



**City Council  
Special Meeting  
Monday, June 13, 2022  
5:00 PM  
Council Chamber & Virtual  
*Late Packet Report Added***

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](mailto: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](mailto: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

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

1. Proclamation Recognizing Juneteenth Holiday

CLOSED SESSION (5:10 - 6:20 PM)

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

2. CONFERENCE WITH CITY ATTORNEY- EXISTING LITIGATION Subject: Miriam Green v. City of Palo Alto Santa Clara County Superior Court Case No. 16CV300760 (One Case, as Defendant) Authority: Government Code Section 54956.9(d)(1)

AGENDA CHANGES, ADDITIONS AND DELETIONS

PUBLIC COMMENT (6:20 - 6:35 PM)

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

CONSENT CALENDAR (6:35 - 6:40 PM)

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

3. Approve Minutes from the June 1, 2022 City Council Meeting
4. Approval of Contract No. C22182951 with Innovative Interfaces Incorporated for use of its Online-Hosted Integrated Library System (ILS) Software, Innovative Mobile App, and Implementation Services, for a Five-Year Term and a Total Contract Not-To-Exceed Amount of \$983,388 including a Ten-Percent Contingency/Additional Services Amount
5. Finance Committee Recommends the City Council Direct Staff to Update the Park, Library, and Community Center Development Impact Fee Nexus Study to Create New Fee Categories, Update the Park Land Valuation to \$17.6m, Move to a Square-foot basis for Fees Imposed on Housing, and Conduct an Economic Feasibility Study (Including on the Parkland Dedication Fee)
6. Utilities Advisory Commission Recommend the City Council Adopt the 2022 Annual Water Shortage Assessment Report

**At-Places Memo**

7. Approval of Amendment No. 2 to Contract S20176879 with Johnson Controls Fire Protection LP, to Add to the Scope of Services and Increase the Contract Amount by \$113,466 for a New Three-year

Contract Total Amount Not-to-Exceed of \$379,050 for the Provision of Fire Sprinkler System Inspections and Repair Services

8. Approval of Contract Amendments to Extend Three Public-Private Partnership Agreements Between the City of Palo Alto and TheatreWorks, Palo Alto Players, and West Bay Opera for the use of the Lucie Stern Community Theatre for an Additional Year

CITY MANAGER COMMENTS (6:40 - 7:00 PM)

Presentation

ACTION ITEMS

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

9. Finance Committee Recommends Adoption of six Resolutions: 1) Approving the Fiscal Year 2023 Wastewater Collection Utility Financial Plan, Including Proposed Transfer, and Adopting a Wastewater Collection Utility Rate Increase by Amending Wastewater Collection Rate Schedules S-1, S-2, S-6 and S-7; 2) Approving the FY 2023 Water Utility Financial Plan, Including Proposed Transfer, and Adopting a Water Utility Rate Increase by Amending Water Rate Schedules W-1, W-2, W-3, W-4, and W-7; 3) Approving FY 2023 Gas Utility Financial Plan, Including Proposed Transfers, and Adopting a Gas Utility Rate Increase by Amending Gas Rate Schedules G-1, G-2, G-3 and G-10; 4) Approving the FY 2023 Electric Utility Financial Plan, Including Proposed Transfers and Amendments to the Electric Utility Reserve Management Practices, Amending Utility Rate Schedules E-EEC-1, E-NSE-1, E-2-G, E-4-G and E-7-G, and Adopting an Electric Utility Rate Increase by Amending Utility Rate Schedules E-1, E-2, E-4, E-4 TOU, E-7, E-7 TOU and E-14; 5) Amending Utility Rate Schedules EDF-1 and EDF-2 to Increase Dark Fiber Rates 4.2 Percent; and 6) Amending Utility Rate Schedule D-1 Increasing the Storm Water Management Fee by 4.20 Percent per Month per Equivalent Residential Unit for FY 2023 (7:00 – 8:00 PM)

Presentation

Public Letters

10. Policy and Services Committee Recommendations on Pending State Assembly Bills 2181 (VTA) and 1944, 2449, and 2647 (Local Meeting Procedures) (8:00 – 9:00 PM)

11. Revenue-Generating Ballot Measures (Affirmation of the Natural Gas Utility Transfer and New Business Tax): Direction to Staff on Key Policy Questions and Measure Characteristics, and Direction to Return with Final Documents for Placement of Ballot Measure(s) on the November 2022 Election and a Non-Binding Resolution for Intended Use of Business Tax Proceeds (9:00 -10:30 PM) *Late Packet Report Added*

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.*

12. Informational Report on the City of Palo Alto 2022 Water Gas and Wastewater Utility Standards

13. Airplane Noise from the Public Works

## OTHER INFORMATION

Standing Committee Meetings

Policy & Services Committee Meeting June 14, 2022

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.*

11. Revenue-Generating Ballot Measures (Affirmation of the Natural Gas Utility Transfer and New Business Tax): Direction to Staff on Key Policy Questions and Measure Characteristics, and Direction to Return with Final Documents for Placement of Ballot Measure(s) on the November 2022 Election and a Non-Binding Resolution for Intended Use of Business Tax Proceeds (9:00 -10:30 PM) *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](mailto:city.council@cityofpaloalto.org).
- 2. Spoken public comments using a computer** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
  - A. You may download the Zoom client or connect to the meeting in-browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.
  - B. You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
  - C. When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
  - D. When called, please limit your remarks to the time limit allotted.
  - E. A timer will be shown on the computer to help keep track of your comments.
- 3. Spoken public comments using a smart phone** will be accepted through the teleconference meeting. To address the Council, download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below. Please follow the instructions B-E above.
- 4. Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit \*9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

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



# City of Palo Alto

## City Council Staff Report

(ID # 14402)

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Meeting Date: 6/13/2022

Report Type: Special Orders of the Day

**Title: Proclamation Recognizing Juneteenth Holiday**

**From: City Manager**

**Lead Department: City Manager**

Recognition of the [Juneteenth](#) Holiday (June 19) per the direction from the City Council on March 7, 2022 ([Minutes](#)). This proclamation shall be brought forth annually to the City Council. Proclamation attached.

**Attachments:**

- **Attachment1.a:** Juneteenth Proclamation 2022



# Proclamation

## JUNETEENTH FREEDOM DAY

**WHEREAS**, June 19<sup>th</sup> is declared as Juneteenth Freedom Day, a nationally recognized day which celebrates the rich culture, legacy and heritage of Black and African American people;

**WHEREAS**, 2022 marks the 157th year of Juneteenth Freedom Day with Juneteenth being the oldest known celebration commemorating the abolition of slavery in the United States, dating back to June 19, 1865 when Union soldiers led by Major General Gordon Granger arrived in Galveston, Texas with news that the war had ended, freeing the enslaved; and

**WHEREAS**, This was two and a half years after President Abraham Lincoln's Emancipation Proclamation which became official on January 1, 1863; and

**WHEREAS**, The U.S. Congress—between 1865 and 1870—would pass key amendments to the U.S. Constitution, that upon ratification by each state, would profoundly change the legal status of those once enslaved. The thirteenth amendment abolished bonded servitude. The fourteenth amendment conferred citizenship upon on those once enslaved. Finally, the fifteenth amendment enfranchised men once held in bondage.

**WHEREAS**, Kamala Harris, Vice President of the United States of America—in prefatory remarks before President Joseph Biden signed the observance of Juneteenth into Federal law in 2021—noted that “*Throughout history, Juneteenth has been known by many names: Jubilee Day, Freedom Day, Liberation Day, Emancipation Day, and today, a National Holiday;*”

**WHEREAS**, Today, Juneteenth Freedom Day celebrates Black and African American people's freedom and achievement, while encouraging continuous self-development and respect for all cultures, as it takes on a more national, symbolic and even global perspective, to ensure the events of 1865 are not forgotten; and

**WHEREAS**, Palo Alto has begun the journey of addressing racial inequities and focusing on efforts to increase diversity, equity, inclusion, and belonging as expressed in the City of Palo Alto's Equity Mission Statement; and

**NOW, THEREFORE**, I, Pat Burt, Mayor of the City of Palo Alto on behalf of the entire City Council, do hereby proclaim June 19 as Juneteenth Freedom Day, and to call upon our community to all redouble our commitment to use our power to stamp out hate, racism, and inequities and continue the work of equity, justice, and hope.

PRESENTED: June 13, 2022

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**Pat Burt**  
**Mayor**



**City of Palo Alto**  
**Office of the City Attorney**  
**City Council CAO Report**

**(ID # 14489)**

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**Meeting Date: 6/13/2022**

**Report Type: Closed Session**

**Title: CONFERENCE WITH CITY ATTORNEY- EXISTING LITIGATION**  
**Subject: Miriam Green v. City of Palo Alto Santa Clara County**  
**Superior Court Case No. 16CV300760 (One Case, as**  
**Defendant) Authority: Government Code Section**  
**54956.9(d)(1)**

**From: Lesley Milton, City Clerk**





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

**(ID # 14490)**

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**Meeting Date: 6/13/2022**

**Report Type: Consent Calendar**

**Title: Approve Minutes from the June 1, 2022 City Council Meeting**

**From: Dani Kang,**

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

**ATTACHMENTS:**

- **Attachment3.a:** 20220601amCCsm (PDF)



# CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting  
June 1, 2022

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 5:30 P.M.

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

Absent: DuBois

## Public Comment

## Action Items

1. Review and Approval of 2022-2023 Work Plans for the following Boards and Commissions: Parks and Recreation Commission, Planning and Transportation Commission, Historic Resources Board, Architectural Review Board and Human Relations Commission

**ACTION:** Approved

2. PUBLIC HEARING: 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.

**MOTION:** Mayor Burt moved, seconded by Council Member Filseth to adopt two ordinances implementing the objective standards project, including: an ordinance creating Palo Alto Municipal Code Chapter 18.24 (Contextual Design Criteria and Objective Design Standards) (Attachment A); and an ordinance adopting related changes throughout Title 18 (Zoning) to implement the new standards (Attachment B).

**MOTION PASSED/FAILED:** 5-1, Cormack No, DuBois Absent

# DRAFT ACTION MINUTES

## Council Member Questions, Comments and Announcements

Adjournment: The meeting was adjourned at 9:46 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 # 13932)

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Meeting Date: 6/13/2022

Report Type: Consent Calendar

**Title: Approval of Contract No. C22182951 with Innovative Interfaces Incorporated for use of its Online-Hosted Integrated Library System (ILS) Software, Innovative Mobile App, and Implementation Services, for a Five-Year Term and a Total Contract Not-To-Exceed Amount of \$983,388 including a Ten-Percent Contingency/Additional Services Amount**

**From: City Manager**

**Lead Department: IT Department**

### **Recommendation**

Staff recommends that the Council approve and authorize the City Manager or their designee to execute the attached Contract No. C22182951 with Innovative Interfaces Incorporated (Attachment A) for use of its online-hosted Integrated Library System (ILS) Software, Innovative Mobile App, and Implementation Services, for a five-year term and a total not-to-exceed amount of \$983,388, which includes a 10% contingency for Additional Services in the amount of \$89,399, to be assigned via City-approved Task Order as detailed in the agreement.

### **Executive Summary**

This agreement will enable the Library to continue using the current software and/or software services to provide the functionality of the Library's Integrated Library System (ILS). It will also add use of the Innovative Mobile App, a mobile checkout function, and provide implementation services for the app and configuration of RFID (radio frequency identification) beacons. Staff uses the ILS to perform and manage most library transactions and operations, including circulation of library materials (check-in and check-out items, holds management), management of customer accounts, creation of public access to all types of library materials, preparation of such materials for public use and statistical reporting.

### **Background**

The average useful life of an ILS is roughly seven years. Before migrating to the current ILS provided by Innovative Interfaces Incorporated (Innovative Interfaces), the Library installed one system in 2005. The project and associated costs were detailed in the Library's technology plan completed in 2009 and reviewed by the Library Advisory Commission. The plan recommended the replacement of the ILS software in order take advantage of new features such as federated search and to implement a discovery layer, features which will allow users to find a greater number of resources or options to answer their searching terms. Innovative Interfaces' ILS was

chosen for these reasons. Additionally, the ILS replacement allowed the Library to achieve the following goals:

- Eliminate most or all in-house ILS computer hardware and software via replacement with a cloud-based ILS service
- Address shortcomings in the existing bibliographic database system including search, record display, and interoperability requirements with other vendors and services
- Improve the customer usability of the public access catalog to provide customizable web-based self-service
- Improve the functionality of the circulation system
- Improve database maintenance and cataloging
- Maintain functionality of acquisition and serials services
- Provide robust reporting and integration with third-party products and services

With those goals, the current ILS system was selected in November 2014 through a public solicitation and a contract executed in March 2015.

## **Discussion**

### Procurement Process

A request for proposals for the Library Computer System software was issued in March 2014. An evaluation team of staff from the Library Department, IT, and a library technology consultant evaluated proposals from five vendors.

The criteria used to evaluate the proposals were the following:

- Cost considerations
- Company viability and references
- Support and maintenance agreements
- Expertise in providing the required service

The evaluation team invited three of the five proposers to come to Palo Alto to do live demonstrations of their systems. Along with demonstrations and references from other libraries that currently use the respondents' services, staff found that when taking into consideration all criteria, Innovative Interfaces, Incorporated was found to have the best ILS services to meet the needs of the Library.

Evaluation and award of the ILS vendor was approved in January 2015, [CMR 4920](#). The contract for the existing system expired in March 2022. Staff recommends that the Library services continue using the existing ILS platform for an additional five (5) years, for a total of 10 years of services. The primary reasons for this recommended amendment and extension include:

- Migration to a new system and subsequent staff training demands extensive resources. The priority of Library staff is to focus on recovery from the past budget reductions and continuing to implement services through the recovery period. The Library has insufficient resources to engage in changing systems while prioritizing re-opening and

supporting daily services.

- The existing ILS has received positive feedback regarding the ease of use and ability to find materials quickly. Any system change will require new orientation on the part of customers.
- Innovative Interfaces, chosen through a public process originally, has been making efforts to keep its system updated by adapting newly developed technology. This platform introduced three new versions and migrated customer data to cloud storage since the City implemented it in 2015. The Mobile App allows in-stack checkout, a convenience that customers have been requesting.

Staff will evaluate the marketplace and ILS options to assess available tools that may meet the needs of the library and its patrons for these transaction services prior to any additional provisions of services beyond this recommended term.

Alternatively, if the Council does not approve this amendment, or approves one under alternative terms, staff would recommend at least a one-year extension to ensure continuity of services before a market evaluation is completed and potentially a new system implemented. This would significantly impact other projects as this system is required for day-to-day operations of library services.

**Resource Impact**

Funds for the Fiscal Year 2022 costs have been budgeted in the Information Technology Fund. Ongoing maintenance costs are subject to annual appropriation of funds through the annual budget process.

**Breakdown of Costs: Innovative Interfaces Contract Costs**

<i>FY = March 1 - Feb. 28</i>	<i>Year 1, FY2022</i>	<i>Year 2, FY2023</i>	<i>Year 3, FY2024</i>	<i>Year 4, FY2025</i>	<i>Year 5, FY2026</i>	<i>Total all 5 Years</i>
Sierra Subscription/Decision Center/Resource Sharing	\$155,060	\$160,487	\$166,104	\$171,917	\$177,934	<b>\$831,502</b>
Mobile App - License	\$11,000	\$11,385	\$11,783	\$12,196	\$12,623	<b>\$58,987</b>
Mobile App - Professional Services (One-time)	\$3,500	\$0	\$0	\$0	\$0	<b>\$3,500</b>
<b>Total:</b>	<b>\$165,933</b>	<b>\$168,118</b>	<b>\$174,002</b>	<b>\$180,092</b>	<b>\$186,396</b>	<b>\$893,989</b>
						<i>Contingency for Additional Services</i>
						<i>\$89,399</i>
						<b>Grand Total w/Contingency</b>
						<b>\$983,388</b>

**Stakeholder Engagement**

The Customer Satisfaction Survey, a general assessment about library services conducted in 2018, has shown that customers were satisfied with the way they were able to find library materials through the library online catalog. No solicitations for ILS-specific feedback from customers has been done.

**Policy Implications**

This recommendation does not present any changes to existing City policies.

**Environmental Review**

Approval of this agreement does not constitute a project under the California Environmental Quality Act (CEQA); therefore, an environmental assessment is not required.

**Attachments:**

- **Attachment4.a:** Attachment A:  
C22182951\_Innovative\_Interfaces\_Incorporated\_final\_060222

**CITY OF PALO ALTO CONTRACT NO. C22182951****AGREEMENT FOR PROFESSIONAL SERVICES and SOFTWARE LICENSE  
("License")****BETWEEN THE CITY OF PALO ALTO AND  
INNOVATIVE INTERFACES INCORPORATED**

This Agreement for Professional Services and Software License ("License") (this "Agreement") is entered into as of the 13th day of June, 2022 (the "Effective Date"), by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and INNOVATIVE INTERFACES INCORPORATED, a California corporation, located at 1900 Powell Street, Suite 400, Emeryville, CA 94608 ("CONSULTANT").

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

**RECITALS**

- A. CITY intends to engage the CONSULTANT to provide continued access to and use of the CONSULTANT's the online-hosted Sierra Integrated Library System (ILS) Software (defined in Section 14) and its Innovative Mobile application ("app"), as well as implementation services for the Innovative Mobile app and RFID (collectively, 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 February 28, 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 actual 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 Ninety Three Thousand Nine Hundred Eighty Eight Dollars and Ninety Four Cents (\$893,988.94)**. 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 **Eighty Nine Thousand Three Hundred Ninety Eight Dollars and Eighty Nine Cents (\$89,398.89)** 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 **Nine Hundred Eighty Three Thousand Three Hundred Eighty Seven Dollars and Eighty Three Cents (\$983,387.83)**, 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 CONSULTANT's obligations in any manner regarding 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. Notwithstanding the foregoing, a party may assign this Agreement without the other party's consent (i) as part of a corporate reorganization, consolidation, merger, or sale of substantially all of its assets or capital stock; or (ii) to an Affiliate of such party provided that any such assignment will not release the assigning party from its obligations under this Agreement. CONSULTANT shall provide CITY with prompt notice of such corporate reorganization, consolidation, merger, or sale of substantially all of its assets or capital stock to which this Agreement relates, or assignment to an Affiliate, once CONSULTANT is permitted to publicly disclose the same. CONSULTANT shall demonstrate to CITY's reasonable satisfaction that the assignee has the ability, capacity, experience and skill and is otherwise qualified to perform the Agreement and the parties, and the assignee shall enter into a written assignment agreement in a form acceptable to the CITY, pursuant to Palo Alto Municipal Code section 2.30.290(c). CITY may terminate this Agreement if it is not reasonably satisfied with any such assignment. Any purported assignment made without CITY's written approval, as required under this provision, shall be null and void.

**SECTION 12. SUBCONTRACTING.** 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 are:

SOLUS

Any third-party Hosting Provider (as defined in Exhibit A) that CONSULTANT utilizes in performing this Agreement.

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 Tom McNamara 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. CONSULTANT may designate an alternate Project Manager from time to time by written notice to the CITY. 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 Sarah Wilson, Library Department, 1213 Newell Road, Palo Alto, CA, 94303, Telephone: 650-329-2516. 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 by written notice to the CONSULTANT.

**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 Software.** CONSULTANT and/or its licensor(s), as applicable, retain all right, title, and interest in and to the Software, further defined as the online-hosted Software to be provided by CONSULTANT to CITY, its Authorized Users (defined below), and public users (if applicable, as addressed in Section 14.2 below), pursuant to this Agreement, as detailed in Exhibit A ("Scope of Services"), including without limitation all Software (defined below) used to provide the Software and all graphics, user interfaces, logos, and trademarks reproduced through the Software. This Agreement does not grant CITY any intellectual property license or rights in or to the Software or any of its components or any Documentation (defined below) except those expressly granted herein. CITY recognizes that the Software and its components and the Documentation are protected by copyright and other laws. "Software" means the online-hosted computer software application(s) residing on CONSULTANT-provided servers that CONSULTANT uses to provide to CITY the Services detailed in this Agreement, and that CONSULTANT makes digitally accessible to the CITY, its Authorized Users, and public users (if applicable, as addressed in Section 14.2 below), via the internet. "Documentation" means the technical publications relating to the use of the Software, such as reference, installation, administrative and programmer or user manuals, made available by CONSULTANT to CITY.

14.2 **Grant of Right to Use the Software.** Subject to the terms of this Agreement, CONSULTANT hereby grants to CITY a non-exclusive, non-assignable license to access and use the Software, components of its software applications, modules, and other 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 the Software in accordance with this Agreement. "Authorized User" means the base number of persons listed in the Pricing Exhibit holding a valid ID and password issued by the CITY pursuant to this Agreement. If the Software provided pursuant to this Agreement consists 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 Software. CONSULTANT warrants that it has the right to provide the foregoing license to access and use the Software pursuant to this Agreement, that CONSULTANT has obtained any and all necessary permissions from third parties to provide the Software.

14.3 **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, inputted by City, its Authorized Users or its public users, into the Software ("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 Software 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 Software, CONSULTANT and CITY shall work together to provide CITY with a copy of City Data in mutually-agreed computer-readable format(s), such service will be performed pursuant to a written statement of work and paid for by CITY, applying CONSULTANT's then-current rates for daily/hourly work, as the case may be. 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.

14.4. **Data Security.** CONSULTANT will maintain, or cause to be maintained, a data security program for the Software 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 Software. 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.

14.5. **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 2 business days 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.

**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") resulting from, arising out of the negligence, recklessness or willful misconduct 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. For avoidance of doubt, CONSULTANT's indemnification obligations under this Section 16 include the infringement indemnification provided under Section 7 (Indemnification) of Appendix 1 (Innovative Interfaces Incorporated Master Professional Services Agreement) and Section 7 (Indemnification) and Section 7 (Indemnification) of Appendix 2 (Innovative Interfaces Incorporated Subscription License Agreement) of this Agreement.

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 FEES PAID TO CONSULTANT UNDER THIS AGREEMENT IN THE TWELVE-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE UPON WHICH A CLAIM IS FIRST ASSERTED. 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 CITY PURSUANT TO SECTION 16 ("INDEMNITY") OF THIS AGREEMENT, (3) STATUTORY DAMAGES, AND (4) 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.

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. 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 ten (10) business days of the CONSULTANT's receipt of such notice. Upon request by CITY Project Manager or designee, CONSULTANT will provide

the then-current certificate(s) evidencing the insurance during the 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, subject to the limitations of liability in Section 16.A.

## **SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.**

19.1. 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 represents that it is committed to promoting and improving accessibility to enable CITY to comply with the W3C Web Content Accessibility Guidelines Version 2.0 Level AA (WCAG 2.0 standard) and Americans with Disabilities Act (“ADA”), 42 U.S.C. 12101 et seq. and Sections 504 and 508 of the Rehabilitation Act 29 U.S.C. 701 et seq. as those laws apply to the CITY. CONSULTANT agrees to address within a commercially reasonable time, any complaint related to compliance accessibility of its software that has been identified and brought to the attention of CONSULTANT.

**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 including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be accepted by electronic means by the CITY.

(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:

- (a) is not a public works contract;
- (b) 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
- (c) 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, the parties may have access to Confidential Information (defined below). The parties will hold Confidential Information in strict confidence, not disclose it to any third party, and will use it only in the performance of this Agreement and for no other purpose. The parties will maintain reasonable and appropriate administrative, technical and physical safeguards to ensure the security, confidentiality and integrity of the Confidential Information. Notwithstanding the foregoing, the parties 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 obligations under this Agreement and for no other purpose, provided that the parties 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 a disclosing party to a receiving party, directly or indirectly, pursuant to this Agreement. Confidential Information excludes information that: (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 recipients possession free of any obligation of confidence prior to receipt of Confidential Information; (iii) is rightfully obtained by recipient from a third party without breach of any confidentiality obligation; (iv) is independently developed by employees of recipient without any use of or access to the Confidential Information; or (v) recipient has written consent to disclose signed by an authorized representative of the disclosing party.

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

28.4. A party will notify the other party 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, the party will provide information to other party 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, the parties will honor any request from the other party to return or securely destroy all copies of Confidential Information. All Confidential Information is and will remain the property of the disclosing party and nothing contained in this Agreement grants or confers any rights to such Confidential Information on the receiving party.

28.6 Compliance with Subpoena or Court Order. Notwithstanding anything to the contrary in this Section, if any Confidential Information is subject to disclosure pursuant to a lawful subpoena or court order, a party may disclose such Confidential Information to the extent required thereby, and such disclosure shall not be deemed a violation of this Agreement. In the event a receiving party receives a subpoena or court order covering the disclosing party's Confidential Information, then prior to disclosing such information, the receiving party shall provide written notice to the disclosing party of such subpoena or court order, if legally permissible, as soon as possible and in no event more than seventy-two (72) hours after the receiving party has received such subpoena or court order, in order to allow time for the disclosing party to take legal action to prevent disclosure if the disclosing party so chooses. Nothing herein shall require receiving party to take any action, or to refuse to disclose information, where to do so would violate applicable law or court order.

28.7 Compliance with Public Disclosure Laws. Notwithstanding anything to the contrary in this Section, the parties understand and agree that City is a public entity, and if any Confidential Information or information about this Agreement or its performance is subject to disclosure by the City pursuant to applicable open government and public records laws, including without limitation California's Brown Act, the California Public Records Act and Palo Alto Municipal Code section 2.30.610, the City may disclose such information to the extent required thereby. In the event the City receives a public records request covering the CONSULTANT's Confidential Information, the City shall, promptly following receipt, give notice to CONSULTANT of such request in case CONSULTANT wishes to take legal action to prevent disclosure if CONSULTANT so chooses. Nothing herein shall require the City to take any action, or to refuse to release information, where doing so would violate applicable law or court order.

28.8. 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. The CITY does not waive its right to a jury trial.

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 and appendices, 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 supersedes any click-through, click-on, “screen wrap” or other user agreement that may appear on any CONSULTANT Software, application or website. 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.

29.10 The parties understand and agree that City is a California public entity subject to applicable open government and public records laws, including without limitation California’s Brown Act, the California Public Records Act, and Palo Alto Municipal Code section 2.30.610; that the City operates in an open and public manner in accordance with applicable open government laws; and that the City may disclose this Agreement and information about this Agreement (except Confidential Information of Consultant, which shall be handled pursuant to Section 28 of this Agreement regarding Confidential Information) in accordance with applicable open government and public records laws.

