used by the business at the beginning of the quarter, with no tax being imposed for the first 5,000 square feet. This rate shall be adjusted annually by the CPI Index as provided in section 050.

2.37.050 Annual CPI Adjustment of Tax Rate

- (a) Beginning with the 2025-26 fiscal year, and each fiscal year thereafter, the tax rate shall be automatically increased by a percentage equal to the percentage increase in the CPI Index in the previous calendar year (“the CPI Increase”).
- (b) Notwithstanding subdivision (a) of this section, in any year in which the CPI Increase is more than 5%, the increase in the tax rate will be limited to 5%, and the amount of the CPI Increase that exceeds 5% (“the Excess CPI Increase”) shall be added to the following fiscal year’s CPI Increase under subdivision (a) of this section.
- (c) If the addition of a previous fiscal year’s Excess CPI Increase to a current fiscal year’s CPI Increase exceeds 5%, then the increase in the tax rate will again be limited to 5%, and the amount that the combination of the CPI Increase and the previous fiscal year’s Excess CPI Increase exceeds 5% will create a new “Excess CPI Increase” to be added to the following fiscal year’s CPI Increase under subdivision (a) of this section.

2.37.060 Disposition of Tax Revenue

The tax imposed by this chapter is for the purpose of raising revenue for the general governmental purposes of the city. All of the proceeds from the tax imposed by this chapter shall be placed in the city’s general fund.

2.37.070 Exemptions from Tax

- (a) The following businesses are exempt from the tax imposed by this chapter:

NOT YET APPROVED

- (1) Any business exempt from the tax by the laws of the United States or the State of California;
 - (2) Grocery stores;
 - (3) Businesses that occupy or use 5,000 square feet or less in the city; and
 - (4) Transitory businesses.
- (b) If a business operator operates a single integrated business that has two or more parts, one or more of which could be exempt from the tax imposed by this chapter if operated as a separate business, the city may, at its discretion, exempt from the tax any part of the business that would be exempt if operated as a separate business, provided the business's square footage can be reasonably allocated between the parts. If the city determines that the square footage cannot be reasonably allocated between the different parts of the business, then the entire business shall be taxed, unless to do so would violate a law of the United States or the State of California.

2.37.080 Business Tax Offsets

- (a) A business operator that operates a hotel in the city may deduct from the business tax it owes for a quarter for the business of operating the hotel an amount equal to the total transient occupancy tax collected and remitted to the city in the same quarter of the previous fiscal year from transients staying at the hotel.
- (b) The business operator of a business that has discretion to determine the location of the place of sale, place of use or principal place of negotiation for sales or use tax purposes and which exercises that discretion and designates the city as the place of sale, place of use, or principal place of negotiation for sales or use tax purposes which results in the city receiving sales or use tax revenues that it would not otherwise have received, but for the business's exercise of its discretion to designate the city as the place of sale, place of use or principal place of negotiation for sales or use tax purposes ("Discretionary Sales or Use Tax Sales") may deduct from the business tax it owes for a quarter an amount equal to one half of the total sales tax or use tax received by the city from the Discretionary Sales or Use Tax Sales of that business in the same quarter of the previous fiscal year. This offset can offset up to, but no more than, 75% of the business's quarterly business tax. The city and a business operator may enter into an agreement implementing this section.
- (c) A business operator of a business that has rights to property due to property ownership, a ground lease, or a lease that permits subleasing, and that is offering that property for sale or rent, may deduct from the business tax owed for the business an amount equal to the business tax associated with the square footage being offered for sale or rent, provided that the area to be sold or rented is completely vacant and available for

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immediate occupancy.

- (d) A business claiming an offset under this section must claim the offset with its tax filing for the quarter for which the offset is claimed.
- (1) If the information necessary for a business to claim an offset is not available, the business may defer claiming an offset for up to one year or for another period of time set by written agreement with the City.
 - (2) The Tax Administrator may require a business claiming an offset to submit additional information to support the claim of the offset. The request for additional information must be made in writing and the information must be provided within thirty (30) days.
 - (3) If the Tax Administrator determines that an offset claimed by a business is incorrect, the Tax Administrator may make an Initial Determination of the amount, if any, of the offset and the amount of tax due under section 150(a).