29.11 All fees under this Agreement are exclusive of any applicable sales, value-added, use or other taxes (“Sales Taxes”). It is the understanding of the parties that online-hosted software, such as the Software provided hereunder, is not “tangible personal property” and is therefore not taxable under Title 18 of the California Code of Regulations, Section 1502(f)(1)(C)-(D). If this understanding should prove incorrect, CITY will be responsible for any and all applicable Sales Taxes, not including taxes based solely on CONSULTANT’s net income. If any applicable Sales Taxes related to the fees under this Agreement are found at any time to be payable, and the Sales Taxes applicable to the Software provided to CITY under this Agreement are assessed by the taxing authority against CONSULTANT, the amount may be billed by

CONSULTANT to CITY, with supporting documentation, and shall be paid by CITY pursuant to an amendment to this Agreement as provided for in Section 29.4 of this Agreement.

**SECTION 30. EXHIBITS AND APPENDICES; ORDER OF PRECEDENCE.** Each of the following exhibits and appendices, if the check box for such exhibit or appendix is selected below, is hereby attached and incorporated into this Agreement by reference as though fully set forth herein. In the event of any conflict between the provisions of this Agreement for Professional Services Software License document including Exhibits A through E as compared to the provisions of Appendices 1 through 3, the provisions of this Agreement for Professional Services and Software License document including Exhibits A through E shall take precedence, followed by the provisions of Appendices 1 through 3. This Section shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

- 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: CYBERSECURITY TERMS AND CONDITIONS
- APPENDIX 1: INNOVATIVE INTERFACES INCORPORATED MASTER PROFESSIONAL SERVICES AGREEMENT
- APPENDIX 2: INNOVATIVE INTERFACES INCORPORATED SUBSCRIPTION LICENSE AGREEMENT

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

**CONTRACT No. C22182951 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**

**INNOVATIVE INTERFACES  
INCORPORATED**

\_\_\_\_\_  
City Manager

**Officer 1** DocuSigned by:  
By: *Tom Jacobson*  
Name: ~~Tom Jacobson~~  
Title: VP, Exec Library Advocate & Strategist

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney or designee

**Officer 2 (Required for Corp. or LLC)** DocuSigned by:  
By: *Hilary Newman*  
Name: ~~Hilary Newman~~  
Title: SVP Library Services

## EXHIBIT A SCOPE OF SERVICES

CONSULTANT (also referred to herein as “Innovative”) shall provide the Software and Services (collectively, the “Services”) detailed in this Exhibit A, entitled “SCOPE OF SERVICES”.

### **Task 1: Sierra Integrated Library System (ILS) Software**

CONSULTANT will provide access to and use of its Sierra Integrated Library System (ILS), a Software offering. CITY’s access to and use of the Sierra ILS Software licensed under this Agreement includes hosting, support and maintenance.

Sierra integrates multiple workflows — eResource Management, Circulation, Cataloging, Acquisitions, and more — into one easy to use interface to allow uninterrupted progress on day to day initiatives or special projects, saving the customer valuable time.

Sierra gives the customer the ability to customize its workflow based on role. For example, library staff involved in circulation as well as acquisitions can employ a persona-based experience by creating a customized module that allows the customer to work seamlessly within one space for efficiency. Sierra ILS includes without limitation the following features:

#### ***RESTful APIs***

Sierra facilitates the connections libraries have with the communities they serve. Whether it be finance applications, learning management systems, or any community the library exists within, Sierra is open and can connect.

#### ***Workflow on the Go***

Working seamlessly with Mobile Worklists, Sierra liberates library staff with a mobile experience that moves library operations into the stacks and away from repetitive material handling.

With MyLibrary! for Sierra, library patrons can access library resources, place holds, check out digital items, and visit the customer’s library on social media all in one place on their mobile device.

Sierra ILS includes the following functionalities:

- Cataloging – Manage bibliographic records, check statistics, load metadata
- Acquisitions – Manage orders, vouchers and create lists
- Circulation – View check-in/out and hold requests
- eResource Management – View and manage electronic journals and databases including Open Access content
- Serials – Serials and bindery management
- Administration – Perform back office tasks, rapid update, global update, delete records



## **Task 2: Innovative Mobile App**

In addition, Innovative will provide CITY and its users with access to and use of its Innovative Mobile app, a mobile software application that provides on-the-go access to collections and services direct from iOS or Android mobile devices. The Innovative Mobile app offers patrons convenience, with a modern interface that's customized for the customer's library and, if needed, for the customer's entire network. CITY's access to and use of the Innovative Mobile app licensed under this Agreement includes hosting, support and maintenance.

Innovative Mobile is a mobile library application designed to extend the walls of the customer's library through advanced capabilities such as discovery, patron account access, and "Click and Collect" which allows patrons to reserve items and then be notified when it's time to pick up. Sierra ILS includes without limitation the following features:

### ***Self-Check and Contactless Pick Up***

With a focus on safety and contactless service, Innovative Mobile simplifies receiving online payments and provides low-cost patron self-service options, including a digital library card and a self-check via barcode or RFID. In addition, a "Curbside Pickup" option is available for patrons to reserve items in the app and be notified when it's time to pick up, and an "I'm Here" option to alert the library the patron is ready for pickup curbside.

### ***Quick and easy set up, configure in a matter of weeks***

Innovative Mobile works with Sierra and Polaris public libraries and consortia today (iOS and Android), and includes search integration with Vega Discover. In addition to an implementation process that can be completed in weeks, the built-in features mean a better experience once it's live. Patrons can use linked accounts to manage accounts for their whole family, and patrons can pay their fines through the app using the customer library's current fine payment service.

### ***Customized to look like the customer's library, and built for the customer's patrons***

Innovative Mobile is customized with each customer library's logo, colors, even layout. The exciting part is that patrons can customize their experience as well, deciding if they want left to right or up and down scrolling, and 20 languages for the best possible experience.

Innovative Mobile includes the following functionalities:

- Modern Patron Experience – Searches the full catalog, with intuitive options to navigate available library resources and services. Compatible with iOS and Android.
- Consortia-Friendly by Design – Templates allow individual libraries to quickly and affordably launch a custom app connected to the larger network and with

- their local branding.
- Supplement Self-Check Hardware – Stay safe and offer options with check out and check in via barcode and RFID in the app, plus fine pay and renewals.

Implementation services to be provided for the Innovative Mobile app are detailed below.

### **Tasks 3 &4: Innovative Mobile App Implementation Services Scope of Work (“SOW”) (Task 3) including Configuration of RFID Beacons (Task 4)**

CONSULTANT will provide implementation services, as detailed below, to enable the CITY and its users to access and use CONSULTANT’s Innovative Mobile app and utilize RFID.

#### ***A. [RESERVED]***

#### ***B. Implementation Services SOW***

The SOW for the implementation services includes the following set of professional services:

1. **Innovative Mobile App Implementation (Task 3).** Innovative Services Team (“Services Team”) will work with the CITY to configure, install, and test a customized Innovative Mobile application (“App”) for the CITY. NOTE: Some services specified in this Statement of Work will be performed by subcontractor/subconsultant Solus (“Solus”), including creation of customized App for CITY, and publishing of App to specified online app stores.

Specified work includes:

- a. Project management
  - b. Project kickoff between Services Team and CITY
  - c. Creation and configuration of CITY instance on Innovative Mobile Content Management System (“CMS”) for a single production environment
  - d. Custom App development
  - e. Publishing of App to Apple and Google app stores
  - f. Liaison with Solus
  - g. Post-implementation testing
  - h. Remediation of post-implementation issues found during testing
2. **Configure RFID Beacons (Task 4).** Services Team will work with the CITY to deliver and configure RFID Beacons (“Beacons”) for self-check as specified in the Contract.

Specified work includes:

- a. Delivery of Beacons to CITY
- b. Provisioning and configuration of Beacons
- c. Assisting CITY with testing and troubleshooting of Beacons

***C. CONSULTANT Services Team***

The CONSULTANT's Services Team will provide the following available for this SOW:

1. Project Manager: Responsible for coordination of schedule and App delivery with the CITY, consultation on App configuration requirements, and consultation on available App customization, and liaison with third party vendor Solus as necessary.
2. System Engineer: Responsible for creation of CITY configuration in the Innovative Mobile Content Management System (CMS), and configuration of the ILS as required.

***D. CITY Implementation Team***

1. Technical Lead: Will be responsible for assisting with CITY responsibilities related to the installation and any other system level duties required by CITY, and coordinating/providing all CITY responsibilities identified in Implementation Assumptions.

***E. Implementation Assumptions***

1. CITY will have adequate resources available to ensure timely completion of any library tasks outlined in the project schedule.
2. Timeline for the completion of this project will be established, through joint planning conversations between the CITY and Innovative during the initial stage of the project.
3. CITY shall be responsible for:
  - a. Participating in project kickoff, and assisting in establishing project schedule
  - b. Providing images for App customization
  - c. Applying for Apple Developer account, and providing app publishing credentials to Innovative Services team
  - d. Providing Services Team with required profile and configuration information, in an App configuration questionnaire and App configuration spreadsheet to be provided by Services Team.
  - e. Testing App download from Apple and Google app stores, and testing App for proper appearance, functionality, and configuration
  - f. Physical installation of Beacons at CITY facilities

***F. Fees and Payment Terms***

Fees and payment are provided for elsewhere in this Agreement, for example and without limitation, in Section 4 (Not to Exceed Compensation), Section 5 (Invoices), and Exhibit C (Compensation) of this Agreement.

**Included under Tasks 1 & 2: Software Maintenance and Support**

1. **Maintenance and Support.** Innovative will offer maintenance and support on the terms set forth herein ("Maintenance and Support") for the latest generally available version of the software (also referred to herein as "Software") and for certain earlier versions in accordance with Innovative's support policy. Standard Maintenance and Support is included with the price

for the annual license set forth in Exhibit C (Compensation) of this Agreement.

2. **Error Response.** Error descriptions (each an “Error”), the Error severity levels and corresponding targeted response time per level are each described in the table below. The Targeted Response Times in the table below identify the response times that Innovative will target for the corresponding Error, however, such Targeted Response Times are not guaranteed.

<b>Severity</b>	<b>Description</b>	<b>Target Response Time</b>
One - Site Down	A major component of the software is in a non-responsive state and severely affects library productivity or operations. A high impact problem that affects the entire library system. Widespread system availability, production system is down	1 hour
Two – Critical	Any component failure or loss of functionality not covered in Severity 1 that is hindering operations, such as, but not limited to: excessively slow response time, functionality degradation; error messages; backup problems; or issues affecting the use of the module or the data	2 hours
Three - High	Lesser issues, questions, or items that minimally impact the work flow or require a work around	2 business days; excludes holidays and weekends
Four – Routine	Issues, questions, or items that don’t impact the work flow. Issues that can easily be scheduled such as an upgrade or patch	4 business days; excludes holidays and weekends

### 3. **Error Reporting and Diagnosis.**

a. CITY (also referred to herein as “Client”) must designate a representative as the contact that will report Errors to Innovative and be Innovative’s primary contact for the provision of Maintenance and Support pursuant to the terms of this Agreement (such representative is referred to herein as the “Client Contact”). When a Client Contact reports an Error, Innovative will use commercially reasonable efforts to diagnose the root cause of the Error (“Diagnosis”). Upon completing the Diagnosis, each Error will be classified as either a “Warranty Error” or a “Non-Warranty Error” pursuant to Section 3.b. below. Innovative will use commercially reasonable efforts to diagnose and repair both Warranty and Non- Warranty Errors as described below.

b. “Warranty Errors” are all Errors that do not qualify as Non-Warranty Errors. “Non-Warranty Errors” are Errors resulting from any of the following causes: (i) misuse, improper use, alteration or damage of the Software; (ii) operator error; (iii) incorrect data entry by Client; (iv) third-party software not part of the Software; (v) errors and/or limitations attributable to Client environment; (vi) Client’s failure to incorporate any New Release (as defined below) previously provided to it by Innovative which corrects such Error; (vii) modification of the Software performed by Client; and (viii) technical consulting services provided by Innovative at Client’s request (e.g., change orders, integration development, or

configuration design and implementation), unless Client notifies Innovative of such technical consulting services problem within the applicable warranty period set forth in the governing statement of work, change order or agreement. Client acknowledges that the Software is intended for use only with the software and hardware described in the Specifications provided by Innovative from time to time, and Client will be solely responsible for its adherence thereto. The license granted to Client pursuant to this Agreement will include, at no additional cost, a license to use all new scheduled major releases, service pack releases, and hot fixes of the Software offered generally by Innovative to its clients during the term of this Agreement (collectively, "New Releases"). "New Releases" do not include new or additional modules, applications or other software now or hereafter offered by Innovative, each of which require a separate license and payment of additional license fees. The term "Software" will be deemed to include New Releases. Except to the extent that Client purchases Innovative's hosting service, additional fees at Innovative's then-prevailing professional service rates will apply for implementation of New Releases. (For the avoidance of doubt, as noted above, Client's purchase of the Software pursuant to this Agreement includes Innovative's provision of hosting services.)

c. If the Client is hosting their Software, the Client must provide direct network internet access to the Software, including any firewalls. Innovative requires such access to correct Software bugs and carry out modifications of the Software for the purpose of maintaining the Software.

4. Complimentary and Chargeable Support. Innovative will respond to all reported Errors pursuant to Section 2 above and will use commercially reasonable efforts to resolve Warranty Errors at no additional charge if Client has purchased and is current on its payment for Maintenance and Support; however, Innovative may charge Client for such effort with respect to Non-Warranty Errors according to the following process: (i) When the Client Contact reports any Error, prior to commencing the Diagnosis for the Error, Innovative will notify the Client Contact that the Diagnosis and repair effort will be at no charge to Client unless the reported Error is determined to be a Non-Warranty Error, in which case only the first two hours of Diagnosis will be at no charge; and (ii) Innovative will then commence the Diagnosis unless instructed otherwise by the Client Contact. If more than two hours are required for the Diagnosis of Non-Warranty Errors, then such additional Diagnosis hours will be charged to Client at Innovative's then-current rate for technical services. Once the Diagnosis is complete, the Client Contact will be given the option of having Innovative proceed with repairing the Non-Warranty Error, and, if so requested, Innovative will provide an estimate of the total cost for such effort. If agreed to by the Client Contact, Innovative will undertake to repair the Non-Warranty Error and charge Client for the associated technical services performed. Any additional charges will be implemented pursuant to the Task Order provisions of Section 4 (Not to Exceed Compensation) regarding Additional Services or pursuant to an amendment to this Agreement per Section 29.4 herein.

5. Ticket Management and Escalation. Innovative manages all reported issues using a ticket management system, and provides an Internet portal for Clients to report issues. Clients may review the status of issues reported online. When an Error is either unresolved or not resolved in a timely fashion, the Client should contact Innovative representatives pursuant to Innovative's escalation policy made available on Innovative's Internet portal.

## **Included under Tasks 1 & 2: Software Hosting Services Terms and Conditions (“Hosting Terms”)**

1. **Hosting Services.** The following terms apply for all purposes to Client’s license to and use of the Software under this Agreement.

2. **Hosting Solution.** Innovative offers clients a standard cloud-based hosting option (the “Standard Plan”). The table below sets forth the features of the Standard Plan. This option provides industry-leading security and monitoring at a SOC 1/SOC 2 Type 2/ISO 27001-audited datacenter by a top-tier cloud hosting provider (the “Hosting Provider”), with the flexibility to meet clients’ data storage, data recovery, and information security policy requirements. To meet clients’ global hosting needs, Innovative offers hosting options in datacenters located in the United States, Canada, United Kingdom, Ireland, Australia and the Asia-Pacific region, however, Innovative reserves the right to increase, decrease and/or relocate its datacenters at anytime.

3. **Hosting Solution System Configuration.** The hosting systems are configured to meet the solution requirements as per these Hosting Terms set forth on the Pricing Exhibit provided in Exhibit C (Compensation) of this Agreement.

4. **Security Controls.**

a. Generally. Subject to the terms of the Agreement, Innovative implements industry-recognized best practices to prevent the unintended or malicious loss, destruction or alteration of Client’s data resident in the Software.

b. Network Systems Audit Logging. All firewall logon activity and password changes are logged, monitored, controlled and audited. All intrusion detection and firewall log monitoring is done through services provided by Innovative and those pertinent log files and configuration files are retained for ninety (90) days and can be made available upon request for audit and problem resolution, as may be required.

c. Network Monitoring. All network systems and servers are monitored 24/7/365. Innovative will monitor its systems for security breaches, violations and suspicious (questionable) activity. This includes suspicious external activity (including, without limitation, unauthorized probes, scans or break-in attempts) and suspicious internal activity (including, without limitation, unauthorized system administrator access, unauthorized changes to its system or network, system or network misuse or program information theft or mishandling). Innovative will notify Client as soon as reasonably possible of any known security breaches or suspicious activities involving Client’s production data or environment, including, without limitation, unauthorized access and service attacks, e.g., denial of service attacks.

d. Audit and Security Testing. Hosting Providers perform regular security audits and testing. Client’s may not perform own audits of hosting providers.

e. Information Security Auditing/Compliance. Innovative’s hosting providers undergo SOC 1/SOC 2 Type 2/ISO 27001 audits each year by independent third-party audit firms.

f. \*\*The 99.9% guaranteed infrastructure uptime is subject to the following Service Level Agreement (SLA):

i. Hours of operation/exclusive remedy for service unavailability. Innovative offers a monthly infrastructure uptime target of 99.9% of Scheduled Up-Time to Client. Scheduled Up-Time means all of the time in a month that is not Scheduled Downtime (defined below) or Third Party Unavailability. In the event that Innovative fails to provide Client with 99.9% infrastructure uptime for three consecutive months, Client will be entitled to receive a credit equal to the prorated amount of the Fees for the period in which Innovative failed to provide such infrastructure uptime during such months upon receipt of written notice from Client. The remedies set forth in this Paragraph (i) are the exclusive remedies of the Client for Innovative's failure to provide Client with 99.9% infrastructure uptime.

ii. Scheduled Downtime. Scheduled Downtime means the period of time which Innovative or the Hosting Provider, conduct periodic scheduled system maintenance and release updates for which Innovative will provide the Client with advance notice. Innovative will make commercially reasonable efforts to provide Client notice of scheduled system maintenance 48 hours in advance and notice of release updates three weeks in advance.

**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.

Tasks/ Milestones	Commencement/Completion as specified below
<b>1. Sierra ILS Software including Licensing, Hosting, Maintenance and Support</b> a) Year 1 (from March 1, 2022 to February 28, 2023) b) Year 2 (from March 1, 2023 to February 29, 2024) c) Year 3 (from March 1, 2024 to February 28, 2025) d) Year 4 (from March 1, 2025 to February 28, 2026) e) Year 5 (from March 1, 2026 to February 28, 2027)	Continuation (immediate) of Access to and Use of Sierra ILS Software per Exhibit A
<b>2. Innovative Mobile App for Sierra ILS with RFID, including Licensing, Hosting, Maintenance and Support</b> a) Year 1 (from March 1, 2022 to February 28, 2023) b) Year 2 (from March 1, 2023 to February 29, 2024) c) Year 3 (from March 1, 2024 to February 28, 2025) d) Year 4 (from March 1, 2025 to February 28, 2026) e) Year 5 (from March 1, 2026 to February 28, 2027)	Access to and Use of Innovative Mobile App upon implementation per Exhibit A implementation services SOW
<b>3. Innovative Mobile App for Sierra ILS, Implementation (Implementation Services SOW per Exhibit A)</b>	Commencement of implementation services to be established during the initial stage of the implementation SOW
<b>4. Configure RFID Beacons Implementation (Implementation Services SOW per Exhibit A)</b>	To be established during the initial stage of the implementation SOW

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**

TASKS	NOT-TO-EXCEED AMOUNT	SUBTOTALS / TOTAL
1. Sierra ILS Software including Licensing, Hosting, Maintenance & Support*		
a) Year 1 (from March 1, 2022 to February 28, 2023)*	\$155,059.59*	
b) Year 2 (from March 1, 2023 to February 29, 2024)*	\$160,486.69*	
c) Year 3 (from March 1, 2024 to February 28, 2025)*	\$166,103.72*	
d) Year 4 (from March 1, 2025 to February 28, 2026)*	\$171,917.35*	
e) Year 5 (from March 1, 2026 to February 28, 2027)*	\$177,934.46*	
Subtotal for Task 3 – Sierra ILS Software (5 Years)*		\$831,501.81*
2. Innovative Mobile App for Sierra ILS with RFID, including Licensing, Hosting, Maintenance and Support**		
a) Year 1 (from March 1, 2022 to February 28, 2023)**	\$11,000.00**	
b) Year 2 (from March 1, 2023 to February 29, 2024)**	\$11,385.00**	
c) Year 3 (from March 1, 2024 to February 28, 2025)**	\$11,783.48**	
d) Year 4 (from March 1, 2025 to February 28, 2026)**	\$12,195.90**	
e) Year 5 (from March 1, 2026 to February 28, 2027)**	\$12,622.75**	
Subtotal for Task 2 – Innovative Mobile App (5 Years)**		\$58,987.13**
3. Innovative Mobile App Implementation (Implementation Services SOW per Exhibit A)***	\$1,000.00***	
4. Configure RFID Beacons Implementation (Implementation Services SOW per Exhibit A)***	\$2,500.00***	
Subtotal for Tasks 3 & 4 (Implementation Services, Innovative Mobile & RFID)***		\$3,500.00***
<b>Subtotal for Services (Tasks 1 – 4)</b>		<b>\$893,988.94</b>
Reimbursable Expenses (if any):		\$0.00
<b>Total for Services and Reimbursable Expenses:</b>		<b>\$893,988.94</b>
Additional Services (if any per Section 4):		\$89,398.89
<b>Maximum Total Compensation:</b>		<b>\$983,387.83</b>

\*Pricing for Sierra ILS Software is further detailed below in the Pricing Exhibit for Sierra ILS Software.

\*\*Pricing for Innovative Mobile is further detailed below in the Pricing Exhibit Innovative Mobile.

\*\*\*Pricing for Implementation Services is further detailed below in the Pricing Exhibit for Implementation Services (Innov. Mobile App & RFID).

**PRICING EXHIBIT FOR SIERRA ILS SOFTWARE**

Item	Item Category	Qty	Description	Options	Original Rate	Discount	Amount
Sierra Core Bundle – Public	License – Term	1	Sierra Public Core Bundle				74,636.93
Sierra Cloud Hosting	License – Term	1	Sierra Cloud Hosting Includes Cloud Hosting with Standard Backup for Sierra production only				32,609.12
Staff User Licenses	License – Term	100	Staff User Licenses				0.00
Web OPAC Menus (Languages)	License – Term	3	Web OPAC Menus (Languages)	Languages: Chinese Languages2: Russian Languages3: Spanish			0.00
AirPAC	License – Term	1	AirPAC				0.00
Automatic SIP2 Sorter Licenses	License – Term	1	Automatic SIP2 Sorter Licenses				0.00
Batch interface for loading MARC records	License – Term	1	Batch interface for loading MARC records				0.00
Circa Wireless Assistant (RFID)	License – Term	1	Circa Wireless Assistant (RFID)				0.00
Circa Wireless Inventory (RFID)	License – Term	1	Circa Wireless Inventory (RFID)				0.00
Circulation Patron Images (Internally Stored)	License – Term	1	Circulation Patron Images (Internally Stored)				0.00
Community Information Database option	License – Term	1	Community Information Database option				0.00
Electronic Serials Invoicing	License – Term	1	Electronic Serials Invoicing				0.00
Mobile Worklists App	License – Term	1	Mobile Worklists App				0.00
OCLC Interactive Via the Network	License – Term	1	OCLC Interactive Via the Network				0.00
Online Message Log for Batch Bib Interface	License – Term	1	Sierra Online Message Log for Batch Bib Interface				0.00
OPAC Export	License – Term	1	OPAC Export				0.00
Resequence	License - Term	1	Resequence attached records				0.00

attached records by location			by location				
Sierra Chilifresh Subscription	License - Term	1	Sierra Chilifresh Subscription	Chilifresh Option: Review Engine			0.00
Sierra Content Cafe Subscription	License - Term	1	Sierra Content Cafe Subscripti...				0.00
Sierra ERM	License - Term	1	Sierra ERM				0.00
Sierra Homebound Patron / Remote Patron	License - Term	1	Sierra Homebound Patron / Remote Patron				0.00
Sierra NCIP ILL Responder	License - Term	1	Sierra NCIP ILL Responder				0.00
Sierra Premium API Support	License - Term	1	Sierra Premium API Support				0.00
Sierra Program Registration	License - Term	1	Sierra Program Registration				0.00
Sierra SMS Notifications - US ONLY	License - Term	1	Sierra SMS Notifications - US - Subscription				0.00
Sierra Training/Test Server Core	License - Term	1	Sierra Training/Test Server Core				0.00
SISAC Checkin	License - Term	1	SISAC Checkin				0.00
Synchronize bibliographic locations	License - Term	1	Synchronize bibliographic locations				0.00
Unlimited SIP2 Licenses	License - Term	1	Unlimited SIP2 Licenses				0.00
URL checker	License - Term	1	URL checker				0.00
User Licenses for training machine	License - Term	1	User Licenses for training machine.				0.00
Decision Center Subscription	License - Term	1	Decision Center				11,781.00
Indexing Using Special Filing Rules	License - Term	1	Indexing Using Special Filing Rules				3,720.15
Indexing Using Special Filing Rules	License - Term	1	Indexing Using Special Filing Rules				3,720.15
Resource Sharing -Returnables (INN-Reach)	License - Term	1	Resource Sharing - Returnables (INN-Reach)				28,592.24
<b>Total Fees (Year 1)</b>							<b>\$155,059.59</b>
Pricing in years 2-5 includes a 3.5 % increase over the previous year's pricing:				Year 1 of 5		\$155,059.59	
				Year 2 of 5		\$160,486.69	
				Year 3 of 5		\$166,103.72	
				Year 4 of 5		\$171,917.35	
				Year 5 of 5		\$177,934.46	
				<b>5-Year Total:</b>	<b>_____</b>	<b>\$831,501.81</b>	

**PRICING EXHIBIT FOR INNOVATIVE MOBILE APP**

Item	Item Category	Qty	Description	Options	Original Rate	Amount	Discount
Innovative Mobile App – Sierra	License – Term	1	Innovative Mobile is a mobile library application designed to extend the walls of your library through advanced capabilities such as discovery, patron account access, and “Click and Collect” which allows patrons to reserve items and then be notified when it’s time to pick up.		8,500.00	8,500.00	n/a
RFID Annual Subscription	License - Term	5	Checkout and checkin with RFID for Innovative mobile app. Includes an installation (free) of an additional SIP2 license.	500.00	500.00	2,500.00	n/a
<b>Total Fees (Year 1)</b>						\$11,000.00	n/a
Pricing in years 2-5 includes a 3.5 % increase over the previous year’s pricing:							n/a
					Year 1 of 5	\$11,000.00	
					Year 2 of 5	\$11,385.00	
					Year 3 of 5	\$11,783.48	
					Year 4 of 5	\$12,195.90	
					Year 5 of 5	\$12,622.75	
					<b>5-Year Total:</b>	<b>\$58,987.13</b>	

**PRICING EXHIBIT FOR IMPLEMENTATION SERVICES (INNOV. MOBILE APP & RFID)**

Item	Item Category	Qty	Description	Options	Original Rate	Unit Price	Amount
Innovative Mobile App – Implementation for Sierra	Services	1	Innovative Mobile is a mobile library application designed to extend the walls of your library through advanced capabilities such as discovery, patron account access, and “Click and Collect” which allows patrons to reserve items and then be notified when it’s time to pick up.		1,000	1,000.00	1,000.00
RFID Self-Check Implementation for Polaris	Services	5	Checkout and checkin with RFID for Innovative mobile app. Includes an installation (free) of an additional SIP2 license.		500.00	500.00	2,500.00
<b>Total Fees</b>							<b>\$3,500.00</b>

**EXHIBIT C-1  
SCHEDULE OF RATES**

CONSULTANT's schedule of rates is as follows:

<b>Service</b>	<b>Hourly Rate</b>
Consulting Services (remote price)	\$200.00
Software Development/Implementation (remote price)	\$250.00
Project Management (remote price)	\$250.00
Training (remote price)	\$200.00
Configuration Setup (remote price)	\$200.00
Design / Analysis (remote price)	\$250.00
Integration / Interfaces (remote price)	\$200.00
Testing (User Accept. Testing / Load)	\$250.00
Reports (remote price)	\$200.00
Project Transition / Close	\$250.00
Deployment	\$200.00
Travel Expense	actual expense

## EXHIBIT D INSURANCE REQUIREMENTS

CONTRACTORS 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, AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

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

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES	WORKER'S COMPENSATION	STATUTORY		
YES	EMPLOYER'S LIABILITY	STATUTORY	STATUTORY	STATUTORY
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, PRODUCTS/COMPLETED OPERATIONS AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$2,000,000
		PROPERTY DAMAGE	\$1,000,000	\$2,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$1,000,000	\$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	\$2,000,000	\$2,000,000

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	\$2,000,000	\$2,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL HIRED, NON-OWNED	BODILY INJURY 1. EACH PERSON 2. EACH OCCURRENCE  PROPERTY DAMAGE  BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000 \$1,000,000 \$1,000,000  \$1,000,000  \$1,000,000	\$1,000,000 \$1,000,000 \$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	<b>THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED:</b> 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 SUBCONSULTANTS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS' COMPENSATION, EMPLOYER'S LIABILITY AND PROFESSIONAL INSURANCE, <b>NAMING AS ADDITIONAL INSURED CITY.</b>			

I. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO "ADDITIONAL INSURED"

A. PRIMARY COVERAGE

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

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSURED 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 INSURED, 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.

**VENDORS ARE REQUIRED TO SEND THEIR EVIDENCE OF INSURANCE AND ANY OTHER RELATED NOTICES TO THE CITY OF PALO ALTO.**



## EXHIBIT E

### 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) [RESERVED]:
- (c) Have adopted and implemented information security and privacy policies that are documented, are accessible to the City, and conform to ISO 27001 – 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/home/store/catalogue_tc/catalogue_detail.htm?csnumber=42103)  
[http://www.iso.org/iso/catalogue/catalogue\\_tc/catalogue\\_detail.htm?csnumber=5029](http://www.iso.org/iso/catalogue/catalogue_tc/catalogue_detail.htm?csnumber=5029)



- (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 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 within thirty (30) days of 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 a commercially reasonable timeframe of detecting a security incident that results in the unauthorized access to or the misuse of the City's confidential data and information. Consultant will notify City once an incident is confirmed and without undue delay. This is typically under 72 hours.
- (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 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. Such reports are confidential and proprietary to Consultant and City shall treat them as such including with regard to any public records request for any such report.
- (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 transit, hosted at rest, and the backup stage at the Vendors' environment (including Vendor's contracting organization's environment).
- (s) [RESERVED]
- (t) Maintain the Confidential Information in accordance with applicable federal, state, and local data and information privacy laws, rules, and regulations.
- (u) [RESERVED]
- (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.
- (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."
- (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: None**



# City of Palo Alto

## City Council Staff Report

(ID # 14074)

Meeting Date: 6/13/2022

Report Type: Consent Calendar

**Title: Finance Committee Recommends the City Council Direct Staff to Update the Park, Library, and Community Center Development Impact Fee Nexus Study to Create New Fee Categories, Update the Park Land Valuation to \$17.6m, Move to a Square-foot basis for Fees Imposed on Housing, and Conduct an Economic Feasibility Study (Including on the Parkland Dedication Fee)**

**From: City Manager**

**Lead Department: Community Services**

### Recommendation

Finance Committee and Staff recommend the City Council:

1. Approve the following recommended adjustments in the 'Working Draft Supplement' to Park, Library, and Community Center Development Impact Fee Justification Study (Attachment A) and direct staff to return to Council for approval of a 'Final Supplement' report:
  - a) Differentiate the commercial/industrial fee structure into five separate categories: hotel, retail, office, industrial, and commercial;
  - b) Maintain the office density calculation of 200 square ft. per employee;
  - c) Update the fee study every 4-6 years (in compliance with new state law requirements in Assembly Bill 602 that stipulates a minimum of every 8 years);
  - d) Amend the 'Working Draft Supplement' to apply the following land valuation for use in calculating the Park Development Impact Fees: increase the land valuation to \$17.6 million/acre based on the average of the last 5 years of underutilized Palo Alto properties sales data; and
  - e) Convert residential fees to reflect a per-square-foot basis, rather than a single amount per dwelling regardless of size.
2. Conduct an economic feasibility study on the 'Final Supplement' to the Park, Library, and Community Center Development Impact Fee Justification Study and park dedication in lieu fee.

NOTE: If Council would like the park, community center, and library fees imposed on housing to remain on a per-unit basis (instead of a square-foot basis as recommended by Finance Committee on [May 3, 2022](#)), staff recommends that Council pull this item from consent and

adopt a Final Supplement to the nexus study prior to July 1, 2022. Otherwise, the City will be required under AB 602 to move to a square-footage basis if it makes any changes to the nexus study after July 1, 2022.

### **Executive Summary**

This report forwards additional work, originally directed by the City Council in 2021 as follow-up to the 2021 Nexus Study regarding Parks, Library, and Community Center Development Impact Fee. Staff have worked with the Parks & Recreation Commission, Finance Committee, and consultants to review and update the six (6) additional tasks as directed by the Council. This report reflects the Finance Committee's unanimous motion that recommends 1) adjustments to the current "working draft supplemental" report to the Parks, Library, and Community Center Development Impact Fee, 2) commissioning of a feasibility study, and 3) a restructuring of fees in alignment with current legislation that goes into effect on July 1, 2022.

The Working Draft Supplement itself is not being recommended for approval at this time. If Council proceeds with the Finance Committee's and staff's recommendations, then the following steps would occur:

- Working Draft Supplement will be amended to reflect changes approved by the Council and a 'Final Supplement' report will be agenized at a later date for Council approval.
- The Final Supplement will amend the 2021 Nexus Study and serve as the basis for implementing the changes to the impact fees as described in this staff report.
- Staff will commission an economic Feasibility Study based on the 'Final Supplement'.
- Once the economic feasibility study is complete, staff will bring the results to Council and recommended fee changes, including converting residential fees to reflect a per-square-foot basis for Council review and adoption.

The discussion in this report addresses the tasks DTA completed so far in the Working Draft Supplement that informed the Finance Committee's recommendation and addressed the Council's prior direction.

### **Background**

Under California law (AB 1600), cities can charge new development for its relative share of the cost to fund the acquisition of land and improvements to public facilities. Impact fees are established based on the reasonable relationship, or nexus, between impacts caused by new development and the improvements to mitigate those impacts that will be funded by the fee.

#### New Nexus Study and Fees Approved in 2021

On November 8, 2019, staff released a Request for Proposals (RFP) for a Parks, Library, and Community Center Development Impact Fee Nexus Study. DTA was determined to be the most qualified consultant. DTA prepared a Park, Community Center, and Library Development Impact Fee Justification Study, which provided a detailed legal framework for the imposition of impact fees, defined the City facilities addressed in the study, illustrated the calculation methodology used, and specified the maximum fee levels which the City could charge to new development.

On December 15, 2020, staff and DTA presented the draft study to Finance Committee ([Staff Report](#)) to receive feedback prior to presenting to Council. Finance Committee passed a motion to recommend that the City Council approve any adjustments to fee levels and direct staff to return with the necessary ordinance and fee schedule updates, and the addition of a possible tiered approach to implement the fees.

On February 23, 2021, staff and DTA presented to the Parks and Recreation Commission ([Staff Report](#)). The Commission passed a motion with a 5-2 vote to recommend that City Council adopt an ordinance based on study recommendations to update the City's Park, Community Center, and Library Impact Fee Program. Dissenting commissioners expressed concerns that the fair market value land valuation figure seemed too low and square footage per employee used as demographics information seemed too high. Additionally, there was a request to see commercial fees differentiated between retail and office space.

On April 12, 2021, staff and DTA presented the study and recommendations to the City Council, and the Council passed a motion approving the nexus study and the fees recommended in the study. Council also directed the Finance Committee and Parks and Recreation Commission to review the fee structures in Fiscal Year 2022 with a focus on:

- i. Updated land acquisition costs;
- ii. The differentiating fee structure for retail space versus office space;
- iii. An update on office density;
- iv. Recommendation from the Finance Committee on the frequency these schedules should be updated; and
- v. Recommendations on if there should be changes between multi and single-family fee structures.

The April 12<sup>th</sup> Staff Report and a Parks, Library, and Community Center Development Impact Fee Nexus Study can be found [here](#). Following in Table 1 are the City of Palo Alto's current Park, Community Center, and Library Development Impact Fees.

**Table 1: 2021 Development Impact Fee Summary Adopted by City Council on April 12, 2021**

<i>Land Use Type</i>	<i>Community</i>			<i>Total Fees</i>
	<i>Park</i>	<i>Center</i>	<i>Library</i>	
Single-Family Residential (Per Unit)	\$57,420	\$4,438	\$2,645	<b>\$64,504</b>
Multi-Family Residential (Per Unit)	\$42,468	\$3,283	\$1,956	<b>\$47,707</b>
Commercial/Industrial (Per Net New Sq. Ft.)	\$16.837/ sq. ft.	\$1.301/ sq. ft.	\$0.776/ sq. ft.	<b>\$18.914/ sq. ft.</b>
Hotel/Motel (Per Net New Sq. Ft.)	\$2.866/ sq. ft.	\$0.222/ sq. ft.	\$0.132/ sq. ft.	<b>\$3.220/ sq. ft.</b>

**\*Note:** Some figures may not sum due to rounding.

#### Follow-Up to the 2021 Nexus Study

Staff engaged DTA to prepare a follow up analysis to address the tasks from the April 12, 2021 Council motion. DTA is currently in the process of drafting a Supplement to the Development Impact Fee Justification Study. This staff report contains DTA's analysis that will be included in the Final Supplement. If approved, the recommendations above will help staff and DTA move forward on finalizing the proposed changes in the Final Supplement (see next steps described in the Timeline section below).

Following is a discussion of each of the additional tasks requested for follow up by Council:

- Task A - Update land acquisition costs.
- Task B - Differentiate the fee structure for retail space versus office space.
- Task C - Update office density from 250 sq. ft. per employee to 190 sq. feet per employee.
- Task D - Recommend the frequency with which these schedules should be updated.
- Task E - Evaluate whether the multi- and single-family fee categories should be divided into multiple categories based on total square feet or some other measure.
- Task F - Evaluate options for a reduction in fees for new multi-family housing construction for projects that exceed required percentages of below market rate ("BMR") units.

#### Working Draft Supplement to Nexus Study Reviewed by Parks and Recreation Commission

On February 22, 2022, staff and DTA presented the Working Draft Supplement to the Parks and Recreation Commission. The Parks and Recreation Commission passed a motion approving the methodology detailed in Tasks B, C, and E (no comment on D) of the nexus study as found in the Working Draft Supplement. The Commission requested further study related to Task A on land valuation costs based on realistic considerations for acquiring land, including residential and commercial teardown acquisition data, and to provide alternative fee calculation data based on a) existing per unit methodology, and b) residential square footage. The following motion was approved by a 5-0 vote:



The Parks and Recreation Commission recommends:

1. The Finance Committee approve the methodology for points 2, 3, and 5 (no comment on 4) of the nexus study as found in the Supplement to Park, Community Center, and Library Development Impact Fee Justification Study (the “Study”).
2. Further study on land valuation costs based on realistic considerations for acquiring land, including residential and commercial teardown acquisition data.
3. Provide alternative fee calculation data based on a) existing per unit methodology, and b) residential square footage.

### Discussion

On May 3, 2022 staff and DTA presented the Working Draft Supplement to the Finance Committee. The May 3<sup>rd</sup> Staff Report can be found [here](#). The Finance Committee passed the following motions by a 3-0 vote:

Finance Committee recommend the City Council:

1. *Approve the following recommendations from the Supplement to Park, Library, and Community Center Development Impact Fee Justification Study:*
  - a) *Differentiate the commercial/industrial fee structure into five separate categories: hotel, retail, office, industrial and commercial.*
  - b) *Maintain the office density calculation of 200 square ft. per employee.*
  - c) *Update the fee study every 4-6 years, in compliance with new state law requirements in Assembly Bill 602.*
2. *Apply the following land valuations for use in calculating the Park Development Impact Fees*
  - a) *Increase the land valuation to \$17.6 million/acre based on the average of the last 5 years of underutilized Palo Alto properties sales data.*
3. *Direct staff to conduct an economic feasibility study on the new nexus study and park dedication in lieu fee.*
4. *To convert residential fees to reflect a per-square-foot amount, rather than a single amount per dwelling regardless of size.*

The following Discussion addresses the tasks DTA completed so far in the Working Draft Supplement to the Development Impact Fee Justification Study that informed the Finance Committee’s recommendation.

### Differentiate Fee Structure for Retail vs Office (Task B)

Currently, the City’s Development Impact Fee structure reflects two non-residential fee categories: commercial/industrial and hotel/motel. Staff was asked to break commercial/industrial into more specific categories for (1) retail, (2) office space, (3) industrial; (4) other commercial. Other commercial includes any non-residential project with a land use that does not fall under the Retail, Office, Industrial, or Hotel/Motel categories. Table 2 show the maximum fees under the new valuation. Finance Committee supported this change.

**Table 2: Maximum Development Impact Fee Summary using a \$17.6 Million/ Acre valuation**

<i>Land Use Type</i>	<i>Community</i>			<i>Total Fees</i>
	<i>Park</i>	<i>Center</i>	<i>Library</i>	
Single-Family Residential (Per Unit)	\$138,742	\$4,438	\$2,645	<b>\$145,826</b>
Multi-Family Residential (Per Unit)	\$102,613	\$3,283	\$1,956	<b>\$107,852</b>
Retail (Per Net New Sq. Ft.)	\$22.247	\$0.712	\$0.424	<b>\$23.383</b>
Office (Per Net New Sq. Ft.)	\$48.699	\$1.558	\$0.928	<b>\$51.185</b>
Industrial (Per Net New Sq. Ft.)	\$32.966	\$1.055	\$0.629	<b>\$34.649</b>
Hotel/Motel (Per Net New Sq. Ft.)	\$6.925	\$0.222	\$0.132	<b>\$7.279</b>
Other Commercial (Per Net New Sq. Ft.)	\$27.709	\$0.886	\$0.528	<b>\$29.124</b>

Update on Office Density (Task C)

In response to the request from the Parks and Recreation Commission to evaluate a revised fee structure with the “sq. ft. per employee” assumption reduced from approximately 250 sq. ft. to 190 sq. ft., which is the average based on supporting data from sources the PRC provided, such as the U.S. General Service Administration’s 2012 public sector survey and a 2017 Cushman Wakefield analysis, which indicates that the Bay Area has one of the fastest shrinking square-foot-per-employee ratios in the country.

The CoStar data that DTA evaluated in the Study supports this adjustment as well. By isolating office development into a separate land use category, rather than combining with retail as outlined in the Study, the office fee calculation reflects approximately 200 sq. ft. per employee, therefore the proposed fees outlined in Tables 4 and 5 reflect the requested office density update.

Frequency of Nexus Study Updates (Task D)

It is generally recommended that impact fees be increased annually and that a new fee study be completed every five (5) to eight (8) years to ensure that the fees are reflective of the most current projections of future development, as well as infrastructure needs and cost estimates. New state law requires a fee study at least once every eight years ([see AB 602](#)). The Finance Committee recommends updating the nexus fee study every 4-6 years, which would meet the requirements of AB 602. Updating the nexus fee study is typically done by retaining a consultant who specializes in drafting nexus studies and utilizing staff resources to provide the necessary information requested and oversight of the work.

Between updates of the nexus study, the amounts of the fees themselves increase annually based on the construction cost index (“CCI”) in compliance with PAMC 16.58.090. The fees are also subject to annual approval as part of the Municipal Fee Schedule.

#### Update Land Acquisition Costs to Include Teardown Properties (Task A)

The original Study analyzed sales transactions of vacant land within the City over the previous ten (10) years, as well as in the neighboring cities of Campbell, Santa Clara, Sunnyvale, Saratoga, Mountain View, San Jose, and Los Altos. Using vacant land sales is the industry standard for calculating the development impact fees for park facilities. Based on DTA’s research and discussions with the City’s real estate and planning teams regarding their fair market value analysis, a land valuation of \$5.7 million per acre was utilized in the Study and in the corresponding updates to the City’s Municipal Code. Feedback from the City Council suggested that the \$5.7 million per acre land valuation was too low.

Per the City’s direction, DTA examined transactions that occurred in the 12 months since completion of the Study, finding that the average vacant land valuation per acre within the City has increased from the \$5.7 million per acre outlined in the Study to approximately \$6.5 million per acre.

In cases where a city is fully built out and there are very few vacant parcels available, alternative methodologies can be utilized to value the specific types of properties that might be suitable for acquisition and conversion by a city into parkland. Examples of alternative methods include an improved property on which structures could be demolished in the future and replaced with other uses, or “teardown properties.”

On February 22, 2022, DTA was directed by the Parks and Recreation Commission recommendation to evaluate the market value of teardown properties within the City. The City provided DTA with a list of residential and commercial properties classified under this designation; however, sales data for these properties was not available. After discussions with City staff, it was decided that the assessed valuations of teardown properties were not representative of the cost to the City of acquiring potential parkland. In lieu of data on teardown properties, DTA analyzed sales data over the last five (5) years for “underutilized” sites within the City that would be classified as parcels that:

- Are considered practically uncompetitive with respect to the needs of typical tenants;
- May require significant renovation; and/or
- Are possibly functionally obsolete.

An analysis of this data across three land uses – industrial, office, and retail – substantiated an average sales price of approximately \$17.6 million per acre had the City acquired these properties with the purpose of converting them into parkland facilities. Utilizing data from both vacant land and “underutilized” property sales, DTA determined the anticipated increase in the Park Fees that would occur under the following two scenarios, which are summarized in Tables 3 and 4:

**Table 3: Land Valuation Impact on Park Fees (\$6.5 Million /Acre Scenario)**

<b>Land Use Type</b>	<b>Current Park Fee (\$5.7 M per Acre Valuation)</b>	<b>Proposed Park Fee (\$6.5 M per Acre Valuation)</b>	<b>% Increase</b>
<i>Single-Family Residential (Per Unit)</i>	\$57,420	\$62,802	
<i>Multi-Family Residential (Per Unit)</i>	\$42,468	\$46,448	9.37%
<i>Commercial/Industrial (Per Net New Sq. Ft.)</i>	\$16.837	\$18.415	
<i>Hotel/Motel (Per Net New Sq. Ft.)</i>	\$2.866	\$3.135	

**Table 4: Land Valuation Impact on Park Fees (\$17.6 Million /Acre Scenario)**

<b>Land Use Type</b>	<b>Current Park Fee (\$5.7 M per Acre Valuation)</b>	<b>Proposed Park Fee (\$17.6 M per Acre Valuation)</b>	<b>% Increase</b>
<i>Single-Family Residential (Per Unit)</i>	\$57,420	\$138,742	
<i>Multi-Family Residential (Per Unit)</i>	\$42,468	\$102,613	141.62%
<i>Commercial/Industrial (Per Net New Sq. Ft.)</i>	\$16.837	\$40.682	
<i>Hotel/Motel (Per Net New Sq. Ft.)</i>	\$2.866	\$6.925	

While the land valuation of \$17.6 million dollars may be based on a more realistic set of residential and commercial teardown acquisition data, raising the current Park Impact Fee by 141.62% may have an impact of discouraging development. The proposed fees displayed reflect the maximum possible fee, and the City could choose to set actual fees lower than those shown above. The Finance Committee recommended updating the land valuation to \$17.6 million per acre but conducting an economic feasibility study to examine the feasibility of fees based on this significantly higher land valuation. Should Council approve this change, the land valuation will become part of the updated nexus study and will be used to calculate the maximum possible park impact fee and the separate park land in lieu of dedication fee, which is similarly based on the cost of acquiring land for parks. A core tenant from the Finance Committee feedback was a desire to set the nexus study based on the best and most accurate data while acknowledging the policy choice and need to study feasibility. This two-step process, as recommended in this report, would likely result may be setting fees below the maximum possible level.

#### Conduct Economic Feasibility Study to Evaluate Feasibility of Fee Levels

As discussed above, the City needs to prepare an economic feasibility study, which is not included in the current DTA scope of services. The feasibility study would evaluate potential

impacts that increased fees may have on all categories of development, including housing production and especially multi-family housing. Staff anticipates working with a consultant to conduct this analysis reviewing the impact on all segments. Staff would report back to the Finance Committee and Council with its findings and any recommended changes to fees once the study is completed.

Move to a Per-Square Foot Basis for Fees Imposed on Housing (Task E)

The City’s pre-2021 fee program separated residential land uses into four categories – single-family units 3,000 square feet or less, single-family units greater than 3,000 square feet, multi-family units 900 square feet or less, and multi-family units greater than 900 square feet.

After discussions with City staff, DTA’s 2021 Study recommended a revision to this structure, given that the distinction between these land uses no longer reflected the types of proposed housing currently under construction in the City and was difficult to align with underlying residential data and current development industry practices. As a result, residential land use types were reduced from four to two categories, as reflected in the fees adopted as of August 23, 2021, and illustrated in Table 1. DTA and staff continues to recommend this simplification of the fee structure.

AB 602, which was recently adopted by the State Legislature and came into effect in 2022, will require that impact fee studies adopted by the City Council after July 1, 2022, designate all impact fee amounts imposed on housing to be charged on a per-square-foot basis. For any updates reflected in this Working Draft Supplement approved after July 1, the per-square-foot fee structure will be required.

The Parks and Recreation Commission requested an alternative fee calculation data based on residential square footage, which is displayed in Table 5 below using the average square footage of recent residential single family (2,154 square feet) and multi-family unit sales (1,255 square feet).

**Table 5: Land Valuation Impact on Park Fees (\$17.6 Million /Acre Scenario)**

<i>Land Valuation / Acre</i>	<i>Est. Residential Park Fee / sq. ft.</i>	<i>Sample Park Fee: SFR Unit (2,154 sq. ft.)</i>	<i>Sample Park Fee: MFR Unit (1,255 sq. ft.)</i>
\$5,700,000	\$28.93	\$62,323	\$36,317
\$6,489,851	\$31.64	\$68,164	\$39,721
\$17,634,659	\$69.91	\$150,588	\$87,752

**Note:** Figures are estimates and subject to change.

The Finance Committee recommended the City convert residential fees to reflect a per-square-foot amount, rather than a single amount per dwelling regardless of size. To implement this change, the Working Draft Supplement to the nexus study will be updated and the fee recalculated.

If Council would like the park, community center, and library fees imposed on housing to remain on a per-unit basis (instead of a square-foot basis), staff recommend that Council pull this item from consent and adopt a Final Supplement to the nexus study prior to July 1. Otherwise, the City will be required under AB 602 to move to a square-footage basis if it makes any changes to the nexus study after July 1, 2022.

#### No Changes Proposed to Current Fee Exemptions for Below Market Rate (“BMR”) Units (Task F)

In April 2021, the City Council voiced concerns about fee updates disincentivizing multi-family residential development, and therefore negatively impacting the City’s goal of increasing the supply of affordable housing. DTA evaluated a potential reduction or credit in park impact fees for new multi-family housing projects in which the number of BMR units exceeds the City’s requirements for that development. Currently, as outlined in PAMC 16.58.030, any BMR units that exceed the minimum number required by the City’s BMR Housing Program are exempt from park, community center, and library impact fees, so this incentive appears to already be in place.

Municipalities take many different approaches to providing fee credits for BMR units, including:

- Reducing development impact fee obligations within the Development Agreement between the city/county and the developer, which is a commonly utilized approach but would be burdensome for staff to implement;
- Implementing an across-the-board fee discount for BMR units, such as giving a 50% reduction of the fee applicable to all BMR units (whether or not they exceed the required number); or
- Implementing an across-the-board fee exemption for BMR units (whether or not they exceed the required number).

The Finance Committee did not recommend any changes to the existing exemption for BMR units at this time.