2.37.090 Quarterly Tax Payments

- (a) The tax imposed by this chapter shall be paid quarterly. The tax for each quarter is due the first day of the following quarter and is delinquent thirty (30) days later.
- (b) For the first quarter in which a business begins operating in the city, the business's tax shall be prorated for the number of days that the business was operating in the quarter.
- (c) For the last quarter in which a business operates in the city before closing, the business's tax shall be prorated for the number of days that the business was operating in the quarter.

2.37.100 Business Tax Filing for a New Business

When a business begins operating in the city for the first time, the business operator must provide the Tax Administrator with the following information, verified by the business operator as true and correct under penalty of perjury of the laws of the State of California, before beginning the operation of the business in the city:

- (a) The name of the business and the address or addresses at which it will be operating in the city;
- (b) The date on which the business will begin operating;
- (c) The nature of the business's activities;

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- (d) The square footage in which the business will be operating in the city; and
- (e) Any other information required by the Tax Administrator.

2.37.110 Quarterly Tax Returns

With each quarterly tax payment, a business operator must submit a quarterly tax return which contains the following information, verified by the business operator as true and correct under penalty of perjury of the laws of the State of California:

- (a) The name of the business and the address or addresses at which it will be operating in the city;
- (b) The nature of the business's activities;
- (c) The square footage in which the business will be operating in the city;
- (d) If the business operator claims an offset under section 080, sufficient information and documentation to establish the business's right to the offset and the amount of the offset;
- (e) Any other information required by the Tax Administrator; and
- (f) The amount of tax due based on the square footage of the business.

2.37.120 Agreements for Installment Payments

The Tax Administrator may enter into an agreement with a business operator to allow a business operator to pay the tax on a more or less frequent basis.

2.37.130 Businesses Operating in the Same Location

- (a) Each business operator operating a business in a location where one or more other businesses are also operating is obligated to pay business tax measured by the square footage occupied by that business.
- (b) The payment of business tax by a business operator absolves any other business operator from having to pay business tax measured by the same square footage.
- (c) Two or more business operators that are operating businesses in the same square footage may contractually agree which business will pay the business tax measured by that square footage.

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2.37.140 Delinquent Taxes (Penalties and Interest)

- (a) When a tax becomes delinquent, a penalty of 10% of the amount of the delinquent tax will be added to the amount of tax due. If the tax remains unpaid sixty (60) days after becoming delinquent, an additional penalty of 25% of the amount of the delinquent tax (excluding accrued interest and the initial penalty) will be added to the amount of tax due.
- (b) On the first of each month that a tax is delinquent, interest in the amount of 1.5% of the delinquent amount, excluding penalties and interest, will be added to the amount of tax due.
- (c) A business operator may apply to the Tax Administrator for a reduction or waiver of any accrued penalties or interest, and the Tax Administrator may reduce or waive any accrued penalties or interest upon a finding of good cause.

2.37.150 Administrative Procedure to Assess or Correct Tax

- (a) If the Tax Administrator determines that a business operator has incorrectly reported any information to the city or has not paid all or any of the tax, penalties, or interest that are due, the Tax Administrator may, using any information available to the Tax Administrator, issue an Initial Determination stating what the Tax Administrator believes to be the correct information and, if new or additional tax, penalties, or interest are due, how much tax, penalties, or interest are due. An Initial Determination must be issued within five (5) years of the last day of the quarter to which the Initial Determination applies, except in the case of an audit conducted under section 210, in which case it must be issued within ninety (90) days of the completion of the audit and can apply to any of the quarters that were subject to the audit. The Initial Determination shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. Service is effective upon deposit of the Initial Determination in the U.S. Mail.
- (b) A business operator affected by an Initial Determination may within fifteen (15) days of service of an Initial Determination contest the Initial Determination and request a hearing before the Tax Administrator by filing with the Tax Administrator a written request for a hearing. The further accrual of penalties and interest shall be tolled upon the filing of a request for a hearing. If a business operator does not contest an Initial Determination and request a hearing with the Tax Administrator within fifteen (15) days of service of the Initial Determination, the Initial Determination shall become final and cannot be appealed.
- (c) If a business operator timely contests an Initial Determination and requests a hearing, the Tax Administrator shall set a hearing within thirty (30) days of the filing of the request for a hearing. Notice of the hearing shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in

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the Tax Administrator's records.