#### **Timeline**

Based on Council recommendation and approval, an economic feasibility study would be completed in FY 2023, and the results of this study would be brought forward for Finance Committee and Council review in FY 2023. Changes to fees would be adopted via an impact fee ordinance that would require City Council approval and formal public notice and would not become effective until 60 days after adoption on a second reading. As the potential changes discussed in this staff report are not anticipated to be adopted with the FY 2023 budget cycle, the existing fee structure will remain for the time being, subject to an inflation adjustment pursuant to PAMC 16.58.090 and Council approval.

#### **Resource Impact**

The City needs to prepare an economic feasibility study, which is not included in the current DTA scope of services. The feasibility study would evaluate potential impacts that increased

fees may have on all categories of development impacted by the fees, including housing. Staff anticipates that the cost of the economic feasibility study would be in the range of \$50,000 to \$75,000 and staff would request these funds during the FY2023 midyear budget process.

Development Impact Fees provide funding for capital improvements to mitigate the impacts of new development on public services. The revenues received each year vary based on the amount of development occurring in Palo Alto during that timeframe and impacts are subject to the fee levels approved by the City Council. CSD will monitor revenues from the Parks, Community Center and Library Development Impact fees and revenue adjustments will be brought forward in the future budget processes as appropriate to recognize the projected impacts of any fee updated and adopted by the City Council.

According to the FY 2020-21 Annual Status Report on the Development Impact Fees Schedule ([CMR #13798](#), January 24, 2022), a total of approximately \$318,561 was collected in Park, Community Center, and Library fees. Note that these fees were collected before the increase in fees that went into effect on August 23, 2021.

DTA projects that the total fee revenues will increase significantly should the fee levels be associated with the increased land valuation of \$17.6 million per acre be approved and adopted as new fees. Please see Table 6 below for more detail on projected fees. However, these are the maximum projected revenues under the assumption that the level of development activity is the same as FY 2020-21 and the fees based on a \$17.6 million per acre land valuation are adopted. An economic feasibility study would evaluate potential impacts increased fees may have on development, which may result in setting the fees at a lower rate than the potential maximums, changing the revenue projections.

**Table 6: FY2020-21 and Projected Revenues<sup>1</sup>**

<i><b>Fee Category</b></i>	<i><b>Total Revenues Collected FY 2020-2021<sup>2</sup></b></i>	<i><b>Maximum Projected Annual Revenues based on a \$17.6 M/ Acre Valuation<sup>3</sup></b></i>
Park	\$219,423	\$1,316,538
Community Center	\$70,000	\$210,000
Library	\$29,138	\$87,414
<b>Total</b>	<b>\$318,561</b>	<b>\$1,613,952</b>

**Notes:**

1. Projected revenues are an approximation and subject to change
2. Total revenues collected reflect last available report as of period ending June 30, 2021.
3. Projected revenues do not take into consideration whether an increase in fees will generate additional revenue or discourage new development and result in a reduction of total fees collected.

Parkland Dedication in Lieu Fee

In some projects, a parkland dedication in lieu fee applies instead of a park impact fee. This occurs for residential projects that require a subdivision or parcel map, and developers can

choose to dedicate land for parks or pay an in-lieu fee. The in-lieu fee is required for subdivisions resulting in more than 50 parcels. (See PAMC Ch. 21.50). The fee is based on the cost to acquire land for new parks because of housing development. Should the City change the land valuation for the park impact fee, it should similarly update the parkland in lieu fee. The Finance Committee recommended including the parkland dedication fee in the economic feasibility analysis.

### **Stakeholder Engagement**

The Community Services department presented the Working Draft Supplement to the Parks and Recreation Commission (PRC) on February 22, 2022, for review and to the Finance Committee on May 3, 2022.

### **Policy Implications**

City Council has the authority to charge new development for its relative share of the cost of specific public facilities, as calculated based on a nexus study and pursuant to state law requirements. Council also has the authority, for policy reasons, to restructure fees based on articulated City policies within legal limits and economic feasibility. The information provided in this report allows Council to take the next step towards reevaluating and adjusting the City's Development Impact Fees for Parks, Community Centers and Libraries.

### **Environmental Review**

The recommended actions are not considered a Project as defined by the California Environmental Quality Act pursuant to CEQA regulation 15061(b)(3). The projects in the 2021 nexus study associated with these fees have been fully analyzed as part of the City's 2030 Comprehensive Plan and its EIR, as well as the City's Parks and Open Space Master Plan and its Mitigated Negative Declaration and no further CEQA analysis is necessary.

### **Attachments:**

- **Attachment5.a:** Attachment A: Consultant Report: Update on Park, Library, and Community Center Impact Fees by DTA





## MEMORANDUM

April 8, 2022

To: City of Palo Alto  
 From: DTA  
 Subject: Supplement to Development Impact Fee Justification Study

On January 15, 2021, DTA issued a Development Impact Fee Justification Study (the "Study") to the City of Palo Alto (the "City"), reflecting the updated fee recommendations outlined in **Table 1** below. The Study was reviewed by the City's Finance Committee, Parks and Recreation Commission, and City Council on December 12, 2020, February 23, 2021, and April 12, 2021, respectively. The fees recommended in the Study were approved by the City Council and implemented as of August 23, 2021, with the understanding that DTA would evaluate the impact of various City Council recommendations on the fee calculations and provide an update to the Study accordingly.

**Table 1: 2021 Development Impact Fee Summary Adopted by the City Council**

Land Use Type	Park	Community Center	Library	Total Fees
Single-Family Residential (Per Unit)	\$57,420	\$4,438	\$2,645	<b>\$64,504</b>
Multi-Family Residential (Per Unit)	\$42,468	\$3,283	\$1,956	<b>\$47,707</b>
Commercial/Industrial (Per Net New Sq. Ft.)	\$16.837	\$1.301	\$0.776	<b>\$18.914</b>
Hotel/Motel (Per Net New Sq. Ft.)	\$2.866	\$0.222	\$0.132	<b>\$3.220</b>

\*Note: Some figures may not sum due to rounding.

In January 2022, the City requested that DTA prepare the follow-up analysis, outlined in this Supplement to the Development Impact Fee Justification Study (the "Supplement"). Based on the comments received from the City Council, the following specific tasks have been addressed in this Supplement:

- Task A – Update land acquisition costs;
- Task B – Differentiate the fee structure for retail space versus office space;
- Task C – Update office density from 250 sq. ft. per employee to 190 sq. ft. per employee;
- Task D – Recommend the frequency with which these schedules should be updated;
- Task E – Evaluate whether the multi- and single-family fee categories should be divided into multiple categories based on total square feet or some other measure; and

- Task F – Evaluate options for a reduction in fees for new multi-family housing construction for projects that exceed required percentages of below market rate (“BMR”) units.

## A Update Land Acquisition Costs

Utilizing CoStar, a leading commercial real estate database, DTA’s Study analyzed sales transactions of vacant land within the City over the previous ten (10) years, as well as in the neighboring cities of Campbell, Santa Clara, Sunnyvale, Saratoga, Mountain View, San Jose, and Los Altos. Based on DTA’s research and discussions with the City’s real estate and planning teams regarding their fair market value analysis, a land valuation of \$5.7 million per acre was utilized in the Study and in the corresponding updates to the City’s Municipal Code (the “Municipal Code”).

Feedback from the City Council suggested that the \$5.7 million per acre land valuation may be too low and that the figure should be closer to \$20 million, as indicated by recent home sales. However, it is important to note that DTA’s estimated valuation per acre at that time reflected sales prices of vacant land, a customary industry standard when calculating the development impact fees for park facilities (the “Park Fees”), as vacant land is the most likely property type to be purchased for the creation of new park facilities. The average price per acre of developed land is significantly higher and not typically used for purposes of calculating parkland acquisition costs.

Per the City’s direction, DTA updated and analyzed the CoStar data so that it now includes transactions that have occurred in the 12 months since completion of the Study. According to our analysis, the average vacant land valuation per acre within the City has increased from the \$5.7 million per acre outlined in the Study to approximately \$6.5 million per acre.

Of note, in cases where a city is fully built out and there are very few vacant parcels available, alternative methodologies can be utilized to value the specific types of properties that might be suitable for acquisition and conversion by a city into parkland, such as an improved property on which structures could be demolished in the future and replaced with other uses, or “teardown properties.”

On February 22, 2022, DTA was directed by the Parks and Recreation Commission to evaluate the market value of teardown properties within the City that were demolished or deconstructed in the last five (5) years. Importantly, in contrast to the evaluation completed for vacant land for which the relevant data points were limited, the evaluation of teardown properties provided more data points to consider in estimating the market value of property for purposes of this Supplement. The City provided DTA with a list of residential and commercial properties classified under this designation. DTA assigned Santa Clara County’s current published assessed value of these teardown properties as of June 30, 2021, to determine an average valuation, since sales data for these properties was not available; However, assessed valuations do not necessarily reflect current market values of these teardown properties, many of which are located on sites that would not be eligible or practical for acquisition by the City and conversion into parkland. As a result, after discussions with City staff, it was decided that the assessed valuations of teardown properties were not representative of the cost to the City of acquiring potential parkland.

In lieu of data on teardown properties, DTA analyzed sales data over the last five (5) years for “underutilized” sites within the City that would be classified as “one-star” properties based on CoStar’s Building Rating System. One-star properties are those parcels that:

- Are considered practically uncompetitive with respect to the needs of typical tenants;
- May require significant renovation; and/or
- Are possibly functionally obsolete.

An analysis of this data across three (3) land uses – industrial, office, and retail – substantiated an average sales price of approximately \$17.6 million per acre, had the City acquired and converted them into parkland facilities.

Utilizing data from both vacant land and “underutilized” property sales, DTA determined the anticipated increase in the Park Fees that would occur under the following two scenarios, which are also summarized in **Tables 2 and 3**:

- Implementation of a \$6.5 million per acre land valuation based on vacant land sales over the last ten (10) years. Under this scenario, the Park Fees for single-family and multi-family dwelling units, which are currently \$57,420 and \$42,468 per unit, would increase to \$62,802 and \$46,448, respectively.
- Implementation of a \$17.6 million per acre land valuation based on developed land sales of one-star properties over the last five (5) years. Under this scenario, the Park Fees for single-family and multi-family dwelling units, which are currently \$57,420 and \$42,468 per unit, would increase to \$138,742 and \$102,613, respectively.

**Table 2: Land Valuation Impact on Park Fees (\$6.5 Million Scenario)**

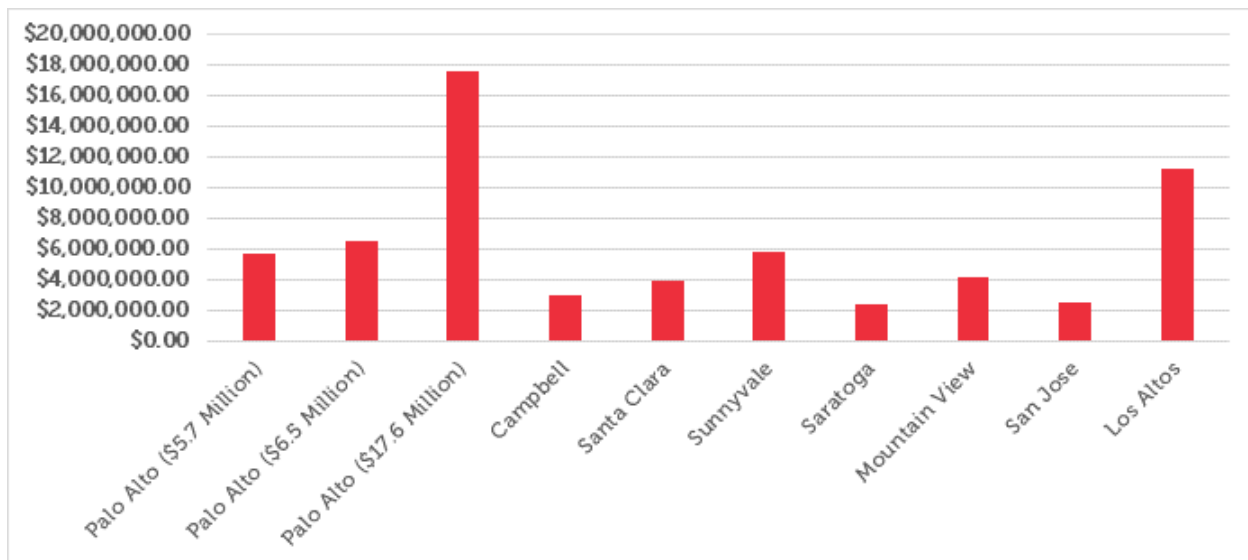
Land Use Type	Current Park Fee (\$5.7 Million per Acre Valuation)	Proposed Park Fee (\$6.5 Million per Acre Valuation)	% Increase
Single-Family Residential (Per Unit)	\$57,420	\$62,802	9.37%
Multi-Family Residential (Per Unit)	\$42,468	\$46,448	
Commercial/Industrial (Per Net New Sq. Ft.)	\$16.837	\$18.415	
Hotel/Motel (Per Net New Sq. Ft.)	\$2.866	\$3.135	

Table 3: Land Valuation Impact on Park Fees (\$17.6 Million Scenario)

Land Use Type	Current Park Fee (\$5.7 Million per Acre Valuation)	Proposed Park Fee (\$17.6 Million per Acre Valuation)	% Increase
Single-Family Residential (Per Unit)	\$57,420	\$138,742	141.62%
Multi-Family Residential (Per Unit)	\$42,468	\$102,613	
Commercial/Industrial (Per Net New Sq. Ft.)	\$16,837	\$40,682	
Hotel/Motel (Per Net New Sq. Ft.)	\$2,866	\$6,925	

Additionally, **Figure 1** below illustrates the City's current land valuation figure of \$5,700,000 and proposed land valuation figures of \$6.5 million and \$17.6 million, as compared with valuations currently utilized in Park Fee calculations by neighboring communities.

Figure 1: Land Valuation Comparison



## B Differentiate Fee Structure for Retail vs Office

Currently, the City's Development Impact Fee structure reflects two non-residential fee categories: commercial/industrial and hotel/motel. DTA was asked to evaluate a revised fee structure in which the commercial/industrial fee is separated into three categories: retail, office, and industrial. The updated fees under this revised structure are shown in **Table 4**. Please note that these proposed fees also reflect a land valuation of \$6.5 million per acre, as outlined above in Task A. Under this scenario, the combined park, community center, and library impact fees for the retail, office, and industrial categories would have the following changes:

- The retail fee would decrease 41%, from \$18.914 per net new sq. ft. to \$11.206.

- The office fee would increase 30%, from \$18.914 per net new sq. ft. to \$24.530.
- The industrial fee would decrease 12%, from \$18.914 per net new sq. ft. to \$16.605.

City staff have also indicated that implementation of this proposed fee structure may be difficult when attempting to determine the appropriate land use categories for commercial projects that do not fall under any of the four (4) proposed non-residential fee categories. There are multiple ways to remedy this issue, one of which would call for the addition of a fifth “other commercial” category. The fee for this additional category could be calculated as the average of the four proposed non-residential fee levels. An example of this calculation is shown in **Table 4** and would yield an “other commercial” category with a combined park, community center, and library fee of \$13,957 per unit.

**Table 4: Proposed Development Impact Fee Summary**

Land Use Type	Park <sup>1</sup>	Community Center	Library	Total Fees
Single-Family Residential (Per Unit)	\$62,802	\$4,438	\$2,645	<b>\$69,886</b>
Multi-Family Residential (Per Unit)	\$46,448	\$3,283	\$1,956	<b>\$51,687</b>
Retail (Per Net New Sq. Ft.)	\$10.070	\$0.712	\$0.424	<b>\$11.206</b>
Office (Per Net New Sq. Ft.)	\$22.044	\$1.558	\$0.928	<b>\$24.530</b>
Industrial (Per Net New Sq. Ft.)	\$14.922	\$1.055	\$0.629	<b>\$16.605</b>
Hotel/Motel (Per Net New Sq. Ft.)	\$3.135	\$0.222	\$0.132	<b>\$3.488</b>
Other Commercial <sup>2</sup> (Per Net New Sq. Ft.)	\$12.543	\$0.886	\$0.528	<b>\$13.957</b>

**Notes:**

1. Park fees reflect an updated land valuation of approximately \$6.5 million per acre.
2. Includes any non-residential project with a land use that does not fall under the Retail, Office, Industrial, or Hotel/Motel categories, as defined in the City’s zoning code.

### **C Update Office Density**

In addition to bifurcating the commercial land use category into retail and office, DTA was asked to evaluate a revised fee structure with the “sq. ft. per employee” assumption reduced from approximately 250 sq. ft. to 190 sq. ft., which is the average based on the U.S. General Service Administration’s 2012 public sector survey. This assumption is validated by a 2017 Cushman Wakefield analysis, which indicates that the Bay Area has one of the fastest shrinking square-foot-per-employee ratios in the country.

The CoStar data that DTA evaluated in the Study supports this adjustment as well. By isolating office development into a separate land use category, rather than combining with retail as outlined in the Study, the office fee calculation reflects approximately 200 sq. ft. per employee. Unless requested by the City Council, DTA believes no

additional adjustment beyond the category bifurcation is necessary to accommodate this request, as this ratio of 200 sq. ft. per employee is based on the existing square footage and number of employees in the City. The proposed fees outlined in **Table 4** reflect the requested office density update.

#### **D Frequency of Fee Study Updates**

It is generally recommended that impact fees be increased annually and that a new fee study be completed every five (5) to eight (8) years to ensure that the fees are reflective of the most current projections of future development, as well as infrastructure needs and cost estimates. Commonly used annual fee escalators include the Engineering News Record ("ENR") construction cost index ("CCI"), which the City currently uses to escalate its fees, consumer price index ("CPI"), or other appropriate adjustment factor.

#### **E Evaluate Changes to Single and Multi-Family Fee Structure**

The City's previous fee program separated residential land uses into four categories – single-family units with fewer than 3,000 square feet, single-family units with greater than 3,000 square feet, multi-family units with fewer than 900 square feet, and multi-family units with greater than 900 square feet. After discussions with City staff, DTA's Study recommended a revision to this structure, given that the distinction between these land uses no longer reflected the types of proposed housing currently under construction in the City and was difficult to align with underlying residential data and current development industry practices. As a result, residential land use types were reduced from four to two categories, as reflected in the fees adopted as of August 23, 2021, and illustrated in **Table 1**. DTA continues to recommend this simplification of the fee structure.

The City may wish to consider converting residential fees to reflect a per-square-foot metric, rather than a single amount per dwelling unit that disregards a dwelling unit's size. The-per-square foot amounts could be calculated by dividing the total fee (either the current fees outlined in **Table 1** or the proposed updated fees outlined in **Table 4**) by the average square footage of newly constructed single-family and multi-family units, as reflected in building permit data or other City data sources. AB 602, which was recently adopted by the State Legislature, will require that impact fee studies adopted by the City Councils after July 1, 2022, designate all impact fee amounts as a charge on a per-square-foot basis. If the City chooses to implement any updates reflected in this Supplement after July 1, the per-square-foot fee structure will be required.

#### **F Evaluate Fee Credit Option for Excess Below Market Rate ("BMR") Units**

At the April 2021 meeting, the City Council voiced concerns about the fee updates disincentivizing multi-family residential development, and therefore negatively impacting the City's goal of increasing the supply of affordable housing. Subsequently, DTA was asked to evaluate a potential reduction or credit in park impact fees for new multi-family housing projects in which the number of BMR units exceeds the City's requirements for that development. Currently, as outlined in Section 16.58.030 of the City's Municipal Code, any BMR units that exceed the minimum number required by the City's BMR Housing Program are exempt from 100% of all impact fees, so this incentive appears to already be in place.

Municipalities take many different approaches to providing fee credits for BMR units, including:

- Reducing development impact fee obligations within the Development Agreement between the city/county and the developer, which is a commonly utilized approach;
- Implementing an across-the-board fee discount for BMR units, such as giving a 50% reduction of the fee applicable to all BMR units (whether or not they exceed the required number); or
- Implementing an across-the-board fee exemption for BMR units (whether or not they exceed the required number).

If you have any questions upon review of the attached analysis, please feel free to call us at (800) 969-4DTA.

Enclosures:

1. Attachment 1 – Fee Derivation Worksheets

# **ATTACHMENT 1**

City of Palo Alto  
Supplement to Development Impact Fee Justification Study



## **FEE DERIVATION WORKSHEETS**



**APPENDIX A-1  
CITY OF PALO ALTO  
PARK DEVELOPMENT IMPACT FEE CALCULATION (INCLUDES ONLY TASK A)**

<b>I. Inventory of Existing Park Facilities</b>		
Facility	Facility Units	Quantity
City Parks	Acres	174.10
Natural Open Space	Acres	4,030.00
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33
Bayland Preserve Capital Improvements	Integrated Facilities	1.00
Foothills Park Capital Improvements	Integrated Facilities	1.00

<b>II. Existing Recreation and Park Facilities EDU Calculation</b>					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Commercial/Industrial (per 1,000 SF)	18,772	23,323	0.80	0.29	6,839
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
<b>Total</b>	<b>86,372</b>	<b>52,653</b>	<b>NA</b>	<b>NA</b>	<b>31,465</b>

<b>III. Existing Facility Standard</b>			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
City Parks	Acres	174.10	2.02
Natural Open Space	Acres	4,030.00	46.66
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00	1.78
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.05
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.01
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.01

<b>IV. Future Recreation and Park Facilities EDU Calculation</b>					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Commercial/Industrial (per 1,000 SF)	1,946	2,418	0.80	0.29	709
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
<b>Total</b>	<b>12,953</b>	<b>7,106</b>	<b>NA</b>	<b>NA</b>	<b>4,719</b>

<b>V. Future Facility Standard</b>			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
City Parks	Acres	2.02	26.11
Natural Open Space	Acres	46.66	604.38
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	1.78	23.10
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	0.05	0.65
Bayland Preserve Capital Improvements	Integrated Facilities	0.01	0.15
Foothills Park Capital Improvements	Integrated Facilities	0.01	0.15

<b>VI. Park and Open Space Summary Cost Data</b>									
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Land Acquisition per Acre	Acres Being Developed	Park Development per Acre [6]	Planning and Design per Acre [7]	Administration (5%) [8]	Total Facility Cost for New Development	Cost per EDU
City Parks	Acres	26.11	\$6,489,851	26.11	\$1,406,530	\$84,392	\$70,327	\$210,213,753	\$44,548.00
Natural Open Space	Acres	604.38	\$64,899	604.38	\$40,000	\$2,400	\$2,000	\$66,058,156	\$13,998.89
<b>Total</b>								<b>\$276,271,909</b>	<b>\$58,546.88</b>

<b>VII. Parks &amp; Recreation Facility Cost Summary</b>									
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154	23.10	99,326	1.78	23.10	\$663,173	\$15,316,334	\$3,245.80
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.65	99,326	0.05	0.65	\$6,693,925	\$4,346,862	\$921.18
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$25,000,000	\$3,749,274	\$794.54
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$15,000,000	\$2,249,564	\$476.72
<b>Offsetting Revenues</b>								<b>(\$5,583,312)</b>	<b>(\$1,183.20)</b>
<b>Total</b>							<b>\$47,357,098</b>	<b>\$20,078,723</b>	<b>\$4,255.03</b>

**Parks LOS Facilities Fee Total \$62,801.92**

- Notes:**
- [1] Employee Adjustment Factor of 19.64% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
  - [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
  - [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
  - [4] Estimates based on current Park inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
  - [5] Estimates based on cost assumptions for Park improvement costs provided by City of Palo Alto.
  - [6] Park development costs have been escalated to Fiscal Year 2019 according to the Construction Cost Index (CCI).
  - [7] Planning and Design Costs have been estimated to be approximately 6% of development costs, as seen in other California communities.
  - [8] Administration costs have been estimated at 5% to appropriately reflect City staff's time.

**APPENDIX A-2  
CITY OF PALO ALTO  
PARK DEVELOPMENT IMPACT FEE CALCULATION (INCLUDES ONLY TASK A)**

I. Inventory of Existing Park Facilities		
Facility	Facility Units	Quantity
City Parks	Acres	174.10
Natural Open Space	Acres	4,030.00
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33
Bayland Preserve Capital Improvements	Integrated Facilities	1.00
Foothills Park Capital Improvements	Integrated Facilities	1.00

II. Existing Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Commercial/Industrial (per 1,000 SF)	18,772	23,323	0.80	0.29	6,839
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
<b>Total</b>	<b>86,372</b>	<b>52,653</b>	<b>NA</b>	<b>NA</b>	<b>31,465</b>

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
City Parks	Acres	174.10	2.02
Natural Open Space	Acres	4,030.00	46.66
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00	1.78
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.05
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.01
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.01

IV. Future Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Commercial/Industrial (per 1,000 SF)	1,946	2,418	0.80	0.29	709
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
<b>Total</b>	<b>12,953</b>	<b>7,106</b>	<b>NA</b>	<b>NA</b>	<b>4,719</b>

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
City Parks	Acres	2.02	26.11
Natural Open Space	Acres	46.66	604.38
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	1.78	23.10
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	0.05	0.65
Bayland Preserve Capital Improvements	Integrated Facilities	0.01	0.15
Foothills Park Capital Improvements	Integrated Facilities	0.01	0.15

VI. Park and Open Space Summary Cost Data									
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Land Acquisition per Acre	Acres Being Developed	Park Development per Acre [6]	Planning and Design per Acre [7]	Administration (5%) [8]	Total Facility Cost for New Development	Cost per EDU
City Parks	Acres	26.11	\$17,634,659	26.11	\$1,406,530	\$84,392	\$70,327	\$501,204,061	\$106,213.97
Natural Open Space	Acres	604.38	\$176,347	604.38	\$40,000	\$2,400	\$2,000	\$133,415,475	\$28,273.09
<b>Total</b>								<b>\$634,619,536</b>	<b>\$134,487.06</b>

VII. Parks & Recreation Facility Cost Summary									
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154	23.10	99,326	1.78	23.10	\$663,173	\$15,316,334	\$3,245.80
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.65	99,326	0.05	0.65	\$6,693,925	\$4,346,862	\$921.18
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$25,000,000	\$3,749,274	\$794.54
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$15,000,000	\$2,249,564	\$476.72
<b>Offsetting Revenues</b>								<b>(\$5,583,312)</b>	<b>(\$1,183.20)</b>
<b>Total</b>							<b>\$47,357,098</b>	<b>\$20,078,723</b>	<b>\$4,255.03</b>

**Parks LOS Facilities Fee Total \$138,742.09**

- Notes:**
- [1] Employee Adjustment Factor of 19.64% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
  - [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
  - [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
  - [4] Estimates based on current Park inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
  - [5] Estimates based on cost assumptions for Park improvement costs provided by City of Palo Alto.
  - [6] Park development costs have been escalated to Fiscal Year 2019 according to the Construction Cost Index (CCI).
  - [7] Planning and Design Costs have been estimated to be approximately 6% of development costs, as seen in other California communities.
  - [8] Administration costs have been estimated at 5% to appropriately reflect City staff's time.

**APPENDIX A-3  
CITY OF PALO ALTO  
PARK DEVELOPMENT IMPACT FEE CALCULATION (INCLUDES TASKS A, B, AND C)**

I. Inventory of Existing Park Facilities		
Facility	Facility Units	Quantity
City Parks	Acres	174.10
Natural Open Space	Acres	4,030.00
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33
Bayland Preserve Capital Improvements	Integrated Facilities	1.00
Foothills Park Capital Improvements	Integrated Facilities	1.00

II. Existing Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Retail (per 1,000 SF)	1,849	4,200	0.44	0.16	673
Office (per 1,000 SF)	13,778	14,300	0.96	0.35	5,019
Industrial (per 1,000 SF)	3,145	4,825	0.65	0.24	1,146
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
<b>Total</b>	<b>86,372</b>	<b>52,653</b>	<b>NA</b>	<b>NA</b>	<b>31,465</b>

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
City Parks	Acres	174.10	2.02
Natural Open Space	Acres	4,030.00	46.66
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00	1.78
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.05
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.01
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.01

IV. Future Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Retail (per 1,000 SF)	192	435	0.44	0.16	70
Office (per 1,000 SF)	1,428	1,482	0.96	0.35	520
Industrial (per 1,000 SF)	326	500	0.65	0.24	119
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
<b>Total</b>	<b>12,953</b>	<b>7,106</b>	<b>NA</b>	<b>NA</b>	<b>4,719</b>

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
City Parks	Acres	2.02	26.11
Natural Open Space	Acres	46.66	604.38
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	1.78	23.10
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	0.05	0.65
Bayland Preserve Capital Improvements	Integrated Facilities	0.01	0.15
Foothills Park Capital Improvements	Integrated Facilities	0.01	0.15

VI. Park and Open Space Summary Cost Data									
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Land Acquisition per Acre	Acres Being Developed	Park Development per Acre [6]	Planning and Design per Acre [7]	Administration (5%) [8]	Total Facility Cost for New Development	Cost per EDU
City Parks	Acres	26.11	\$6,489,851	26.11	\$1,406,530	\$84,392	\$70,327	\$210,213,759	\$44,548.00
Natural Open Space	Acres	604.38	\$64,899	604.38	\$40,000	\$2,400	\$2,000	\$66,058,157	\$13,998.89
<b>Total</b>								<b>\$276,271,917</b>	<b>\$58,546.88</b>

VII. Parks & Recreation Facility Cost Summary										
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU	Cost per EDU
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154	23.10	99,326	1.78	23.10	\$663,173	\$15,316,335	\$3,245.80	
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.65	99,326	0.05	0.65	\$6,693,925	\$4,346,862	\$921.18	
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$25,000,000	\$3,749,274	\$794.54	
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$15,000,000	\$2,249,564	\$476.72	
<b>Offsetting Revenues</b>								<b>(\$5,583,312)</b>		<b>(\$1,183.20)</b>
<b>Total</b>							<b>\$47,357,098</b>	<b>\$20,078,724</b>		<b>\$4,255.04</b>

**Parks LOS Facilities Fee Total \$62,801.92**

- Notes:**
- [1] Employee Adjustment Factor of 19.64% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
  - [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
  - [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
  - [4] Estimates based on current Park inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
  - [5] Estimates based on cost assumptions for Park improvement costs provided by City of Palo Alto.
  - [6] Park development costs have been escalated to Fiscal Year 2019 according to the Construction Cost Index (CCI).
  - [7] Planning and Design Costs have been estimated to be approximately 6% of development costs, as seen in other California communities.
  - [8] Administration costs have been estimated at 5% to appropriately reflect City staff's time.

**APPENDIX A-4  
CITY OF PALO ALTO  
PARK DEVELOPMENT IMPACT FEE CALCULATION (INCLUDES TASKS A, B, AND C)**

I. Inventory of Existing Park Facilities		
Facility	Facility Units	Quantity
City Parks	Acres	174.10
Natural Open Space	Acres	4,030.00
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33
Bayland Preserve Capital Improvements	Integrated Facilities	1.00
Foothills Park Capital Improvements	Integrated Facilities	1.00

II. Existing Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Retail (per 1,000 SF)	1,849	4,200	0.44	0.16	673
Office (per 1,000 SF)	13,778	14,300	0.96	0.35	5,019
Industrial (per 1,000 SF)	3,145	4,825	0.65	0.24	1,146
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
<b>Total</b>	<b>86,372</b>	<b>52,653</b>	<b>NA</b>	<b>NA</b>	<b>31,465</b>

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
City Parks	Acres	174.10	2.02
Natural Open Space	Acres	4,030.00	46.66
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00	1.78
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.05
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.01
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.01

IV. Future Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Retail (per 1,000 SF)	192	435	0.44	0.16	70
Office (per 1,000 SF)	1,428	1,482	0.96	0.35	520
Industrial (per 1,000 SF)	326	500	0.65	0.24	119
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
<b>Total</b>	<b>12,953</b>	<b>7,106</b>	<b>NA</b>	<b>NA</b>	<b>4,719</b>

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
City Parks	Acres	2.02	26.11
Natural Open Space	Acres	46.66	604.38
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	1.78	23.10
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	0.05	0.65
Bayland Preserve Capital Improvements	Integrated Facilities	0.01	0.15
Foothills Park Capital Improvements	Integrated Facilities	0.01	0.15

VI. Park and Open Space Summary Cost Data									
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Land Acquisition per Acre	Acres Being Developed	Park Development per Acre [6]	Planning and Design per Acre [7]	Administration (5%) [8]	Total Facility Cost for New Development	Cost per EDU
City Parks	Acres	26.11	\$17,634,659	26.11	\$1,406,530	\$84,392	\$70,327	\$501,204,075	\$106,213.97
Natural Open Space	Acres	604.38	\$176,347	604.38	\$40,000	\$2,400	\$2,000	\$133,415,479	\$28,273.09
<b>Total</b>								<b>\$634,619,554</b>	<b>\$134,487.06</b>

VII. Parks & Recreation Facility Cost Summary									
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154	23.10	99,326	1.78	23.10	\$663,173	\$15,316,335	\$3,245.80
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.65	99,326	0.05	0.65	\$6,693,925	\$4,346,862	\$921.18
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$25,000,000	\$3,749,274	\$794.54
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$15,000,000	\$2,249,564	\$476.72
<b>Offsetting Revenues</b>								<b>(\$5,583,312)</b>	<b>(\$1,183.20)</b>
<b>Total</b>							<b>\$47,357,098</b>	<b>\$20,078,724</b>	<b>\$4,255.04</b>

**Parks LOS Facilities Fee Total \$138,742.10**

- Notes:**
- [1] Employee Adjustment Factor of 19.64% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
  - [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
  - [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
  - [4] Estimates based on current Park inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
  - [5] Estimates based on cost assumptions for Park improvement costs provided by City of Palo Alto.
  - [6] Park development costs have been escalated to Fiscal Year 2019 according to the Construction Cost Index (CCI).
  - [7] Planning and Design Costs have been estimated to be approximately 6% of development costs, as seen in other California communities.
  - [8] Administration costs have been estimated at 5% to appropriately reflect City staff's time.

**APPENDIX A-5  
CITY OF PALO ALTO  
COMMUNITY CENTER DEVELOPMENT IMPACT FEE CALCULATION (INCLUDES TASKS B AND C)**

I. Inventory of Existing Community Center Facilities		
Facility	Facility Units	Quantity
Cubberley Community Center	Square Feet	65,046
Lucie Stern Community Center	Square Feet	12,203
Mitchell Park Community Center	Square Feet	15,000
Palo Alto Art Center	Square Feet	23,000
Junior Museum and Zoo	Square Feet	45,071
Improvements, Upgrades, and Renovations	Integrated Unit	5
Building Master Plans	Integrated Unit	5

II. Existing Community Center Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Retail (per 1,000 SF)	1,849	4,200	0.44	0.16	673
Office (per 1,000 SF)	13,778	14,300	0.96	0.35	5,019
Industrial (per 1,000 SF)	3,145	4,823	0.65	0.24	1,146
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
<b>Total</b>	<b>86,572</b>	<b>52,653</b>	<b>NA</b>	<b>NA</b>	<b>31,465</b>

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
Cubberley Community Center	Square Feet	65,046	753.09
Lucie Stern Community Center	Square Feet	12,203	141.28
Mitchell Park Community Center	Square Feet	15,000	173.67
Palo Alto Art Center	Square Feet	23,000	266.29
Junior Museum and Zoo	Square Feet	45,071	521.82
Improvements, Upgrades, and Renovations	Integrated Unit	5	0.06
Building Master Plans	Integrated Unit	5	0.06

IV. Future Community Center Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Retail (per 1,000 SF)	192	435	0.44	0.16	70
Office (per 1,000 SF)	1,428	1,482	0.96	0.35	520
Industrial (per 1,000 SF)	326	500	0.65	0.24	119
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
<b>Total</b>	<b>12,953</b>	<b>7,106</b>	<b>NA</b>	<b>NA</b>	<b>4,719</b>

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
Cubberley Community Center	Square Feet	753.09	9,755.01
Lucie Stern Community Center	Square Feet	141.28	1,830.10
Mitchell Park Community Center	Square Feet	173.67	2,249.56
Palo Alto Art Center	Square Feet	266.29	3,449.33
Junior Museum and Zoo	Square Feet	521.82	6,759.34
Improvements, Upgrades, and Renovations	Integrated Unit	0.06	0.75
Building Master Plans	Integrated Unit	0.06	0.75

VI. Community Center Summary Cost Data					
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Cost Per Unit	Total Facility Cost for Future Development	Cost per EDU
Cubberley Community Center	Square Feet	9,755.01	\$629	\$6,135,363	\$1,300.19
Lucie Stern Community Center	Square Feet	1,830.10	\$629	\$1,151,029	\$243.92
Mitchell Park Community Center	Square Feet	2,249.56	\$629	\$1,414,852	\$299.83
Palo Alto Art Center	Square Feet	3,449.33	\$629	\$2,169,439	\$459.74
Junior Museum and Zoo	Square Feet	6,759.34	\$718	\$4,856,117	\$1,029.10
Improvements, Upgrades, and Renovations	Integrated Unit	0.75	\$12,469,894	\$9,350,610	\$1,981.56
Building Master Plans	Integrated Unit	0.75	\$171,692	\$128,744	\$27.28
<b>Total</b>				<b>\$25,206,155</b>	<b>\$5,341.63</b>

VII. Community Center Facility Cost Summary										
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU	Offsetting Revenues
Cubberley Community Center	Square Feet	65,046	9,755.01	99,326	753.09	9,755.01	\$629	\$6,135,363	\$1,300.19	
Lucie Stern Community Center	Square Feet	12,203	1,830.10	99,326	141.28	1,830.10	\$629	\$1,151,029	\$243.92	
Mitchell Park Community Center	Square Feet	15,000	2,249.56	99,326	173.67	2,249.56	\$629	\$1,414,852	\$299.83	
Palo Alto Art Center	Square Feet	23,000	3,449.33	99,326	266.29	3,449.33	\$629	\$2,169,439	\$459.74	
Junior Museum and Zoo	Square Feet	45,071	6,759.34	99,326	521.82	6,759.34	\$718	\$4,856,117	\$1,029.10	
Improvements, Upgrades, and Renovations	Integrated Unit	5	0.75	99,326	0.06	0.75	\$12,469,894	\$9,350,610	\$1,981.56	
Building Master Plans	Integrated Unit	5	0.75	99,326	0.06	0.75	\$171,692	\$128,744	\$27.28	
<b>Total</b>								<b>\$12,644,820</b>	<b>\$20,944,257</b>	<b>\$4,438.46</b>

**Community Center LOS Facilities Fee Total \$4,438.46**

- Notes:**
- [1] Employee Adjustment Factor of 19.64% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
  - [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
  - [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
  - [4] Estimates based on current Community Center inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
  - [5] Estimates based on cost assumptions for Community Center improvement costs provided by City of Palo Alto.

**APPENDIX A-6  
CITY OF PALO ALTO  
LIBRARY DEVELOPMENT IMPACT FEE CALCULATION (INCLUDES TASKS B AND C)**

I. Inventory of Existing Library Facilities		
Facility	Facility Units	Quantity
Children's Library (1276 Harriet)	Square Feet	6,043
College Terrace Library (2300 Wellesley)	Square Feet	2,392
Downtown Library (270 Forest Ave.)	Square Feet	9,046
Mitchell Library (3700 Middlefield)	Square Feet	41,000
Rinconada Library (1213 Newell)	Square Feet	29,608
Furniture, Fixtures & Equipment	Integrated Unit	5
Volumes	Volumes	485,157
Technology Upgrades	Integrated Unit	5

II. Existing Library Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Retail (per 1,000 SF)	1,849	4,200	0.44	0.16	673
Office (per 1,000 SF)	13,778	14,300	0.96	0.35	5,019
Industrial (per 1,000 SF)	3,145	4,823	0.65	0.24	1,146
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
<b>Total</b>	<b>86,372</b>	<b>52,653</b>	<b>NA</b>	<b>NA</b>	<b>31,465</b>

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
Children's Library (1276 Harriet)	Square Feet	6,043	69.96
College Terrace Library (2300 Wellesley)	Square Feet	2,392	27.69
Downtown Library (270 Forest Ave.)	Square Feet	9,046	104.73
Mitchell Library (3700 Middlefield)	Square Feet	41,000	474.69
Rinconada Library (1213 Newell)	Square Feet	29,608	342.80
Furniture, Fixtures & Equipment	Integrated Unit	5	0.06
Volumes	Volumes	485,157	5,617.05
Technology Upgrades	Integrated Unit	5	0.06

IV. Future Library Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Retail (per 1,000 SF)	192	455	0.44	0.16	70
Office (per 1,000 SF)	1,428	1,482	0.96	0.35	520
Industrial (per 1,000 SF)	326	500	0.65	0.24	119
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
<b>Total</b>	<b>12,953</b>	<b>7,106</b>	<b>NA</b>	<b>NA</b>	<b>4,719</b>

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
Children's Library (1276 Harriet)	Square Feet	69.96	906.27
College Terrace Library (2300 Wellesley)	Square Feet	27.69	358.73
Downtown Library (270 Forest Ave.)	Square Feet	104.73	1,356.64
Mitchell Library (3700 Middlefield)	Square Feet	474.69	6,148.81
Rinconada Library (1213 Newell)	Square Feet	342.80	4,440.34
Furniture, Fixtures & Equipment	Integrated Unit	0.06	0.75
Volumes	Volumes	5,617.05	72,759.46
Technology Upgrades	Integrated Unit	0.06	0.75

VI. Library Summary Cost Data					
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Cost Per Unit	Total Facility Cost for New Development	Cost per EDU
Children's Library (1276 Harriet)	Square Feet	906.27	\$ 628.94	\$569,997	\$120.79
College Terrace Library (2300 Wellesley)	Square Feet	358.73	\$ 628.94	\$225,622	\$47.81
Downtown Library (270 Forest Ave.)	Square Feet	1,356.64	\$ 628.94	\$853,250	\$180.82
Mitchell Library (3700 Middlefield)	Square Feet	6,148.81	\$ 628.94	\$3,867,262	\$819.54
Rinconada Library (1213 Newell)	Square Feet	4,440.34	\$ 628.94	\$2,792,729	\$591.83
Furniture, Fixtures & Equipment	Integrated Unit	0.75	\$500,000	\$374,927	\$79.45
Volumes	Volumes	72,759.46	\$50	\$3,637,973	\$770.95
Technology Upgrades	Integrated Unit	0.75	\$500,000	\$374,927	\$79.45
<b>Total</b>				<b>\$12,696,687</b>	<b>\$2,645.14</b>

VII. Library Facility Cost Summary									
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU
Children's Library (1276 Harriet)	Square Feet	6,043	906.27	99,326	69.96	906.27	\$629	\$569,997	\$120.79
College Terrace Library (2300 Wellesley)	Square Feet	2,392	358.73	99,326	27.69	358.73	\$629	\$225,622	\$47.81
Downtown Library (270 Forest Ave.)	Square Feet	9,046	1,356.64	99,326	104.73	1,356.64	\$629	\$853,250	\$180.82
Mitchell Library (3700 Middlefield)	Square Feet	41,000	6,148.81	99,326	474.69	6,148.81	\$629	\$3,867,262	\$819.54
Rinconada Library (1213 Newell)	Square Feet	29,608	4,440.34	99,326	342.80	4,440.34	\$629	\$2,792,729	\$591.83
Furniture, Fixtures & Equipment	Integrated Unit	5	0.75	99,326	0.06	0.75	\$500,000	\$374,927	\$79.45
Volumes	Volumes	485,157	72,759.46	99,326	5,617.05	72,759.46	\$50	\$3,637,973	\$770.95
Technology Upgrades	Integrated Unit	5	0.75	99,326	0.06	0.75	\$500,000	\$374,927	\$79.45
<b>Total</b>							<b>\$1,003,195</b>	<b>\$12,481,908</b>	<b>\$2,645.14</b>

**Library Facilities Fee Total \$2,645.14**

**APPENDIX A-7  
CITY OF PALO ALTO  
EDU & EBU CALCULATION YEAR TO BUILD-OUT (2040) (INCLUDES TASKS B AND C)**

Existing EDU Calculation (FY 2020)									
Service Factor (Residents and Employees)									
Land Use Type	Number of Persons Served*	Employment Adjustment Factor	Adjusted Persons Served	Residents per Unit/**		EDUs per Unit/ per 1,000 Non-Res. SF	Estimated Number of Units/Non-Res. SF	Total EDUs	
				Adjusted Persons Served	per 1,000 Non-Res. SF				
Single Family	42,392	100%	42,392	2.75	1.00		15,443	15,443	
Multi-Family	24,992	100%	24,992	2.03	0.74		12,310	9,104	
Retail (per 1,000 SF)	9,420	19.63%	1,849	0.44	0.16		4,200,000	673	
Office (per 1,000 SF)	70,206	19.63%	13,778	0.96	0.35		14,300,000	5,019	
Industrial (per 1,000 SF)	16,027	19.63%	3,145	0.65	0.24		4,822,578	1,146	
Hotel/Motel (per 1,000 SF)	1,101	19.63%	216	0.14	0.05		1,577,422	79	
<b>Total</b>	<b>164,138</b>		<b>86,372</b>					<b>31,465</b>	

\* Source: David Taussig & Associates; U.S. Census Bureau (ACS); City of Palo Alto Comprehensive Plan Update.

\*\* Persons Served = Residents plus 20% of Employees, customary industry practice designed to capture the reduced levels of service demanded by employees. Subject to change.

Future EDU Calculation (FY 2040)									
Service Factor (Future Residents and Employees)									
Land Use Type	Number of Persons Served*	Employment Adjustment Factor	Adjusted Persons Served	Residents per Unit/**		EDUs per Unit/ per 1,000 Non-Res. SF	Estimated Number of Units/Non-Res. SF	Total EDUs	
				Adjusted Persons Served	per 1,000 Non-Res. SF				
Single Family	6,911	100%	6,911	2.75	1.00		2,517	2,517	
Multi-Family	4,074	100%	4,074	2.03	0.74		2,007	1,484	
Retail (per 1,000 SF)	977	19.63%	192	0.44	0.16		435,418	70	
Office (per 1,000 SF)	7,278	19.63%	1,428	0.96	0.35		1,482,496	520	
Industrial (per 1,000 SF)	1,662	19.63%	326	0.65	0.24		499,962	119	
Hotel/Motel (per 1,000 SF)	114	19.63%	22	0.14	0.05		163,533	8	
<b>Total</b>	<b>21,015</b>		<b>12,953</b>					<b>4,719</b>	

\* Source: David Taussig & Associates; California Dept. of Finance, Demographic Research Unit - Report E-5 May 1, 2020.

\*\* Persons Served = Residents plus 20% of Employees, customary industry practice designed to capture the reduced levels of service demanded by employees. Subject to change.

Total Hours of Potential Park, Community Center, and Library Usage per Week									
User of Facilities	Potential Recreation Hours per Work Day	Number of Work Days per Week	Hours Per Weekend Day	Number of		Potential Recreation Hours Per Week Per Person	Percentage of Household Population	Person Hours	Employee User Percentage
				Weekend Days Per Week	Per Week				
Resident, non-working	10	5	10	2	2	70	52.38%	37	NA
Resident, working	2	5	10	2	2	30	47.62%	14	NA
Employee	2	5	0	0	0	10	NA	10	<b>19.63%</b>

City of Palo Alto Household Population	67,384
City of Palo Alto Labor Force	32,085
Employee Percentage of Household Population	47.62%



# City of Palo Alto

## City Council Staff Report

(ID # 14160)

Meeting Date: 6/13/2022

Report Type: Consent Calendar

### Title: Utilities Advisory Commission Recommend the City Council Adopt the 2022 Annual Water Shortage Assessment Report

From: City Manager

Lead Department: Utilities

#### RECOMMENDATION

The Utilities Advisory Commission and staff recommend the City Council adopt the 2022 Annual Water Shortage Assessment Report.

#### EXECUTIVE SUMMARY

Beginning in 2022, every urban water supplier in California must conduct an Annual Water Supply and Demand Assessment as required by California Water Code Section 10632 (a). Each urban water supplier must also submit an Annual Water Shortage Assessment Report to the Department of Water Resources (DWR) on or before July 1, as required by California Water Code Section 10632.1. The City's Annual Water Shortage Assessment Report (Tables 1-5 below) shows that planned water conservation actions are anticipated to adequately address anticipated potable water supply shortages.

DWR will prepare a summary report on its review of the Annual Water Supply and Demand Assessment results and provide it to the State Water Resources Control Board (State Board) by September 30 each year. The DWR report will include water shortage information at the supplier level, as well as regional and statewide analysis of water conditions as required by California Water Code Section 10644 (c)(1)(B).

#### DISCUSSION

To prepare the 2022 Annual Water Shortage Assessment Report, staff followed the procedures outlined in its Water Shortage Contingency Plan, contained in Section 7 of the City's [2020 UWMP](#). Palo Alto's 2022 Annual Water Shortage Assessment Report uses the DWR-developed Optional Annual Assessment Tool format. This format includes the 5 tables shown below. Staff will submit the standard tables to DWR by July 1, 2022. "Table 1. Annual Assessment Information" (Table 1) provides required overview information. The remaining tables project water supply and demand for FY 2023 under continuing dry conditions, and identify shortages and actions to meet those shortages described in more detail below.

#### *Potable*

Palo Alto receives 100% of its potable water supply from the San Francisco Public Utilities Commission (SFPUC) Regional Water System. "Table 2: Water Demands" (Table 2) provides a demand projection for each month of FY 2023 while "Table 3: Water Supplies" (Table 3) provides a supply projection equal to the voluntary monthly water budgets SFPUC provided to Palo Alto. "Table 4(P): Potable Water Shortage Assessment" (Table 4(P)) compares projected FY 2023 demand with supply and finds that there is a

#### *Water*



projected shortage of 7%, or a total of 721 Acre Feet (AF), for FY 2023. This means Palo Alto is projected to remain in Stage 1 of the Water Shortage Contingency Plan (WSCP) for cutbacks up to 10% under the assumed dry conditions. “Table 5: Planned Water Shortage Response Actions” (Table 5) lists the demand reduction actions Palo Alto has implemented and plans to continue to implement throughout FY 2023. Staff estimates Palo Alto will be able to meet the shortage with the planned demand reduction actions. Table 5 shows the planned demand reduction actions listed using the required standard drop-down menus. Table 4(P) shows the water use reductions associated with the Table 5 demand reduction actions, bringing the revised shortage projection to 0% in each month of FY 2023.

Palo Alto has implemented action plans in past droughts, and during each one Palo Alto residents and businesses have collectively responded to the call for water conservation. In the recent drought of 2015-2017, Palo Alto responded to state-mandated potable water use restrictions by implementing the water restrictions in Stage II of its WSCP. While it is not possible to determine how much of the water conserved can be attributed to each of the specific water use reduction actions/measures imposed, the City exceeded the 24% cumulative reduction target for the June 1, 2015 through May 31, 2016 compliance period compared to calendar year 2013. To provide the estimates in Table 5, staff used professional judgment to develop the best available estimates showing that the implementation of the planned demand reduction actions will reduce demand enough to meet available supply.

Council implemented the actions shown in Table 5 through the permanent water use restrictions outlined in the Palo Alto Municipal Code Section 12.32.010 and in Stage 1 of the Water Shortage Contingency Plan (see Council Resolution 10022, March 7, 2022). On March 28, 2022, Governor Newsom issued Executive Order N-7-22 requiring the State Board to consider adopting emergency regulations by May 25, 2022 that require additional actions from urban retail water suppliers. Staff anticipates those additional actions will include requirements for urban water suppliers to submit to the Department of Water Resources a preliminary Annual Water Supply and Demand Assessment no later than June 1, 2022 and to implement Stage II of their Water Shortage Contingency Plans and implement, at a minimum, the demand reduction actions associated with a water shortage level of up to 20%. For Palo Alto, 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.

Staff plans to submit a working draft of the Annual Water Supply and Demand Assessment to the Department of Water Resources on or before June 1, 2022. Staff plans to submit a recommendation to the City Council to implement Stage II of Palo Alto’s Amended 2020 Water Shortage Contingency Plan. Additionally, Santa Clara Valley Water District’s Board called upon the County, water retailers and cities to restrict ornamental landscape and lawn irrigation with potable water to no more than two days per week.<sup>1</sup> Staff plans to recommend that Council restrict irrigation of ornamental landscape and lawn with potable water to two-days per week in Palo Alto, except as it may be required to ensure the health of trees and other perennial non-turf plantings (see Staff Report 14324). It is important to maintain the health of the urban canopy in Palo Alto because trees have numerous social and environmental benefits.

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<sup>1</sup> 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.