- (d) At the hearing the business operator may present evidence and argument regarding the Initial Determination to show why the Initial Determination is incorrect and to show what the determination of the Tax Administrator should be. Within sixty (60) day after the close of the hearing, the Tax Administrator shall serve a Final Determination, setting forth the Tax Administrator's determination of the facts and issues that were the subject of the Initial Determination. The Final Determination shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. Service is effective upon deposit of the Final Determination in the U.S. Mail. Unless an appeal of a Final Determination is filed under section 170, any penalties or interest tolled under subdivision (b) of this section will resume accruing ten (10) days after the service of the Final Determination.

2.37.160 General Administrative Remedy

- (a) Any person affected by a decision of the Tax Administrator ("the challenger"), except for decisions under section 150, may challenge that decision by filing a written objection to the decision with the Tax Administrator. The objection must be filed within fifteen (15) days of the issuance of the decision being challenged. If the Tax Administrator was required to provide notice of the decision, then the time to file an objection to the decision begins to run from the date of service of the notice of the decision. The Tax Administrator shall serve a written response to the objection within thirty (30) days of the filing of the objection, which period can be extended by the Tax Administrator for an additional thirty (30) days. The Tax Administrator's response to the objection shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records.
- (b) The challenger may request a hearing on the Tax Administrator's response to the objection by filing a request for a hearing with the Tax Administrator within fifteen (15) days of service of the response to the objection. If a timely request for a hearing on a response to the objection is filed with the Tax Administrator, the Tax Administrator shall set a hearing within thirty (30) days of the filing of the request for a hearing. Notice of the hearing shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records.
- (c) At the hearing the challenger may present evidence and argument regarding the decision being challenged to show why the decision is incorrect and to show what it should be. Within sixty (60) days after the close of the hearing, which the Tax Administrator may extend for an additional sixty (60) days, the Tax Administrator shall serve a Final Determination on the decision, setting forth the Tax Administrator's determination of the decision that was challenged. The Final Determination shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. Service is effective upon deposit of the Final Determination in the U.S. mail.

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2.37.170 Appeals

- (a) A Final Determination of the Tax Administrator under section 150, subdivision (d), or section 160, subdivision (c), can be appealed to the City Manager by filing a written notice of appeal with the City Manager within fifteen (15) days of service of the notice of the Final Determination being appealed.
- (b) Only a business operator who files a timely request for a hearing on an Initial Determination under section 150 and participates in the hearing or a challenger who files an objection to a decision and files a request for a hearing on the response to the objection under section 160 and participates in the hearing can file an appeal under this section.
- (c) If a timely appeal is filed with the City Manager, the City Manager, or the City Manager's designee, shall set a hearing within thirty (30) days of the filing of the appeal, which may be extended by the City Manager for an additional thirty (30) days. Notice of the hearing shall be served on the appellant either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. The tolling of the accrual of penalties or interest under section 150, subdivision (b), shall continue upon the timely filing of an appeal under this section.
- (d) At the hearing the appellant and the Tax Administrator may present evidence and argument regarding the decision being appealed to show why the decision is correct or incorrect and to show what it should be. Within sixty (60) days after the close of the hearing, which the City Manager or the City Manager's designee may extend for an additional sixty (60) days, the City Manager or the City Manager's designee shall serve a written decision, setting forth the resolution of the appeal. The decision shall be served on the appellant either personally or by U.S. mail to the most recent address for the appellant in the City Manager's records. Service is effective upon deposit of the decision in the U.S. Mail. Any penalties and interest that were tolled under section 150, subdivision (b), shall resume accruing ten (10) days after the service of the decision.
- (e) A decision of the City Manager, or the City Manager's designee, served under subdivision (d) of this section is subject to judicial review under sections 1094.5 and 1094.6 of the Code of Civil Procedure with a writ petition filed in the appropriate court within ninety (90) days of the service of the written decision. Any tax, penalties, or interest determined by the decision to be owed to the city by the appellant must be paid to the city as a precondition to filing a writ petition challenging the decision, but a claim for a refund under section 200 does not have to be filed before filing a writ petition.

2.37.190 Constitutional Apportionment

- (a) No tax imposed by this chapter shall be applied to a business operator so as to

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constitute an undue burden on interstate commerce or intercity commerce or be violative of the equal protection or due process clauses of the United States or California constitutions.