For this reason, potable irrigation of ornamental landscapes or lawns where irrigation benefits the health of trees and other perennial non-turf plantings will be specifically excluded from staff's proposed two-day per week irrigation restriction. Table 5 includes staff's draft proposed water use restrictions. Once the State Board finalizes its emergency regulations, staff will return to Council if needed, with recommendations for implementing the required additional actions.

*Non-Potable Water*

For non-potable recycled water, Table 2 provides the demand projection and Table 3 notes that there is sufficient supply to meet Palo Alto's non-potable recycled water demand. For that reason, the supply is set to equal demand and there is no shortage of non-potable water projected in Table 4(NP), "Non Potable Water Shortage Assessment".

Table 1. Annual Assessment Information	
<b>Annual Assessment Information (Required)</b>	
<b>Year Covered By This Shortage Report</b>	
Start: July 1,	2022
End: June 30,	2023
<b>Supplier's Annual Assessment Planning Cycle</b>	
Start Month:	July
End Month:	June
<b>Data Reporting Interval Used:</b>	MONTHLY
<b>Volume Unit for Reported Supply and Demand:</b> <i>(Must use the same unit throughout)</i>	AF
<b>Water Supplier's Contact Information</b>	
Water Supplier's Name:	City of Palo Alto
Contact Name:	Lisa Bilir
Contact Title:	Acting Senior Resource Planner
Street Address:	250 Hamilton Avenue, Palo Alto
ZIP Code:	94301
Phone Number:	(650)329-2543
Email Address:	<a href="mailto:lisa.bilir@cityofpaloalto.org">lisa.bilir@cityofpaloalto.org</a>
<b>Report Preparer's Contact Information</b> <i>(if different from above)</i>	
Preparer's Organization Name:	
Preparer's Contact Name:	
Phone Number:	
Email Address:	
<b>Supplier's Water Shortage Contingency Plan</b>	
<b>WSCP Title</b>	2020 Water Shortage Contingency Plan of the City of Palo Alto
<b>WSCP Adoption Date</b>	6/7/2021
<b>Other Annual Assessment Related Activities</b> <b>(Optional)</b>	
<b>Activity</b>	<b>Timeline/ Outcomes / Links / Notes</b>
Annual Assessment/ Shortage Report Title:	Optional
Annual Assessment / Shortage Report Approval Date:	6/13/2022
Other Annual Assessment Related Activities:	The 2020 Water Shortage Contingency Plan of the City of Palo Alto states that Palo Alto will utilize the BAWSCA Regional Reliability Model to evaluate water supply availability, however, the plan also permits the City to use SFPUC data since SFPUC is the City's sole supplier. Specifically, the 2020 Water Shortage Contingency Plan states: "Because Palo Alto relies on only one potable water supply source, SFPUC RWS water, the Annual Assessment will rely on key data inputs from the SFPUC." Palo Alto determined the best data to use for water supply is the monthly water budgets provided by SFPUC.
(Add rows as needed)	





	= Auto calculated
	= From prior tables
	= For manual input

Table 4(P): Potable Water Shortage Assessment <sup>1</sup>	Start Year: 2022						Volumetric Unit Used <sup>2</sup> :						AF	Total
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun <sup>3</sup>		
Anticipated Unconstrained Demand	1,213	1,105	1,063	1,031	810	689	648	534	650	855	1,097	1,080	10,776	
Anticipated Total Water Supply	1,132	1,031	992	962	756	643	605	498	606	798	1,023	1,007	10,054	
Surplus/Shortage w/o WSCP Action	-81	-74	-71	-69	-54	-46	-43	-36	-43	-57	-73	-72	-721	
% Surplus/Shortage w/o WSCP Action	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	
State Standard Shortage Level	1	1	1	1	1	1	1	1	1	1	1	1	1	

Planned WSCP Actions														
Benefit from WSCP: Supply Augmentation														0.0
Benefit from WSCP: Demand Reduction	81	74	71	69	54	46	43	36	44	57	73	72	722	
Revised Surplus/Shortage with WSCP	0	0	0	0	0	0	0	0	0	0	0	0	1	
% Revised Surplus/Shortage with WSCP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

<sup>1</sup>Assessments are based on best available data at time of submitting the report and actual volumes could be different due to many factors.  
<sup>2</sup>Units of measure (AF, CCF, MG) must remain consistent.  
<sup>3</sup>When optional monthly volumes aren't provided, verify Tables 2 and 3 use the same columns for data entry and are reflected properly in Table 4 and make sure to use those same columns to enter the benefits from Planned WSCP Actions. Please see directions on the shortage balancing exercise in the Table Instructions. If a shortage is projected, the supplier is highly recommended to perform a monthly analysis to more accurately identify the time of shortage.

	= Auto calculated
	= From prior tables
	= For manual input

Table 4(NP): Non-Potable Water Shortage Assessment <sup>1</sup>	Start Year: 2022						Volumetric Unit Used <sup>2</sup> :						AF	Total
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun <sup>3</sup>		
Anticipated Unconstrained Demand: Non-Potable	54	53	35	22	11	2	2	11	9	24	42	50	315	
Anticipated Total Water Supply: Non-Potable	54	53	35	22	11	2	2	11	9	24	42	50	315	
Surplus/Shortage w/o WSCP Action: Non-Potable	0	0	0	0	0	0	0	0	0	0	0	0	0	
% Surplus/Shortage w/o WSCP Action: Non-Potable	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

Planned WSCP Actions														
Benefit from WSCP: Supply Augmentation														0.0
Benefit from WSCP: Demand Reduction														0.0
Revised Surplus/Shortage with WSCP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% Revised Surplus/Shortage with WSCP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

<sup>1</sup>Assessments are based on best available data at time of submitting the report and actual volumes could be different due to many factors.  
<sup>2</sup>Units of measure (AF, CCF, MG) must remain consistent.  
<sup>3</sup>When optional monthly volumes aren't provided, verify Tables 2 and 3 use the same columns for data entry and are reflected properly in Table 4 and make sure to use those same columns to enter the benefits from Planned WSCP Actions. Please see directions on the shortage balancing exercise in the Table Instructions. If a shortage is projected, the supplier is highly recommended to perform a monthly analysis to more accurately identify the time of shortage.

Table 5: Planned Water Shortage Response Actions						
Anticipated Shortage Level Drop-down List of State Standard Levels (1 - 6) and Level 0 (No Shortage)	ACTIONS: Demand Reduction, Supply Augmentation, and Other Actions. (Drop-down List) These are the only categories that will be accepted by the WUedata online submittal tool. Select those that apply.	Is action already being implemented? (Y/N)	July 1, 2022		to June 30, 2023	
			How much is action going to reduce the shortage gap?		When is shortage response action anticipated to be implemented?	
			Enter Amount	(Drop-down List) Select % or Volume Unit	Start Month	End Month
<i>Add additional rows as needed</i>						
1	Expand Public Information Campaign	Yes	135	AF	July	June
1	Offer Water Use Surveys	Yes	32	AF	July	June
1	Provide Rebates on Plumbing Fixtures and Devices	Yes	32	AF	July	June
1	Provide Rebates for Landscape Irrigation Efficiency	Yes	32	AF	July	June
1	Provide Rebates for Turf Replacement	Yes	32	AF	July	June
1	Landscape - Restrict or prohibit runoff from landscape irrigation	Yes	17	AF	July	June
1	Landscape - Limit landscape irrigation to specific times	Yes	17	AF	July	June
1	Landscape - Prohibit certain types of landscape irrigation	Yes	32	AF	July	June
1	Landscape - Other landscape restriction or prohibition	Yes	32	AF	July	June
1	CII - Other CII restriction or prohibition	Yes	65	AF	July	June
1	Water Features - Restrict water use for decorative water features, such as fountains	Yes	17	AF	July	June
1	Other - Customers must repair leaks, breaks, and malfunctions in a timely manner	Yes	17	AF	July	June
1	Other - Require automatic shut of hoses	Yes	17	AF	July	June
1	Other - Prohibit use of potable water for construction and dust control	Yes	17	AF	July	June
1	Other - Prohibit use of potable water for washing hard surfaces	Yes	32	AF	July	June
2	CII - Lodging establishment must offer opt out of linen service	No	45	AF	July	June
2	CII - Restaurants may only serve water upon request	No	45	AF	July	June
2	Landscape - Limit landscape irrigation to specific days	No	135	AF	July	June
<p>NOTES: Table 5 shows the actions that Palo Alto plans to take based on the supply and demand assessment and that Palo Alto staff plan to recommend to the Palo Alto City Council as a result of Executive Order N-7-22 emergency regulations; Palo Alto has 8 permanent water use restrictions in the Palo Alto Municipal Code Section 12.32.010 <a href="https://codelibrary.amlegal.com/codes/paloalto/latest/paloalto_ca/0-0-0-69362#JD_Chapter12.32">https://codelibrary.amlegal.com/codes/paloalto/latest/paloalto_ca/0-0-0-69362#JD_Chapter12.32</a>; Palo Alto's Amended Water Shortage Contingency Plan, as revised 3/7/22, Stage I, outlines 7 additional demand reduction actions. Palo Alto City Council implemented the Stage I actions on 3/7/22. Palo Alto's Amended Water Shortage Contingency Plan, as revised 3/7/22, Stage II outlines 2 additional demand reduction actions. Palo Alto staff plans to recommend to Palo Alto City Council to implement the 2 additional demand reduction actions in Stage II as well as adding a 2 day per week limit on ornamental landscape and lawn irrigation, except as needed for the health of trees and other perennial non-turf plantings. The Palo Alto City Council may approve staff's proposals or take a different action or no action.</p>						

**TIMELINE**

California Water Code Section 10632.1 requires the Annual Water Shortage Assessment Report to be submitted to DWR by July 1 each year.

**RESOURCE IMPACT**

Adoption of the 2022 Annual Water Shortage Assessment Report does not have an associated resource impact.

**STAKEHOLDER ENGAGEMENT**

Staff encourages interested parties to comment or provide feedback on the draft Annual Water Shortage Assessment Report at the Council meeting where the report will be discussed or to submit written comments.

**COMMISSION REVIEW**

The 2022 Annual Water Shortage Assessment Report was presented to the UAC at its June 8, 2022 meeting. An At Place memo will be presented to the Council with the recommendation after this meeting.

**ENVIRONMENTAL IMPACT**

Approval of the 2022 Annual Water Shortage Assessment Report is exempt from California Environmental Quality Act's (CEQA) review pursuant to Water Code Section 10652.





## City of Palo Alto City Council Staff Report

(ID # 14292)

Meeting Date: 6/13/2022

Report Type: Consent Calendar

**Title: Approval of Amendment No. 2 to Contract S20176879 with Johnson Controls Fire Protection LP, to Add to the Scope of Services and Increase the Contract Amount by \$113,466 for a New Three-year Contract Total Amount Not-to-Exceed of \$379,050 for the Provision of Fire Sprinkler System Inspections and Repair Services**

**From: City Manager**

**Lead Department: Public Works**

### Recommendation

Staff recommends that Council approve and authorize the City Manager or their designee to execute [Amendment No. 2](#) to contract no. S20176879 with Johnson Controls Fire Protection LP, to increase the scope of services to include the repair of fire sprinkler systems at City locations including Lot S/L, Lot J, Lot R, Lucie Stern Children's Theater, Lucie Stern Community Theater, Civic Center, MSC-A, MSC-C, Rinconada Pools, and College Terrace Library, and to increase the contract amount by \$113,466 for a revised three-year contract total amount not to exceed \$379,050.

### Background

In May 2020, staff conducted a request for quotations (RFQ) solicitation for Fire Sprinkler Inspections and Repairs for all City buildings. Johnson Controls Fire Protection LP (Johnson Controls) was awarded the contract ([S20176879](#)). The Parties entered into [Amendment No. 1](#) on June 7, 2021 [SR #12083](#) to add contract scope and increase the not-to-exceed compensation by \$87,207, from \$178,377 to a new total not-to-exceed compensation amount of \$265,584.

### Discussion

Johnson Controls, per the Fire Sprinkler Inspection and Repair contract, performed code-required quarterly, annual, and five-year inspections on the fire sprinkler systems at all City facilities in December 2021. During the inspections, Johnson Controls identified repair and maintenance issues needing attention. Many of these issues are because components of the fire sprinkler system are at the end of their service life and/or are corroded. The National Fire Protection Association codes and Palo Alto Fire Department regulations require replacement of these components. It is difficult to predict costs for repair and maintenance issues such as these, so funds were not originally included in the base contract with Johnson Controls. Amendment No. 2 to the contract is for the repair of fire sprinkler systems at multiple City

facilities, so that the systems will operate as intended in the event of a fire and comply with the codes and regulations.

### Scope Overview

The purpose of this amendment is to add to the scope of services of the existing contract the repair of fire sprinkler issues identified during code-required inspections at Lot S/L, Lot J, Lot R, Lucie Stern Children's Theater, Lucie Stern Community Theater, Civic Center, MSC-A, MSC-C, Rinconada Pools, and the College Terrace Library. Work consists primarily of replacing minor system components that are corroded, past their useful life, damaged, or missing. A detailed scope of work is provided in the attached Amendment No. 2 to the contract.

### **Timeline**

This project is considered urgent and is scheduled to be completed in 60 calendar days from the date of the Notice to Proceed.

### **Resource Impact**

Funding for the contract increase recommended in this report is available in Capital Improvement Program projects PF-14003, University Avenue Parking Improvements, and PF-01003, Building Systems Improvements.

### **Stakeholder Engagement**

Stakeholder engagement is not applicable to this contract amendment.

### **Policy Implications**

This contract amendment is in conformance with the City of Palo Alto's Comprehensive Plan and does not represent any changes to existing City policies.

### **Environmental Review**

This project is categorically exempt from California Environmental Quality Act (CEQA) under Sections 15301 and 15302 of the CEQA guidelines as an alteration to an existing facility and no further environmental review is necessary.



## City of Palo Alto City Council Staff Report

(ID # 14427)

**Meeting Date: 6/13/2022**

**Report Type: Consent Calendar**

**Title: Approval of Contract Amendments to Extend Three Public-Private Partnership Agreements Between the City of Palo Alto and TheatreWorks, Palo Alto Players, and West Bay Opera for the use of the Lucie Stern Community Theatre for an Additional Year**

**From: City Manager**

**Lead Department: Community Services**

### **Recommendation**

Staff recommends that the City Council approve and authorize the City Manager to execute three amendments to extend the public-private partnership agreements between the City of Palo Alto and TheatreWorks, Palo Alto Players, and West Bay Opera for cooperative use of the Lucie Stern Community Theatre for an additional year (July 1, 2022 – June 30, 2023).

### **Background**

The Lucie Stern Community Theatre is used by three local companies: TheatreWorks, Palo Alto Players, and West Bay Opera, collectively producing approximately 15 productions each year. These partnerships provide the companies with an artistic home, an essential component of their ongoing existence, offering stability through the up and downs of the economy during times when cutbacks in government, foundation and corporate funding for the arts are the national norm. In return, the companies collectively provide culturally enriching theatrical experiences for more than 45,000 audience members annually.

*TheatreWorks* was founded by San Francisco Bay Area native Robert Kelley in 1970 as a theatre arts workshop for teenage and college students. Chartered by the City to produce work that would reflect the concerns of the community during an unsettled period in American life, the company produced thirteen wholly original works for the stage in its first three years. When the Mountain View Center for the Performing Arts opened in 1991, the company began producing five main stage productions there each season, along with three productions each season at the Lucie Stern Theatre.

*Palo Alto Players* became the Peninsula's first theatre company in 1931 when a group of 100 residents gathered together to create a theatre dedicated to the Palo Alto community. Initially, productions were held at a makeshift performance space in the Palo Alto Community House adjacent to the train station (now MacArthur Park Restaurant). Soon after, Lucie Stern invited

the Players to be the resident theatre company at the Community Theatre. In 1974, the Palo Alto Players dissolved their ties with the Parks and Recreation Department, becoming an independent company. Since that time, the City of Palo Alto has continued to support the Palo Alto Players with performance, rehearsal and shop space.

*West Bay Opera* was founded by Henry Holt in 1955. Originally called the Little Opera Guild, the company began presenting fully staged operatic performances. Under the leadership of Mr. Holt, who was succeeded by his wife, Maria Holt, and then by the present director, José Luis Moscovich, West Bay Opera has grown steadily.

### **Discussion**

Theatre Works, Palo Alto Players and West Bay Opera's usage of the Lucie Stern Community Theatre are covered by public-private partnership agreements, which have been in place for decades.

Given the long history of these partnerships and the cultural benefits of providing the Palo Alto community with a diverse range of artistic events, staff recommends that the City Council approve a one-year extension of the existing public-private partnership, with additional measures in place to ensure public safety at live events.

The existing agreement names TheatreWorks Silicon Valley, Palo Alto Players, and West Bay Opera as Resident Theatre Companies of the Community Theatre, allowing them use of the Lucie Stern Community Theatre auditorium and ancillary spaces, including rehearsal hall, costume shop, scene shop and dressing rooms, for a term of three years (FY2018 – FY2021) ([Staff Report #9684](#)). Council approved an amendment to extend the agreement for one additional Fiscal Year, through FY2022 on June 14, 2021. ([Staff Report #12257](#)).

The Resident Theatre Companies do not pay rent for use of the Community Theatre. Pre-pandemic revenue from use of the theatre by the three Resident Theatre Companies, derived from a \$2.00 fee (in lieu of rent) for each ticket sold, plus, as of FY2020, a "Stern Theatre Improvement Fee" of \$2.00 for each ticket sold, averaged \$58,000 per year over a 5-year period. The Stern Theatre Improvement fee is collected to offset the costs of building maintenance, enhancements, improvements, repairs and new equipment and furnishings for the theatre facility. Live theater performances were not allowed or were limited in audience size during most of the pandemic and as a result, the lack of ticket sales resulted in a loss of revenue to the City from these fees.

This amendment extends the existing agreement for one additional fiscal year, through FY2023. It also clarifies the terms in Section 24 of Article A of the agreement ("Responsibilities of the Contractor") related to the Resident Theatre Companies use of space at the Lucie Stern Community Center free of charge for up to ten (10) hours per year. The current requirement provided a range of three (3) to ten (10) free hours depending on the room size while this amendment provides a maximum of ten (10) hours regardless of room size. This amendment

also clarifies that the Theatre Companies may have to pay for a City facility attendant during regularly unstaffed hours. The clarification in this amendment will help reduce any confusion regarding the Theatre Companies use of Lucie Stern Community Center.

### **Stakeholder Engagement**

These agreements have been coordinated with all contracting parties including the amended clarifying language on specific terms of use.

### **Resource Impact**

No additional City resources are required to enact the recommendations in this report, and it is anticipated that this partnership will lead to enhanced programs over the life of the agreement.

### **Policy Implications**

This partnership would be categorized as a public/private partnership under the City's Public-Private Partnership Policy (Policy 1-25: Public/Private Partnerships). Staff notes that the City Auditor is currently finalizing an audit of the City's nonprofit partnership agreements. The recommendations of that audit may lead to policy changes that could be reflected in future partnership agreements.

These partnerships are also consistent with the City's Comprehensive Plan Policy C-1.5, which states, "Work with Stanford University and other educational institutions, private, nonprofit, faith-based, public community service organizations and neighborhood associations, with the goal of enhancing the quality of life for Palo Alto's student and residential communities. Increase opportunities for shared use among groups in the community at different times through public private partnerships and by developing programs, facilities and community services that ensure safe, non-discriminatory access to community services. "

### **Environmental Review**

Approval of the amendments attached is not a Project within the meaning of the California Environmental Quality Act.

#### **Attachments:**

- **Attachment8.a:** Attachment A: TheaterWorks Silicon Valley - Theater Amendment 2
- **Attachment8.b:** Attachment B: West Bay Opera - Theater Amendment 2
- **Attachment8.c:** Attachment C: Palo Alto Players - Theater Amendment 2

**AMENDMENT NO. 2 TO CONTRACT  
BETWEEN THE CITY OF PALO ALTO AND  
THEATREWORKS SILICON VALLEY**

This Amendment No. 2 (this “Amendment”) to the Agreement For Performing Arts Services Between the City of Palo Alto and TheatreWorks Silicon Valley (the “Contract” as defined below) is entered into as of June 7, 2022 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and TheatreWorks Silicon Valley, a California nonprofit public benefit corporation, located at 350 Twin Dolphin Drive, Suite 127, Redwood City, CA 94065 (“CONTRACTOR”). CITY and CONTRACTOR are referred to collectively as the “Parties” in this Amendment.

**RECITALS**

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of theatrical productions and use of City facilities, as detailed therein.

B. The Parties now wish to amend the Contract to extend the term of contract by twelve months, from the original end date of June 30, 2021 through June 30, 2023, for the continued provision of services described in the Contract.

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 the Contract titled “Agreement for Performing Arts Services Between the City of Palo Alto and TheatreWorks Silicon Valley,” between CONSULTANT and CITY, dated November 10, 2018, as amended by:
  - i. Amendment No. 1, dated June 8, 2021.
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 10 of the Contract is hereby amended to read as below. Subsections 10a. through 10d. shall remain as written in the Contract.

10. **Term, Termination & Breach.** This Agreement shall commence as of November 10, 2018 and shall terminate on June 30, 2023 (the “Term”). The Term of this Agreement may

be amended by mutual written agreement of the Parties to this Agreement pursuant to Section 16 (“Amendment”).

**SECTION 3.** Section 24 of Exhibit A (“Responsibilities of the Contractor”) is hereby amended to read as below:

24. Contractor may be entitled, based on availability and at the discretion of the City, to a maximum of 10 hours of single room usage at the Lucie Stern Community Center to use each fiscal year on a gratis basis. Single room usage that takes place outside of Lucie Stern Community Center hours of operation may be subject to charges associated with a facilities attendant. The 10 hours will not be applicable to Saturday afternoon/evening venue usage, exclusive usage bookings, and is not permissible to use at any rental sites other than the Lucie Stern Community Center. Contractor may schedule no more than 12 calendar months in advance. Contractor may rent spaces at the non-profit rates per the Municipal Fee Schedule if their request does not fall within the 10 hour parameters.

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

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

*(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)*

**SIGNATURES OF THE PARTIES**

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

**CITY OF PALO ALTO**

**THEATREWORKS SILICON VALLEY**

City Manager

**Officer 1**

APPROVED AS TO FORM:

DocuSigned by:  
By: *Phil Santora*  
Name: Phil Santora  
Title: Executive Director

City Attorney or designee

**Officer 2**

DocuSigned by:  
By: *Holly Ward*  
Name: Holly Ward  
Title: Board Chair



**AMENDMENT NO. 2 TO CONTRACT  
BETWEEN THE CITY OF PALO ALTO AND  
WEST BAY OPERA**

This Amendment No. 2 (this "Amendment") to the Agreement For Performing Arts Services Between the City of Palo Alto and West Bay Opera (the "Contract" as defined below) is entered into as of June 7, 2022 by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and WEST BAY OPERA, a California nonprofit public benefit corporation, located at 221 Lambert Ave, Palo Alto, CA 94306 ("CONTRACTOR"). CITY and CONTRACTOR are referred to collectively as the "Parties" in this Amendment.

**RECITALS**

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of theatrical productions and use of City facilities, as detailed therein.

B. The Parties now wish to amend the Contract to extend the term of contract by twelve months, from the original end date of June 30, 2022 through June 30, 2023, for the continued provision of services described in the Contract.

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 the Contract titled "Agreement for Performing Arts Services Between the City of Palo Alto and West Bay Opera," between CONSULTANT and CITY, dated November 10, 2018, as amended by:
  - i. Amendment No. 1, dated June 8, 2021.
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 10 of the Contract is hereby amended to read as below. Subsections 10a. through 10d. shall remain as written in the Contract.

10. **Term, Termination & Breach.** This Agreement shall commence as of November 10, 2018 and shall terminate on June 30, 2023 (the "Term"). The Term of this Agreement may be amended by mutual written agreement of the Parties to this Agreement pursuant to Section 16 ("Amendment").

**SECTION 3.** Section 24 of Exhibit A (“Responsibilities of the Contractor”) is hereby amended to read as below:

24. Contractor may be entitled, based on availability and at the discretion of the City, to a maximum of 10 hours of single room usage at the Lucie Stern Community Center to use each fiscal year on a gratis basis. Single room usage that takes place outside of Lucie Stern Community Center hours of operation may be subject to charges associated with a facilities attendant. The 10 hours will not be applicable to Saturday afternoon/evening venue usage, exclusive usage bookings, and is not permissible to use at any rental sites other than the Lucie Stern Community Center. Contractor may schedule no more than 12 calendar months in advance. Contractor may rent spaces at the non-profit rates per the Municipal Fee Schedule if their request does not fall within the 10 hour parameters.

**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.

**SIGNATURES OF THE PARTIES**

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

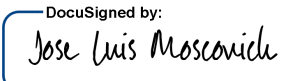
**CITY OF PALO ALTO**

**WEST BAY OPERA**

City Manager


**Officer 1**

APPROVED AS TO FORM:

DocuSigned by:  
*Jose Luis Moscovich*  
By:   
Name: Jose Luis Moscovich  
Title: General Director

City Attorney or designee

**Officer 2**

DocuSigned by:  
*Robert Schwartz*  
By:   
Name: Robert Schwartz  
Title: Dr.

**AMENDMENT NO. 2 TO CONTRACT  
BETWEEN THE CITY OF PALO ALTO AND  
PALO ALTO PLAYERS**

This Amendment No. 2 (this “Amendment”) to the Agreement For Performing Arts Services Between the City of Palo Alto and Palo Alto Players (the “Contract” as defined below) is entered into as of June 7, 2022 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and Palo Alto Players, a California nonprofit public benefit corporation, located at 1305 Middlefield Road #1, Palo Alto, CA 94301 (“CONTRACTOR”). CITY and CONTRACTOR are referred to collectively as the “Parties” in this Amendment.

**RECITALS**

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of theatrical productions and use of City facilities, as detailed therein.

B. The Parties now wish to amend the Contract to extend the term of contract by twelve months, from the current end date of June 30, 2022 through June 30, 2023, for the continued provision of services described in the Contract.

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 the Contract titled “Agreement for Performing Arts Services Between the City of Palo Alto and Palo Alto Players,” between CONSULTANT and CITY, dated November 10, 2018, as amended by:
  - i. Amendment No. 1, dated June 8, 2021.
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 10 of the Contract is hereby amended to read as below. Subsections 10a. through 10d. shall remain as written in the Contract.

10. **Term, Termination & Breach.** This Agreement shall commence as of November 10, 2018 and shall terminate on June 30, 2023 (the “Term”). The Term of this Agreement may be amended by mutual written agreement of the Parties to this Agreement pursuant to Section 16 (“Amendment”).

SECTION 3. Section 24 of Exhibit A (“Responsibilities of the Contractor”) is hereby amended to read as below:

24. Contractor may be entitled, based on availability and at the discretion of the City, to a maximum of 10 hours of single room usage at the Lucie Stern Community Center to use each fiscal year on a gratis basis. Single room usage that takes place outside of Lucie Stern Community Center hours of operation may be subject to charges associated with a facilities attendant. The 10 hours will not be applicable to Saturday afternoon/evening venue usage, exclusive usage bookings, and is not permissible to use at any rental sites other than the Lucie Stern Community Center. Contractor may schedule no more than 12 calendar months in advance. Contractor may rent spaces at the non-profit rates per the Municipal Fee Schedule if their request does not fall within the 10 hour parameters.

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

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

*(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)*

**SIGNATURES OF THE PARTIES**

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

**CITY OF PALO ALTO**

**PALO ALTO PLAYERS**

City Manager

**Officer 1**

APPROVED AS TO FORM:

By:  
Name:  
Title:

City Attorney or designee

**Officer 2**

By:  
Name:  
Title:



## City of Palo Alto City Council Staff Report

(ID # 13661)

Meeting Date: 6/13/2022

Report Type: Action Items

**Title: Finance Committee Recommends Adoption of six Resolutions: 1) Approving the Fiscal Year 2023 Wastewater Collection Utility Financial Plan, Including Proposed Transfer, and Adopting a Wastewater Collection Utility Rate Increase by Amending Wastewater Collection Rate Schedules S-1, S-2, S-6 and S-7; 2) Approving the FY 2023 Water Utility Financial Plan, Including Proposed Transfer, and Adopting a Water Utility Rate Increase by Amending Water Rate Schedules W-1, W-2, W-3, W-4, and W-7; 3) Approving FY 2023 Gas Utility Financial Plan, Including Proposed Transfers, and Adopting a Gas Utility Rate Increase by Amending Gas Rate Schedules G-1, G-2, G-3 and G-10; 4) Approving the FY 2023 Electric Utility Financial Plan, Including Proposed Transfers and Amendments to the Electric Utility Reserve Management Practices, Amending Utility Rate Schedules E-EEC-1, E-NSE-1, E-2-G, E-4-G and E-7-G, and Adopting an Electric Utility Rate Increase by Amending Utility Rate Schedules E-1, E-2, E-4, E-4 TOU, E-7, E-7 TOU and E-14; 5) Amending Utility Rate Schedules EDF-1 and EDF-2 to Increase Dark Fiber Rates 4.2 Percent; and 6) Amending Utility Rate Schedule D-1 Increasing the Storm Water Management Fee by 4.20 Percent per Month per Equivalent Residential Unit for FY 2023**

**From: City Manager**

**Lead Department: Utilities**

### Recommendation

Staff and the Finance Committee recommend that the City Council adopt the following:

1. For the Wastewater Collection Utility, a Resolution ([Attachment A](#)):
  - a. Approving the Fiscal Year 2023 Wastewater Collection Financial Plan ([Linked Document](#)); and
  - b. Approving a transfer of up to \$5.33 million from the Capital Improvement Projects Reserve to the Operations Reserve in FY 2022; and
  - c. Increasing the Wastewater Collection Utility Rates via the Amendment of Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial

Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger) ([Attachment A2](#));

2. For the Water Utility, a Resolution ([Attachment B](#)):
  - a. Approving the FY 2023 Water Utility Financial Plan ([Linked Document](#)); and
  - b. Approving a transfer of up to \$13.964 million from the Capital Improvement Program (CIP) Reserve to the Operations Reserve in FY 2022; and
  - c. Increasing Water Utility Rates via the Amendment of Rate Schedules W-1 (General Residential Water service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) ([Attachment B2](#));
3. For the Gas Utility, a Resolution ([Attachment C](#)):
  - a. Approving the FY 2023 Gas Utility Financial Plan ([Linked Document](#)); and
  - b. Approving a transfer of up to \$3 million from the Operations Reserve to the CIP Reserve in FY 2022; and
  - c. Approving a transfer of up to \$2.766 million from the Rate Stabilization Reserve to the Operations Reserve in FY 2022; and
  - d. Increasing gas rates by amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service) ([Attachment C2](#));
4. For the Electric Utility, a Resolution ([Attachment D](#)):
  - a. Approving the FY 2023 Electric Financial Plan ([Linked Document](#)); and
  - b. Amending the Electric Fund Reserve Management Practices ([Appendix B of the FY 2023 Electric Financial Plan](#)), specifically amending Section 6: Electric Special Projects Reserve, as follows:
    - i. Amend part e) setting the goal to commit ESP funds by the end of FY 2025; and
    - ii. Amend part f) setting the date to revert uncommitted funds to the Electric Supply Operations Reserve to five years after the commitment date (FY 2030)
  - c. Approving the following transfers at the end of FY 2022:
    - i. Up to \$15 million from the Hydro Stabilization Reserve to the Supply Operations Reserve; and
    - ii. Up to \$5 million from the Electric Special Projects (ESP) reserve to the Supply Operations Reserve; and
    - iii. As discussed in Staff Report #11556, approve an allocation of Cap and Trade funds up to 1/3 of REC revenue to the Cap and Trade Program Reserve to be spent on local decarbonization programs;

- d. Approving the following rate actions for FY 2023, effective July 1, 2022 ([Attachment D2](#)):
- i. Increasing retail electric rates E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-4 (Medium Non-Residential Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service) and E-14 (Street Lights) of 5%; and
  - ii. Updating to the Export Electricity Compensation (E-EEC-1) rate to reflect current projections of avoided cost, effective July 1, 2022; c. An update to the Net Surplus Electricity Compensation (E-NSE-1) rate to reflect current projections of avoided cost; and
  - iii. Updating the Palo Alto Green program pass-through premium charge on the Residential Master-Metered and Small Non-Residential Green Power Electric Service (E-2-G), the Medium Non-Residential Green Power Electric Service (E-4- G), and the Large Non-Residential Green Power Electric Service (E-7-G) rate schedules to reflect current costs;
5. A Resolution ([Attachment E](#)) Amending Utility Rate Schedules EDF-1 and EDF-2 ([Attachment E1](#)) to increase Dark Fiber Rates 4.2 percent;
  6. A Resolution ([Attachment F](#)) Amending Utility Rate Schedule D-1 increasing the Storm Water Management Fee by 4.2 percent consistent with the applicable Consumer Price Index.

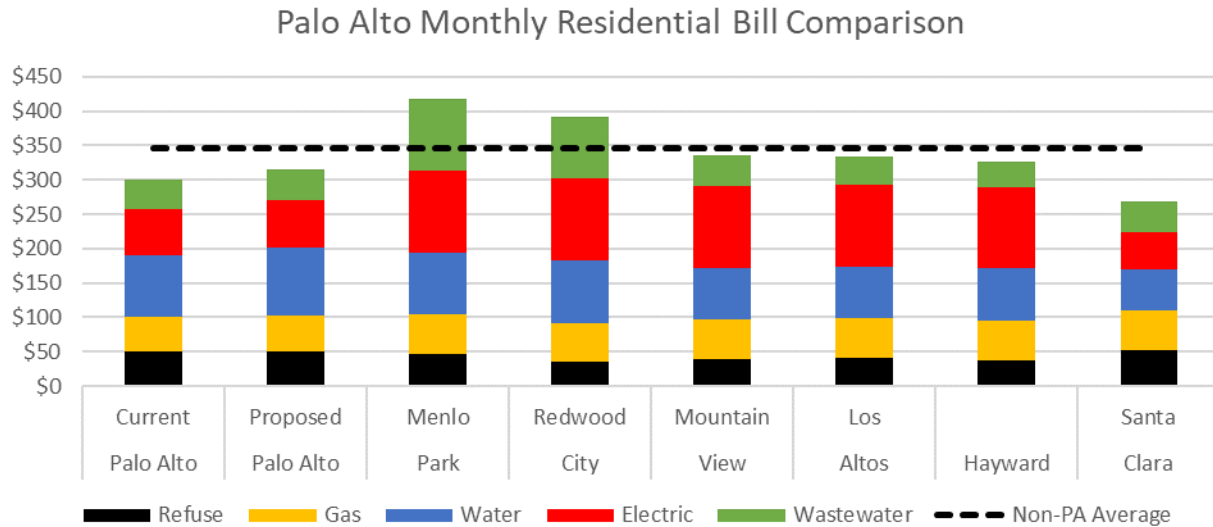
## Executive Summary

From December 2021 through April 2022, the Utilities Advisory Commission (UAC) and Finance Committee have reviewed preliminary and proposed rate changes recommended by staff for Fiscal Year 2023. This report summarizes the meetings that occurred, including all staff recommendations. This comprehensive utility rates report includes separate sections for each of the Utilities: wastewater collection, water, gas, electric, dark fiber, and storm drainage and surface water. Estimates for retail revenue impacts are included in the FY 2023 budget assumptions. This report outlines the actions requested, transmits the resolutions from these reviews, and requests City Council approval and adoption. Approval of this item would result in implementation of the finalized rates for FY 2023, beginning July 1, 2022.

Overall the proposed rate increases summarized in the chart below show that the City remains about 9% below the overall average bill of neighboring comparable cities, ensuring a high level of service to the community at an economical cost. The five-year financial forecasts do model a demonstration of increased investment in various utilities including significant investment at the Wastewater Treatment Facility as well as some placeholder assumptions for expected investment in sustainability and climate action plan initiatives. Specifically, while specific grid-modernization and electrification projects have not been included in the five-year capital plan,



staff has included an assumption that Council-approved upgrades will start around FY 2024 or 2025 and require bond funding to complete. Staff will have better information for next year’s Electric Financial Plan (FY 2024) once progress has been made on the grid modernization study.



**Background**

Wastewater Collection

Utilities staff presented to the UAC on March 2, 2022 and the Finance Committee on April 19, 2022 a recommendation that Council approve the FY 2023 Wastewater Collection Financial Plan, including a proposed transfer of up to \$5.33 million from the Capital Improvement Projects Reserve to the Operations Reserve in FY 2022. In addition, staff recommended increasing wastewater collection rates 3% by amending rate schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger). See [Staff Report #13971](#)<sup>1</sup> for more information.

The Finance Committee unanimously recommended approval of this proposal.

Water

Utilities staff presented to the UAC on March 2, 2022 and the Finance Committee on April 19, 2022 a recommendation that Council approve the FY 2023 Water Utility Financial Plan, including a proposed transfer of up to \$13.964 million from the Capital Improvement Program (CIP) Reserve to the Operations Reserve in FY 2022. Staff also recommended increasing water distribution rates 4% by amending rate schedules W-1 (General Residential Water service), W-2

<sup>1</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=4>

(Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service). The SFPUC is increasing its wholesale water rates by 15.9% due to the drought and related water-purchase cutbacks, resulting in an overall water rate increase for City customers of about 8.9%. The water commodity rate increase will be passed through to customers starting August 1, 2022. See [Staff Report #13969](#)<sup>2</sup> for more information.

The Finance Committee unanimously recommended approval of this proposal.

### Gas

Utilities staff presented to the UAC on March 2, 2022 and the Finance Committee on April 19, 2022 a recommendation that Council approve the FY 2023 Gas Utility Financial Plan, including proposed transfers of:

- a) up to \$3 million from the Operations Reserve to the CIP Reserve in FY 2022, and
- b) up to \$2.766 million from the Rate Stabilization Reserve to the Operations Reserve in FY 2022.

In addition, staff recommended increasing gas rates overall by 4% (a 6% distribution rate increase) by amending rate schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service). See [Staff Report #13840](#)<sup>3</sup> for more information.

The Finance Committee unanimously recommended approval of this proposal.

### Electric

Utilities staff presented to the UAC on March 2, 2022 and the Finance Committee on April 19, 2022 a recommendation that Council approve the FY 2023 Electric Utility Financial Plan, including amending the Electric Fund Reserve Management Practices, section 6: Electric Special Projects Reserve, as follows:

1. Amend part e) setting the goal to commit ESP funds by the end of FY 2025; and
2. Amend part f) setting the date to revert uncommitted funds to the Electric Supply Operations Reserve to five years after the commitment date (FY 2030).

In addition, staff recommended the following transfers in FY 2022:

1. Up to \$15 million from the Hydro Stabilization Reserve to the Supply Operations Reserve;
2. Up to \$5 million from the Electric Special Projects (ESP) reserve to the Supply Operations Reserve; and

<sup>2</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=24>

<sup>3</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=61>

3. As discussed in [Staff Report #11556](#)<sup>4</sup>, approve an allocation of Cap and Trade funds up to 1/3 of REC revenue to the Cap and Trade Program Reserve to be spent on local decarbonization programs.

Staff also recommended the following rate actions:

1. An increase to retail electric rates E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-4 (Medium Non-Residential Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service) and E-14 (Street Lights) of 5% effective July 1, 2022;
2. An update to the Export Electricity Compensation (E-EEC-1) rate to reflect current projections of avoided cost, effective July 1, 2022;
3. An update to the Net Surplus Electricity Compensation (E-NSE-1) rate to reflect current projections of avoided cost, effective July 1, 2022; and
4. An update to the Palo Alto Green program pass-through premium charge on the Residential Master-Metered and Small Non-Residential Green Power Electric Service (E-2-G), the Medium Non-Residential Green Power Electric Service (E-4- G), and the Large Non-Residential Green Power Electric Service (E-7-G) rate schedules (Linked Document) to reflect current costs, effective July 1, 2022.

See [Staff Report #13970](#)<sup>5</sup> for more information.

The Finance Committee unanimously recommended approval of this proposal.

#### Storm Drain

On May 3, 2022, Public Works staff presented the Finance Committee with a recommendation that the City Council adopt a resolution amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to implement a 4.2 percent rate increase consistent with the applicable Consumer Price Index, increasing the monthly charge per Equivalent Residential Unit by \$0.64, from \$15.34 to \$15.98 for Fiscal Year 2023. See [Staff Report #14107](#)<sup>6</sup> for more information.

The Finance Committee unanimously recommended approval of this proposal.

#### **Discussion**

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<sup>4</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020-2/id-11566.pdf>

<sup>5</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=87>

<sup>6</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220503/20220503pfcslinked.pdf#page=3>

From December 2021 through February 2022, the UAC and Finance Committee received preliminary projections of rate increase needs for FY 2023. Based on their feedback and updated financial information, staff brought to the UAC on March 2, 2022 and the Finance Committee on April 19, 2022, various utility financial plans, transfer requests, and rate changes recommended by staff. This report outlines the actions requested, transmits the resolutions from these reviews, and requests City Council approval and adoption.

Attached to this report are several documents, referenced throughout the recommendation language and the report. In addition, this report also includes links to the City's website for all the staff reports presented throughout the review process to the UAC, Finance Committee, and City Council.

Staff and the Finance Committee recommend that the City Council approve the Utility financial, proposed plans, proposed transfers and rate changes listed below.

## **Proposed Rate Changes and Financial Plans**

### Wastewater Collection Proposal

The FY 2023 Wastewater Collection Utility Financial Plan ([Linked Document](#)) includes projections of the utility's costs and revenues through FY 2027. The Financial Plan projects costs to rise over the forecast horizon due primarily to increasing treatment costs related to capital improvements and increasing operational costs at the Regional Water Quality Control Plant (RWQCP), as well as increasing collection system and Capital Improvement Program (CIP) costs. A 3% overall revenue increase is needed in FY 2023, and staff projects overall revenue increases of approximately 5% will be required annually through FY 2027 to cover current and projected costs.

One of the main drivers for the increase in the Wastewater Collection Utility's costs (and therefore rates) over the next several years is the cost for wastewater treatment, which is projected to increase by about 7.7% per year from FY 2021 to FY 2027 as the City makes several upgrades to the RWQCP. Future projects include secondary treatment upgrades as well as replacement of the headworks facility. Beyond FY 2027 some of the upward pressure on treatment costs is expected to be relieved, as the projected growth in treatment costs decreases to approximately 2.3% on average annually between FY 2027 and FY 2032. Wastewater Collection operations and CIP costs (excluding costs associated with treatment) are projected to increase by approximately 4.2% annually from FY 2021 to FY 2027. This Financial Plan also projects revenue reductions due to COVID-19 primarily from the Restaurant and Commercial customer classes, with annual revenue reductions to be highest during FY 2022 at approximately \$1 million and recovering slowly through FY 2025. The total revenue reduction included in the estimate for the Wastewater Collection utility is \$2.4 million from FY 2022 through FY 2025.

The proposed FY 2023 Wastewater Collection Utility Financial Plan includes an increase in rates of 3% for rate schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger) ([Attachment A2](#)). The Plan also includes a proposed transfer of up to \$5.33 million from the CIP Reserve to the Operations Reserve in FY 2022. The CIP Reserve aims to stabilize uneven annual funding associated with ongoing CIP projects that are scheduled to occur every other year, such as main replacement projects, and is a source for one-time or immediately needed projects. Withdrawals from the CIP Reserve for use on capital projects require Council action. See [Staff Report #13971](#) for more information.

The Finance Committee members had questions about how transfers between reserves worked, as well as how Palo Alto compared to other agencies and why some were much higher and others lower. Staff responded that it was mainly due to how much their relative treatment plants had been upgraded. After deliberating the proposal, the three members of the Finance Committee voted unanimously in favor of the 3% rate increase proposal put forth by staff.

#### Water Proposal

The FY 2023 Water Utility Financial Plan ([Linked Document](#)) includes projections of the utility's costs and revenues through FY 2027. Overall costs, including water purchases, operating and capital costs are projected to rise by about 4% per year over the next several years from FY 2022 to FY 2027. Some capital projects were deferred in FY 2017 through FY 2021 leading to lower capital costs than budgeted. Many of these deferred capital projects are anticipated to be completed in FY 2022 and FY 2023, and a combination of funds from the Operations, CIP, CIP Reappropriations and Commitments reserve balances are available to provide funding. The robustness of these reserve levels has allowed the Water Utility to hold rates flat for two years (FY 2021 and FY 2022), and will now be used to mitigate distribution rate increases (rates that cover the cost to deliver water within the City) to under 5% annually from FY 2023 through FY 2027. This is possible despite the ongoing drought conditions and the expected impact to water sales and revenue while still funding essential capital investments.

On November 23, 2021, the San Francisco Public Utilities Commission (SFPUC) declared a local water shortage emergency by [Resolution No. 21-0177](#)<sup>7</sup> calling for voluntary system-wide 10% water use reductions. SFPUC serves retail customers in San Francisco as well as Palo Alto and 25 other Wholesale Customers in the Bay Area. Wholesale Customers' collective voluntary water purchase cutback level is 13.7% from FY 2020 levels while Palo Alto's voluntary water purchase cutback level is 8% from FY 2020 levels. Because of these expected drought-related water purchase cutbacks as well as increasing debt service for major capital projects on the Hetch Hetchy Regional Water System, SFPUC approved a [wholesale rate increase of 15.9%](#)<sup>8</sup>, on May 10, 2022. This SFPUC commodity rate increase in addition to the City's 4% distribution rate

<sup>7</sup> <https://sfpuc.sharefile.com/share/view/se538152342864c05bba400824a295984>

<sup>8</sup> <https://sfpuc.sharefile.com/share/view/s6fc1dddfd2454f60af70efaa8bc5712f>

increase is estimated to result in an 8.9% systemwide average total increase for the City's water rates in FY 2023.

The proposed FY 2023 Water Utility Financial Plan includes an increase in distribution rates of 4% for rate W-1 (General Residential Water service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) ([Attachment B2](#)). In addition, the Plan includes a proposed transfer of up to \$13.964 million from the CIP Reserve to the Operations Reserve in FY 2022. The CIP Reserve aims to stabilize uneven annual funding associated with ongoing CIP projects that are scheduled to occur every other year, such as main replacement projects, and is a source for one-time or immediately needed projects. Withdrawals from the CIP Reserve for use on capital projects require Council action. See [Staff Report #13969](#) for more information.

Staff informed the Finance committee that Palo Alto received the April rate notice of SFPUC's 15.9% increase, which translated to an estimated overall rate increase of approximately 8.9% when combined together with the proposed 4% distribution rate increase. Finance committee members discussed possible impacts of future drought conditions coinciding with higher CIP costs, both at the SFPUC as well as Palo Alto's distribution system, to future rate projections. They also inquired as to whether treating wastewater to potable levels could be paid for with water reserves, and staff stated they could look into that possibility. After deliberating the proposal, the three members of the Finance Committee voted unanimously in favor of the 4% distribution rate increase proposal put forth by staff.

In addition to the rate changes described above, staff also added language to the City's W-1, W-2, W-4 and W-7 rate schedules to align the City's notification process about SFPUC's commodity rate changes with the requirements in Gov. Code Sec. 53756. While the Code permits the City's 30 day notification of wholesale rate adjustments to be sent via the City's regular billing statement or by any other mailing to customers, the City's water rate schedules currently only offer the billing statement option. Section D of the attached W-1, W-2, W-4 and W-7 rate schedules now includes language permitting the option to send a separate mailing, such as a letter or postcard, to notify customers of the change, in addition to billing statement notice. This change will apply to notice about wholesale rate increases that may occur after July 1, 2023.

#### Gas Proposal

The FY 2023 Gas Utility Financial Plan ([Linked Document](#)) includes projections of the utility's costs and revenues for FY 2023 through FY 2027. Gas utility costs are made up of supply-related costs (30 percent of costs in FY 2021), which are collected through a supply rate that varies monthly, and distribution-related costs (70 percent of costs in FY 2021), which are collected through a distribution rate that is typically adjusted not more than one time per year. Distribution rates were last increased on July 1, 2021, which resulted in a roughly 3 percent increase in the total system average gas rate (supply plus the distribution rates).

The City's natural gas rates are based on the 2019 Natural Gas Cost of Service and Rates Study, updated with current and proposed operating costs. Commodity prices have increased markedly in the last few months and are projected to increase by about 3% per year going forward, although weather and/or economic forces can shift this course rapidly. Capital Improvement Project (CIP) expenditures for the last several years were lower than normal while the City was completing the Upgrade Downtown project, but the next phase of the Gas Main Replacement (GMR) program will be the replacement of all Polyvinyl Chloride (PVC) mains with Polyethylene (PE) mains. Costs are anticipated to increase due to the Gas Utility resuming ongoing main replacement projects and the cross-bore safety verification program.

With the onset of the COVID-19 pandemic, usage amongst businesses dropped to reflect people working and staying at home rather than going to the workplace, as well as restrictions to business operations. Businesses have been operating at minimum staffing conditions or fully remote during the pandemic. City of Palo Alto staff have endeavored to reduce cost increases, and some capital project work has been moved out or restructured to keep costs from rising too much during this time. In order to move towards full cost recovery while minimizing rate impacts in light of pandemic-related economic challenges, staff recommends a distribution rate increase to all customer classes of 6%, which staff estimates will result in a 4% system average rate increase, if supply rates remain unchanged. If, after the pandemic, usage and/or spending looks to be moving in a different direction, staff will suggest a re-balancing of rates.

The proposed FY 2023 Gas Utility Financial Plan includes an increase in distribution rates effective July 1, 2022 and will result in a 4 percent increase to the total system average gas rate if supply rates remain unchanged. This will be done by amending rate schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service) ([Attachment C2](#)). Additional 4 percent increases to the total system average gas rate are projected over the next three years. See [Staff Report #13840](#) for more information.

Committee members had questions about how future climate goals and gas usage reductions could impact future cost, and staff stated that they were attempting to model that in future Sustainability and Climate Action Plan (S/CAP) work. After deliberating the proposal, the three members of the Finance Committee voted unanimously in favor of the 4% rate increase proposal put forth by staff.

#### Electric Proposal

The FY 2023 Electric Utility Financial Plan ([Linked Document](#)) includes projections of the utility's costs and revenues through FY 2027. Staff projects costs for the Electric Utility to increase steadily through the forecast period. Revenue increases of 5% to 6% over the forecast horizon, along with a significant use of Hydro Stabilization and Electric Special Project Reserves in the short term, are projected to be necessary to keep operating reserves within guideline levels.

The rate increases are related to several factors: low hydro supply, increasing FY 2022 and FY 2023 purchase costs, increasing transmission costs over the longer term, the need for substantial additional capital investment in the electric distribution system, and increasing operations costs due to larger contracting needs to complete electric distribution system maintenance and capital improvement work. Operations costs are expected to increase by about 2% to 3% per year through the forecast period, and projected capital expenses are higher due to the rebuilding of existing underground districts, substation upgrades, the Foothills rebuild, and utility pole replacements and line voltage upgrades.

While specific grid-modernization and electrification projects have not been included in the five-year capital plan, staff has included an assumption that Council-approved upgrades will start around FY 2024 or 2025 and require bond funding to complete. Staff has assumed around \$150 million in projects to be done over the course of 10 years, starting in 2025. Assuming bonds will be utilized to fund these, staff has estimated annual payments of \$3.2 million starting in 2025, rising to \$9.6 million in 2031 once multiple issuances have been completed. This is a simplified set of assumptions intended as a placeholder, and actual costs are likely to vary. Staff will have better information for next year's Electric Financial Plan (FY 2024) once progress has been made on the grid modernization study. The City is also evaluating the cost and scope of other system resiliency projects which may increase costs and rates in the future.

As projected in the FY 2021 Financial Plan, the lack of precipitation and resulting poor reservoir levels have increased purchase costs and necessitate the utilization of funds from the Hydroelectric Rate Stabilization Reserve. An additional loan may be required from the Electric Special Projects reserve to help keep the Operations Reserve above minimum guideline levels. In addition, electric loads have been gradually decreasing and are expected to continue to decrease in the long-term, mainly due to declining consumption in the commercial sector, putting gradual upward pressure on rates, but also due to continuing efficiency measures. Electrification will likely reverse some of this trend, although the pace of that impact is uncertain at this time. Consumption is currently around 10% below long-term consumption trends, and current models suggest that pandemic economic recovery will take place through 2022 and 2023, with electric consumption stabilizing on the long run by 2025.