- (b) A business operator who contends that the application of a tax imposed by this chapter on the business operator constitutes an undue burden on interstate commerce or intercity commerce or violates the equal protection or due process clauses of the United States or California constitutions may apply to the Tax Administrator for an apportionment of the tax imposed on the business operator that would remove the constitutional violation by filing a written request with the Tax Administrator that explains the factual and legal basis for the claimed constitutional violation and proposes a method of apportionment that would resolve the alleged constitutional violations.
- (c) The Tax Administrator, in consultation with City Attorney, shall review the application and within sixty (60) days of the filing of the application issue a decision on the application. The decision on the application shall be served on the business operator either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. The decision can be challenged under section 160.

2.37.200 Refunds

- (a) A business operator who believes that any tax, penalty, or interest has been illegally, erroneously, or mistakenly paid to, collected by, or otherwise received by the city may file a claim for a refund of the amount of tax, penalty, or interest claimed to have been improperly received by the city.
- (b) The claim must be filed with the Tax Administrator and signed under penalty of perjury by the business operator. The claim must state:
 - (1) The legal and factual basis for the refund claim;
 - (2) The amount of tax, penalty, or interest allegedly improperly received by the city;
 - (3) The date or dates that the improper payments were made to the city; and
 - (4) The address of the claimant.
- (c) The claim must be filed with the Tax Administrator within one (1) year of the date of the allegedly improper payment to the city.
- (d) The Tax Administrator shall provide a written decision on the claim within thirty (30) days of the filing of the claim by serving the decision on the claimant either personally or by U.S. mail to the address provided in the claim. Service is effective upon deposit of the response in the U.S. Mail.

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- (e) A claimant may challenge the Tax Administrator's decision on a refund claim under section 160.
- (f) This section does not apply to:
 - (1) A claim for a refund arising out of a decision of the Tax Administrator, City Manager, or City Manager's designee under sections 150, 160, 170, or 190; or
 - (2) A claim that could have been asserted by the claimant, but was not, under sections 150, 160, 170, or 190.

2.37.210 Audits

- (a) The Tax Administrator may conduct an audit of any business operator to ensure proper compliance with the requirements of this chapter.
- (b) To initiate an audit the Tax Administrator shall provide written notice to the business operator that is the subject of the audit of the initiation of the audit by serving the notice personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. The notice shall state the period of time subject to the audit.
- (c) Notice of the initiation of an audit for a quarter for which either a business tax filing for a new business or quarterly tax return was submitted under section 100 or section 110 must be served within five (5) years of the last day of the quarter to which the filing or return applied.
- (d) Notice of the initiation of an audit for a quarter for which neither a business tax filing for a new business nor a quarterly tax return was submitted under section 100 or section 110, but for which the business was registered as a business under section 4.60.030, must be served within seven (7) years of the last day of the quarter for which the filing or return should have been filed.
- (e) Notice of the initiation of an audit for a quarter for which neither a business tax filing for a new business nor a quarterly tax return was submitted under section 100 or section 110, and for which the business was not registered as a business under section 4.60.030, must be served within ten (10) years of the last day of the quarter for which the filing or return should have been filed.
- (f) Upon completion of an audit, the Tax Administrator may make an Initial Determination under subdivision (a) of section 150 of any taxes, penalties, and interest determined to be owed and not paid for the audit period. The Initial Determination must be issued within ninety (90) days of the completion of the audit. If a business operator subject to audit is unable or unwilling to provide sufficient records to enable the Tax Administrator to verify compliance with this chapter, the Tax Administrator is authorized to make a

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reasonable estimate of the amount of tax due and the reasonable estimate shall be entitled to a rebuttable presumption of correctness.

2.37.220 Maintenance and Review of Records

- (a) Business operators must maintain for six (6) years records of square footage and information necessary to calculate the tax. If the Tax Administrator serves notice of the initiation of an audit, the information pertinent for the quarters subject to the audit must be maintained until the conclusion of the audit.
- (b) The Tax Administrator may with reasonable notice inspect the premises and records of the business operator.
- (c) The Tax Administrator may request the City Council to issue an administrative subpoena for records of a business operator or other persons with relevant information.

2.37.230 Confidentiality of Records

All documents submitted to the city by a business operator under this chapter and all documents of a business operator inspected by the Tax Administrator in the conduct of an audit are presumed to be confidential and will not be subject to public inspection to the fullest extent allowed by law and must be maintained so that the contents of the documents will not become known except to persons charged with the administration of this chapter. Confidential documents may be shared with consultants retained by the city to aid in the administration of this chapter, provided the consultants agree to maintain the confidentiality of the documents. However, nothing in this section precludes the city from aggregating information and releasing it in a manner that does not identify any particular business or connect any information with a particular business.