Based on these projections, staff is recommending a 5% rate increase for FY 2023, effective July 1, 2022, as well as amendments to the City's Net Energy Metering (NEM) and PaloAltoGreen (PAG) schedules to reflect current costs ([Attachment D2](#)), as follows:

1. Retail electric rates E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-4 (Medium Non-Residential Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service) and E-14 (Street Lights) to be increased by 5%;
2. An update to Net Metering Net Surplus Electricity Compensation (E-NSE-1) rate reflecting current projections of the City's avoided costs. Customers on the City of Palo Alto's (CPAU) original NEM program, also called NEM 1, who have chosen to have the



value of any annual net generation they produced over the past 12 months credited back to their account do so under the Net Metering Net Surplus Electricity Compensation (E-NSE-1) rate, which is calculated using the utility's avoided costs from the prior year. The compensation rate paid to these customers is increasing slightly based on updated cost calculations for 2021.

3. An update to the Export Electricity Compensation (E-EEC-1) rate to reflect current projections of avoided cost. Solar customers served by the NEM successor program, or NEM 2 (effective after the City reached its NEM 1 cap at the end of 2017), are compensated at the Export Electricity Compensation (E-EEC-1) rate for exported electricity. This buyback rate also reflects the avoided cost or value of customer-generated electricity in Palo Alto, calculated on a forward-looking basis for the upcoming fiscal year. The compensation rate paid to these customers is decreasing slightly, driven by a small decrease in the value of the Renewable Energy Credits (RECs) generated by these solar systems.
4. An update to the Palo Alto Green program pass-through premium charge on the Residential Master-Metered and Small Non-Residential Green Power Electric Service (E-2-G), the Medium Non-Residential Green Power Electric Service (E-4-G), and the Large Non-Residential Green Power Electric Service (E-7-G) rate schedules (Linked Document) to reflect current costs. The revenue collected through the PAG rate premium is set to fully recover the costs of administering the program. This charge is increasing, reflecting an increase in the wholesale cost of Green-e certified RECs in the Western US market.

Staff is also engaging the services of consultants to review and revise the Electric Utility's Cost of Service study and rates. This study will examine how costs are allocated among the residential and commercial classes and realign them if needed, and will develop cost-based rates for several emerging groups, such as: all-electric customers, DC-fast charging facilities, and micro-grid customers. When staff brought the COSA guidelines to the UAC, Finance and Council, there was a directive for staff to propose residential rates to support electrification, prior to a COSA. Staff's response to that request is provided as [Attachment D3](#).

More information on the electric rate proposal can be found in [Staff Report #13970](#).

Finance Committee members had several questions regarding how the drought will affect long term power purchases and strategies, and staff will be addressing these issues in upcoming Integrated Resource Plan (IRP) work. After deliberating the proposal, the three members of the Finance Committee voted unanimously in favor of the recommendations put forth by staff.

#### Electric – Hydroelectric Rate Adjuster information

To manage the financial impacts of the annual variability in production of the City's hydroelectric resources, and to allow for the City to maintain a lower target level for its Hydroelectric Stabilization Reserve (HSR), the City adopted a Hydroelectric Rate Adjuster (HRA)

mechanism effective July 1, 2018 ([Staff Report #8962](#)<sup>9</sup>).

After a promising start, it's now clear that the 2021-2022 water year will be the third straight very dry year for California. As of April 26<sup>th</sup>, precipitation totals in Northern and Central California are almost 20-30% below average for this time of year (after being above average through January). Reservoir levels remain very low too – across Northern and Central California, most reservoirs are about 30-50% below their average levels for this point in time. As a result, Palo Alto's hydroelectric projections for FY 2022 and FY 2023 are now very low—they are projected to produce around 245 GWh this fiscal year, which is about 52% of the long-term average level of hydro output, and 285 GWh in FY 2023, which is 60% of the long-term average level

This lost output – the direct result of several dry years depleting reservoirs and drying up groundwater supplies – will result in a supply cost impact of \$8-\$10 million for the City in FY 2022 and continued higher costs going into FY 2023. In addition, staff is still anticipating utilizing most of the available HSR Reserve (Currently \$15.4 million) to help offset these continuing higher costs. As such, Staff recommends the continued use of the HRA at the \$0.013/kwh level for FY 2023. Because this rate was activated April 1, 2022 ([Staff Report #13905](#)<sup>10</sup>), no further action is needed until the rate is either changed or de-activated by later Council action.

#### Dark Fiber

Since 2007, the EDF-1 and EDF-2 rates for Dark Fiber ([Attachment E1](#)) customers have increased annually by the annual December change in the Consumer Price Index for All Urban Consumers (CPI-U) in the San Francisco area, as stated in their dark fiber license agreements. Based on prior Utilities Advisory Committee and City Council direction, these rate changes are routinely included as part of the Budget adoption process rather than in a separate staff report. This year's change in CPI-U was 4.2 percent, as reported by the Bureau of Labor Statistics. The City has five customers remaining on the EDF-1 rate schedule. All other dark fiber customers are on the EDF-3 rate schedule, which has not been modified since its inception on September 18, 2006.

#### Storm Water and Surface Water Drainage

On April 11, 2017, a majority of Palo Alto property owners approved a ballot measure approving a monthly Storm Water Management Fee. This fee funds thirteen storm drainage capital improvement projects listed in the ballot measure, enhanced maintenance of the storm drainage system, and a variety of stormwater quality protection programs. The approved ballot measure allows for an annual adjustment based on the Consumer Price Index (CPI) or six percent, whichever is less. The Storm Water and Surface Drainage Rate will increase 4.2

<sup>9</sup> [https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/final-staff-report-id-8962\\_hydroelectric-rate-adjustment-mechanism-adoption.pdf](https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/final-staff-report-id-8962_hydroelectric-rate-adjustment-mechanism-adoption.pdf)

<sup>10</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220314/20220314pccsm-amended-final-revised-ppt.pdf#page=98>

percent, increasing the monthly charge per Equivalent Residential Unit by \$0.64, from \$15.34 to \$15.98 for Fiscal Year 2023 effective July 1, 2022, to reflect the annual CPI change. See [Staff Report #14107](#) for more information.

## Timeline

### Water and Wastewater Collection Rates

After the June 13th Public Hearing is opened and testimony from members of the public accepted, City Council may choose to:

1. Close the hearing and take action; or
2. Close the hearing and defer action until the close of the Budget Adoption Hearing on June 13th; or
3. Continue the hearing until the end of the Budget Adoption Hearing (should the Budget Adoption Hearing be continued to another Council meeting), and then reconvene the hearing, take any additional water and wastewater collection rate testimony, close the hearing, and take action.

The latter option has been used in prior years when the Budget Adoption process has spanned multiple City Council meetings. It is customary in such circumstances to continue to accept written protests up until the hearing is closed. Unless written protests are filed by a majority of affected water and wastewater customers, Council may vote on the proposed rate actions. If approved, the water and wastewater rates will become effective July 1, 2022.

### Electric, Gas, Dark Fiber and Storm Water rates, as well as Utility Financial Plans

The electric, gas, dark fiber and storm drainage rates will be considered at the June 13, 2022 public hearing. Should the City Council take action to approve any or all of these rates, they will become effective July 1, 2022. The City Council will also consider changes to Financial Plans and/or Reserve Management Policies for the wastewater collection, water, electric and gas utilities, and should they take action to approve any or all of these Plans and/or Policies, they will also become effective July 1, 2022.

## Resource Impact

The resource impact of the recommendations summarized in this report is the continued financial solvency of the various Utilities and, as the City is a ratepayer, an increase to General Fund expenses of \$332,000. The estimated FY 2023 revenue impact of the recommendations in this report would be an increase of \$7.9 million in the Electric Fund. Normal year sales revenues for the Gas Utility are projected to increase by roughly 4 percent or \$1.5 million as a result of the proposed rate increases, not including fluctuations in commodity revenue/cost. Staff projects estimated revenue for the Water Utility in FY 2023 to increase by 8.9% overall (\$3.9 million), based on the SFPUC wholesale rate increase of 15.9% (approved at the SFPUC Commission meeting of May 10, 2022). For wastewater collection, staff projects normal year revenues to increase by approximately 3% or \$600,000 annually beginning in FY 2023 as a result

of the proposed rate changes. The 4.2 percent increase in Stormwater rates is expected to increase annual revenue to the Stormwater Management Fund by approximately \$312,000. In addition, the 4.2 percent increase in EDF-1 fiber rate is expected to increase annual revenue by approximately \$23,000. The recommendations summarized in this report are reflected in the FY 2023 Proposed Operating Budget with the exception of the Water Utility, which will require revenue and expense adjustments to align with the final SFPUC wholesale rate increase, as that information was not available at the time the budget was produced. These adjustments will be brought forward for Council consideration through the annual budget process.

Utility	Systemwide Average Rate Increase	FY 2023 Estimated Revenue Impact
Electric	5.0%	\$7.9 million
Gas	4.0%	\$1.5 million
Water	8.9%	\$3.9 million
Wastewater Collection	3.0%	\$0.6 million
Stormwater Management	4.2%	\$0.3 million
Fiber	4.2%	\$0.02 million

### Policy Implications

Policy Implications related to the proposed wastewater collection, water, gas, electric and storm water management fee rate actions are detailed fully in the linked Finance Committee reports.

There are no policy changes contained in the adoption of the proposed new Dark Fiber rates.

### Stakeholder Engagement

The UAC reviewed preliminary financial forecasts for the Electric, Gas, Water and Wastewater Collection utilities at its December 1, 2021 meeting ([Staff Report #13659](#)<sup>11</sup>), and the Finance Committee reviewed the preliminary forecasts at its February 1, 2022 meeting ([Staff Report #13839](#)<sup>12</sup>).

The UAC reviewed staff's final recommendations for the following utilities at its March 2, 2022 meeting:

<sup>11</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2021/12-01-2021-regular/id-13659.pdf>

<sup>12</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220201/20220201pfcsm-final-linked.pdf#page=3>

- a. Wastewater Collection ([Staff Report #13962](#)<sup>13</sup>)
- b. Water ([Staff Report #13660](#)<sup>14</sup>)
- c. Gas ([Staff Report #13960](#)<sup>15</sup>)
- d. Electric ([Staff Report #13961](#)<sup>16</sup>)

The UAC voted to approve staff's proposals, each passing 4-0, with Commissioners Bowie, Scharff and Smith absent.

The Finance Committee reviewed staff's proposals for the following utilities at its April 19, 2022 meeting, which were all passed unanimously (3-0):

- a. Wastewater Collection ([Staff Report #13971](#)<sup>17</sup>)
- b. Water ([Staff Report #13969](#)<sup>18</sup>)
- c. Gas ([Staff Report #13840](#)<sup>19</sup>)
- d. Electric ([Staff Report #13970](#)<sup>20</sup>)

The Finance Committee reviewed staff's proposals for the Stormwater Management rate ([Staff Report #14107](#)<sup>21</sup>) at its May 3, 2022 meeting, which was passed unanimously (3-0).

## Environmental Review

Adoption of the attached Financial Plans and budgeted transfers does not meet the California Environmental Quality Act's definition of a project, pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(4) and (5), because it is a governmental fiscal and administrative activity which will not cause a direct or indirect physical change in the

<sup>13</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/03-02-2022/03-02-2022-packet.pdf#page=127>

<sup>14</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/03-02-2022/03-02-2022-packet.pdf#page=75>

<sup>15</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/03-02-2022/03-02-2022-packet.pdf#page=161>

<sup>16</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/03-02-2022/03-02-2022-packet.pdf#page=201>

<sup>17</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=4>

<sup>18</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=24>

<sup>19</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=61>

<sup>20</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220419/20220419pfcs.pdf#page=87>

<sup>21</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220503/20220503pfcslinked.pdf#page=3>

environment. Adoption of the proposed wastewater collection, water, gas, electric, storm water management fee, and dark fiber rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

**Attachments:**

- **Attachment9.a:** Attachment A: Resolution for the Wastewater Collection Utility
- Attachment9.b: Attachment A2: Proposed FY 2023 Wastewater Rates
- Attachment9.c: Attachment B: Resolution for the Water Utility
- Attachment9.d: Attachment B2: Proposed FY 2023 Water Rate Schedules
- Attachment9.e: Attachment C: Resolution for the Gas Utility
- Attachment9.f: Attachment C2: Proposed FY 2023 Gas Rates
- Attachment9.g: Attachment D: Resolution for the Electric Utility
- Attachment9.h: Attachment D2: Proposed FY 2023 Electric Rates
- Attachment9.i: Attachment D3: Early Electric Rate Change Memo
- Attachment9.j: Attachment E: Resolution for the Fiber Optic Utility
- Attachment9.k: Attachment E1: Proposed Fiber Rates
- Attachment9.l: Attachment F: Resolution and Rate Schedule for the StormWater Utility

\* NOT YET APPROVED \*

Resolution No. \_\_\_\_

Resolution of the Council of the City of Palo Alto Approving the FY 2023 Wastewater Collection Utility Financial Plan, Including Reserve Transfers, and Adjusting Wastewater Rates by Amending Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger)

#### R E C I T A L S

A. Each year the City of Palo Alto (“City”) assesses the financial position of its utilities with the goal of ensuring adequate revenue to fund operations. This includes making long-term projections of market conditions, the physical condition of the system, and other factors that could affect utility costs, and setting rates adequate to recover these costs. It does this with the goal of providing safe, reliable, and sustainable utility services at competitive rates. The City adopts Financial Plans to summarize these projections.

B. The City uses reserves to protect against contingencies and to manage other aspects of its operations, and regularly assesses the adequacy of these reserves and the management practices governing their operation. The status of utility reserves and their management practices are included in Reserves Management Practices attached to and made a part of the Financial Plans.

C. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

D. On \_\_\_\_, 2022, the City Council held a full and fair public hearing regarding the proposed rate increase and considered all protests against the proposals.

E. As required by Article XIII D, Section 6 of the California Constitution and applicable law, notice of the \_\_\_\_\_ 2022 public hearing was mailed to all City of Palo Alto Utilities wastewater customers by \_\_\_\_\_, 2022.

F. The City Clerk has tabulated the total number of written protests presented by the close of the public hearing, and determined that it was less than fifty percent (50%) of the total number of customers and property owners subject to the proposed wastewater rate amendments, therefore a majority protest does not exist against the proposal.

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

SECTION 1. The Council hereby adopts the FY 2023 Wastewater Collection Utility Financial Plan.

\* NOT YET APPROVED \*

SECTION 2. The Council hereby approves the following transfer as described in the FY 2023 Wastewater Collection Utility Financial Plan:

- a. Up to \$5,330,000 in FY 2022 from the Capital Improvement Projects Reserve to the Operations Reserve.

SECTION 3. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule S-1 (Residential Wastewater Collection and Disposal) is hereby amended to read as attached and incorporated. Utility Rate Schedule S-1, as amended, shall become effective July 1, 2022.

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule S-2 (Commercial Wastewater Collection and Disposal) is hereby amended to read as attached and incorporated. Utility Rate Schedule S-2, as amended, shall become effective July 1, 2022.

SECTION 5. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule S-6 (Restaurant Wastewater Collection and Disposal) is hereby amended to read as attached and incorporated. Utility Rate Schedule S-6, as amended, shall become effective July 1, 2022.

SECTION 6. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger) is hereby amended to read as attached and incorporated. Utility Rate Schedule S-7, as amended, shall become effective July 1, 2022.

SECTION 7. The Council finds that the revenue derived from the wastewater rates approved by this resolution do not exceed the funds required to provide wastewater service, and the revenue derived from the adoption of this resolution shall be used only for the purposes set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

SECTION 8. The Council finds that the fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

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\* NOT YET APPROVED \*

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SECTION 9. The Council finds that the adoption of this resolution approving the FY 2023 Wastewater Financial Plan and Reserve transfers does not meet the California Environmental Quality Act’s definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental review is required. The Council finds that the adoption of this resolution changing Wastewater collection rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

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

**RESIDENTIAL WASTEWATER COLLECTION AND DISPOSAL**

UTILITY RATE SCHEDULE S-1

**A. APPLICABILITY:**

This schedule applies to each Occupied Domestic Dwelling unit.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Wastewater Service.

**C. RATES:**

Per Month

Each Occupied Domestic Dwelling unit.....  
\$~~44.62~~~~43.32~~

**D. SPECIAL NOTES:**

1. Any dwelling unit being individually served by a Water, Gas, or Electric Meter will be considered continuously occupied.
2. For two or more Occupied Domestic Dwelling units served by one Water Meter, the monthly Wastewater charge will be calculated by multiplying the current Wastewater rate by the number of dwelling units.
3. Each developed separate lot shall have a separate service lateral to a sanitary main or manhole.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No S-1-1  
dated ~~9-7-1-2021~~~~4-9~~



Effective ~~7-9-1-2022~~~~1~~  
Sheet No ~~S-1-1~~

COMMERCIAL WASTEWATER COLLECTION AND DISPOSAL

UTILITY RATE SCHEDULE S-2

A. APPLICABILITY:

This schedule applies to all commercial establishments other than those served under Utility Rate Schedule S-1 (Residential Wastewater Collection and Disposal), Rate Schedule S-6 (Restaurant Wastewater Collection and Disposal) or Rate Schedule S-7 (Commercial Establishments Wastewater Disposal – Industrial Discharger).

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides Wastewater Services.

C. RATES:

Quantity Rate, per 100 cubic feet (See Section D.1) ..... \$8.3309

D. SPECIAL NOTES:

1. The monthly charge for the quantity rate set forth in Section C of this rate schedule will be based upon the average Water usage for the months of January, February and March, and applied in the following July. If a Water Meter is identified as exclusively serving irrigation landscaping, such Meter will be exempted from Wastewater charge calculations. Customers without an applicable usage history will be rebuttably presumed to have usage of 4.8 ccf per month until such time as such usage may reasonably be established by the City of Palo Alto Utilities Department.
2. The City of Palo Alto Utilities Department may require Wastewater Metering facilities, in which case Service will be governed by terms of a special agreement between the City and the Customer.

{End}

CITY OF PALO ALTO UTILITIES  
Issued by the City Council

Supersedes Sheet No S-2-1  
dated 97-1-202149



Effective 79-1-20224  
Sheet No S-2-1

**RESTAURANT WASTEWATER COLLECTION AND DISPOSAL**

UTILITY RATE SCHEDULE S-6

**A. APPLICABILITY:**

This schedule applies to all restaurants.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Wastewater Services.

**C. RATES:**

Quantity Rates, per 100 cubic feet of monthly metered Water usage .....\$12,~~436~~<sup>7</sup>

**D. SPECIAL NOTES:**

1. The City of Palo Alto Utilities Department may require Wastewater Metering facilities, in which case Service will be governed by terms of a special agreement between the City and the Customer.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No S-6-1  
dated ~~9-7-1-2021~~<sup>19</sup>



Effective ~~7-9-1-2022~~<sup>1</sup>  
Sheet No ~~S-6-1~~

**COMMERCIAL WASTEWATER COLLECTION AND DISPOSAL  
– INDUSTRIAL DISCHARGER**

UTILITY RATE SCHEDULE S-7

**A. APPLICABILITY:**

This schedule applies to any establishment requiring sampling of industrial discharges in excess of 25,000 gallons per day, or special discharge monitoring, as defined in Rule 23, Section C.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Wastewater Services.

**C. RATES:**

1. Collection System Operation, Maintenance, and Infiltration Inflow:  
\$~~4.1402~~ per 100 cubic feet of metered water use.
2. Advanced Waste Treatment Operations and Maintenance Charge:  
\$~~1.650~~ per 100 cubic feet of metered water use
3. \$~~202.23196.34~~ per 1000 pounds (lbs) of COD (Chemical Oxygen Demand)
4. \$~~487.58473.38~~ per 1000 lbs of SS (Suspended Solids)
5. \$~~3,369.05270.92~~ per 1000 lbs of NH<sub>3</sub> (Ammonia)
6. \$ 14,781.25 per 1000 lbs of toxics (chromium, copper, cyanide, lead, nickel, silver, and zinc)

**D. SPECIAL NOTES:**

1. Water usage will be determined as defined in Rule 23, Section C. If a Water Meter is identified as exclusively serving irrigation landscaping, such Meter will be exempted from Wastewater charge calculations.
2. The City of Palo Alto Utilities Department may require Wastewater Metering facilities, in which case Service will be governed by terms of a special agreement between the City of Palo Alto and the Customer.
3. Charges for large discharges will be determined on the basis of sampling as outlined in Utilities Rule 23, Section C. However, for purposes of arriving at an accurate flow estimate, discharge Meters, if installed, can be utilized to measure outflow for billing purposes. Annual charges will be determined and allocated monthly for billing purposes.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No S-7-1  
dated ~~9-7-1-2021~~<sup>149</sup>



Effective ~~7-9-1-2022~~<sup>1</sup>  
Sheet No ~~S-7-1~~

\* NOT YET APPROVED \*

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Approving the  
FY 2023 Water Utility Financial Plan and Reserve Transfer, and  
Increasing Water Rates by Amending Rate Schedules W-1  
(General Residential Water Service), W-2 (Water Service from  
Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential  
Master-Metered and General Non- Residential Water Service),  
and W-7 (Non-Residential Irrigation Water Service)

#### RECITALS

- A. Each year the City of Palo Alto (“City”) regularly assesses the financial position of its utilities with the goal of ensuring adequate revenue to fund operations. This includes making long-term projections of market conditions, the physical condition of the system, and other factors that could affect utility costs, and setting rates adequate to recover these costs. The City does this with the goal of providing safe, reliable, and sustainable utility services at competitive rates. The City adopts Financial Plans to summarize these projections.
- B. The City uses reserves to protect against contingencies and to manage other aspects of its operations, and regularly assesses the adequacy of these reserves and the management practices governing their operation. The status of utility reserves and their management practices are included in Reserves Management Practices attached to and made part of the Financial Plans.
- C. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.
- D. On \_\_\_\_\_, 2022, the City Council held a full and fair public hearing regarding the proposed rate increase and considered all protests against the proposals.
- E. As required by Article XIII D, Section 6 of the California Constitution and applicable law, notice of the \_\_\_\_\_ 2022 public hearing was mailed to all City of Palo Alto Utilities water customers by \_\_\_\_\_, 2022.
- F. The City Clerk has tabulated the total number of written protests presented by the close of the public hearing, and determined that it was less than fifty percent (50%) of the total number of customers and property owners subject to the proposed water rate amendments, therefore a majority protest does not exist against the proposal.

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

SECTION 1. The Council hereby adopts the FY 2023 Water Utility Financial Plan.

SECTION 2. The Council hereby approves a transfer from the Capital Improvement Program Reserve to the Operations Reserve of up to \$13,964,000 in FY 2022 as described in the FY 2023 Water Utility Financial Plan.

SECTION 3. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-1 (General Residential Water Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-1, as amended, shall become effective July 1, 2022.

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-2 (Water Service from Fire Hydrants) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-2, as amended, shall become effective July 1, 2022.

SECTION 5. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-3 (Fire Service Connections) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-3, as amended, shall become effective July 1, 2022.

SECTION 6. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-4 (Residential Master-Metered and General Non-Residential Water Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-4, as amended, shall become effective July 1, 2022.

SECTION 7. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-7 (Non-Residential Irrigation Water Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-7, as amended, shall become effective July 1, 2022.

SECTION 8. The City Council finds as follows:

- a. Revenues derived from the water rates approved by this resolution do not exceed the funds required to provide water service.
- b. Revenues derived from the water rates approved by this resolution shall not be used for any purpose other than providing water service, and the purposes set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.
- c. The amount of the water rates imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the water service attributable to the parcel.

SECTION 9. The Council finds that the fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

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SECTION 10. The Council finds that the adoption of this resolution approving the Financial Plan and Reserve transfers does not meet the California Environmental Quality Act’s (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental review is required. The Council finds that the adoption of this resolution changing water rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

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

**GENERAL RESIDENTIAL WATER SERVICE**

UTILITY RATE SCHEDULE W-1

**A. APPLICABILITY:**

This schedule applies to separately metered single-family residential dwellings receiving Water Service from the City of Palo Alto Utilities.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Water Services.

**C. RATES:**

<u>Monthly Service Charge:</u>	<u>Per Meter Per Month</u>
For meters 5/8-inch to 1 inch .....	\$ <del>20.25</del> <u>21.06</u>
For 1 1/2 inch meter .....	<del>65.40</del> <u>68.02</u>
For 2-inch meter .....	<del>101.17</del> <u>105.22</u>
For 3-inch meter .....	<del>214.44</del> <u>223.02</u>
For 4-inch meter .....	<del>381.37</del> <u>396.63</u>
For 6-inch meter .....	<del>780.79</del> <u>812.03</u>
For 8-inch meter .....	<del>1,436.57</del> <u>1,494.04</u>
For 10-inch meter .....	<del>2,271.20</del> <u>2,362.05</u>
For 12-inch meter.....	<del>2,986.60</del> <u>3,106.07</u>

<u>Volumetric Rates:</u> (To be added to Service Charge, applicable to all pressure zones.)	<u>Per Hundred Cubic Feet Per Month</u>
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Commodity Rate:	
Water Delivery Charge from SFPUC .....	\$ <del>4.104</del> <u>4.72-5.13</u>

Distribution Rate:	
Tier 1 usage .....	\$ <del>256</del> <u>267</u>
Tier 2 usage (All usage over 100% of Tier 1) .....	<del>597</del> <u>621</u>

**CITY OF PALO ALTO UTILITIES**  
Issued by the City Council

Supersedes Sheet No W-1-1  
dated 7-1-20198



Effective 7-1-20219  
Sheet No W-1-1

GENERAL RESIDENTIAL WATER SERVICE

UTILITY RATE SCHEDULE W-1

Drought Surcharges (deactivated):

A drought surcharge will be added to the Customer’s applicable commodity rate for Tier 1 and Tier 2 Water usage when the City Council has determined that a Water reduction level is in effect for the City as described in Section D.43. The drought surcharges in the table below are measured in dollars per hundred cubic feet (ccf).

Water Usage Reduction level	Level 1 (10/15%)	Level 2 (20%)	Level 3 (25%)
Tier 1	0.20	0.43	0.64
Tier 2	0.58	1.21	1.85

Temporary Service – Developers

Temporary unmetered service to residential subdivision developers, per connection ..... \$6.00

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

**2. Commodity Rate**

The Commodity Charge is based on the