2.37.240 Action to Collect Delinquent Taxes

- (a) Any tax, penalty, and interest imposed on a business operator under this chapter is a debt owed by the business operator to the city, which may be recovered in an action filed by the city in a court of competent jurisdiction.
- (b) An action under this section shall be filed within three (3) years of an Initial Determination becoming final under subdivision (b) of section 150, the issuance of a Final Determination under subdivision (d) of section 150 that is not appealed, the issuance of a Final Determination under subdivision (c) of section 160 that is not appealed, or the issuance of a decision under subdivision (d) of section 170.
- (c) During the pendency of an action filed under this section, interest will continue to accrue under subdivision (b) of section 140 until the entry of judgment.

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- (d) Before filing an action, the city may serve the business operator either personally or by U.S. mail at the most recent address for the business operator in the Tax Administrator's records with notice of the pending action and give the business operator fifteen (15) days to pay all of the delinquent taxes, penalties, and fees. If all of the of the delinquent taxes, penalties, and fees are not paid within the fifteen-day period, then an additional penalty of 25% of the amount of the delinquent tax (including accrued penalties and interest) shall be added to the total delinquency and may be recovered in the action.

2.37.250 Errors Not Binding on the City

No error by the Tax Administrator or any other officer, employee, or agent of the city in the application of this chapter shall prevent, prejudice, or estop the collection by or for the city of the full amount of tax owed by any person under this chapter.

2.37.260 Dates

If the last day for the performance of any act under this chapter is a Saturday, Sunday, or holiday recognized by the city, then the date for the performance of that act is extended to the next day that is not a Saturday, Sunday, or holiday recognized by the city.

2.37.270 Rules and Regulations

- (a) The Tax Administrator may adopt rules and regulations that are not inconsistent with the provisions of this chapter as may be necessary to aid in the application and enforcement of this chapter.
- (b) The Tax Administrator may adopt rules providing for the service or filing of any notices, filings, returns, or submittals required by this chapter. These rules may provide alternative means for serving or filing any notice, filing, return, or submittal, and may clarify the method of serving or filing any notice, filing, return, or submittal provided for in this chapter.

2.37.280 City Council Amendments

- (a) The City Council may amend this chapter in any way it deems necessary without the approval of the electorate, provided the amendment does not increase the amount of tax that any person would pay.
- (b) Any amendment to this chapter that would reduce the amount of tax any taxpayer would pay, either temporarily or permanently, must be approved by two-thirds (2/3) of the members of the City Council.
- (c) Notwithstanding subdivision (a) of this section, the City Council may with the approval of two-thirds (2/3) of its members and without approval of the electorate reduce, revise, or eliminate any of the business tax offsets in section 080.

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2.37.290 Severability

If any word, phrase, sentence, part, section, subsection, or other portion of this chapter, or any application thereof to any person or circumstance is declared void, unconstitutional, or invalid for any reason, then such word, phrase, sentence, part, section, subsection, or other portion, or the prescribed application thereof, shall be severable, and the remaining provisions of this chapter, and all applications thereof, not having been declared void, unconstitutional or invalid, shall remain in full force and effect. The People of the City of Palo Alto hereby declare that they would have passed this ordinance, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases had been declared invalid or unconstitutional.

2.37.300 Savings Clause

No section, clause, part, or provision of this chapter shall be construed as requiring the payment of any tax that would be in violation of the Constitution or laws of the United States of America or of the Constitution or laws of the State of California.

SECTION 2. Implementation Procedures

- 1. The new tax imposed by this ordinance will go into effect on January 1, 2023.
- 2. Notwithstanding sections 2.37.090, 2.37.100, and 2.37.110 of the codified part of this ordinance, the tax imposed by this ordinance will initially be due on the following schedule:
 - (a) The initial tax payment for the tax that has accrued since January 1, 2023 will be due on January 1, 2024, or on a subsequent date established by the Tax Administrator, and will be delinquent 30 days later if not paid.
 - (b) With its initial tax payment, each business shall provide the following information:
 - (1) The name of the business and the address or addresses at which it will be operating in the city;
 - (2) The nature of the business’s activities;
 - (3) The square footage in which the business will be operating in the city;
 - (4) If the business operator claims an offset under section 2.37.080, sufficient information and documentation to establish the business’s right to the offset and the amount of the offset;
 - (5) Any other information required by the Tax Administrator; and
 - (6) The amount of tax due based on the square footage of the business.

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(c) A business that begins operating for the first time after January 1, 2023, must submit its initial tax payment and initial information by the date provided in this uncodified section or by the date provided in codified section 2.37.090, whichever is later.

SECTION 3. General Tax. Proceeds of the tax imposed by this Ordinance shall be deposited in the general fund of the City and shall be available for any legal purpose.

SECTION 4. Effective Date. This ordinance shall be effective only if approved by a majority of the voters and shall go into effect immediately after the vote is declared by the City Council.

SECTION 5. Execution. The Mayor is hereby authorized to attest to the adoption of this Ordinance by the voters of the City by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Palo Alto voting on the 8th day of November, 2022.

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Services

NOT YET APPROVED

Attachment C

Resolution No. _____

Resolution of the Council of the City of Palo Alto Regarding Uses of Proceeds of a Business
Tax to be Submitted to the Voters for Approval in November 2022

R E C I T A L S

A. The City of Palo Alto is a safe, healthy, and vibrant community with a wide array of public services and facilities that support and enhance the lives and experiences of residents, businesses, workers and visitors to the City. These include a network of neighborhood parks and libraries; excellent public and private schools and universities; community centers, museums and theater facilities; high-quality local health care services; walkable, bikeable, safe neighborhoods; an extensive urban forest; two lively downtown areas with indoor and outdoor dining, live music and shopping opportunities; world-leading climate protection programs; and more.

B. The City of Palo Alto is a well-run municipality, with a Triple-A bond rating and a reputation for pro-active fiscal management, strong ongoing investments in public infrastructure, and conservative financial planning.

C. As Palo Alto looks toward the future, City leaders have determined that the time has come to seek voter approval to tax businesses that operate in the City, as the vast majority of California cities do. A business tax would ensure that organizations that benefit from doing business in Palo Alto do their part to meet the City's evolving challenges, provide for new and expanding public needs, and maintain the high-quality environment that residents, workers, and visitors enjoy.

D. If a business tax is approved by voters, its proceeds will be placed in the City's general fund for use on general government services. Council Members elected by the voters will determine the uses of those proceeds that best serve the public interest.

E. With this Resolution, the City Council informs voters of its intentions regarding the public services and programs that would be supported by business tax revenues.

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

SECTION 1. Council hereby adopts the above Recitals as findings of the Council.

SECTION 2. It is the Council's intention to use proceeds of a business tax—a general tax for general government uses—to fund new and enhanced services and programs that support safety and quality of life. The following uses would be supported by business tax revenues:

One-Third for Transportation and Safe Train Crossings. In the coming years, Palo Alto will need to need to invest substantial local funds in the improvement and safety of train crossings. CalTrain is electrifying and trains are increasing in number. To maintain traffic flow, bicycle and pedestrian mobility, and safety, the City's four at-grade road crossings must be modified and separated from the train right-of-way. It is estimated that an average investment of \$250 million will be needed for the improvements needed at each crossing. City funds will be used as matching funds to secure additional county, state, and federal funds for these investments in transportation infrastructure. The Council plans to spend

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Attachment C

one-third of business tax proceeds on safe and efficient crossings for vehicles, bicyclists, and pedestrians.

One-Third for Housing Affordability and Services for the Unhoused. A balanced and healthy community welcomes families and individuals from all walks of life. In Palo Alto, significant investments are needed to bring housing costs into reach for many moderate earners who work in the City, such as teachers, public safety employees, and workers in the trades and service industries. With few affordable local housing options, these workers must travel long distances between home and work, contributing to green-house gas emissions and traffic congestion. In addition, longtime residents—especially those who rent—are at risk of losing housing and being forced to relocate to other communities or become unhoused. Those who are already living in the City without housing need financial support to transition to stable, safe and clean housing. Substantial funding is needed to advance these goals. The Council plans to spend one-third of business tax proceeds on affordable housing and unhoused services.

One-Third for Public Safety. Rising costs and constrained revenues have limited the City’s ability to provide public safety services—including police, fire, 911, and emergency services—at the level desired by the community. Stable long-term revenues from a business tax will put these highly-valued City services on sound footing into the future. The Council plans to spend one-third of business tax proceeds on public safety.

SECTION 3. The Council finds that adoption of this Resolution is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney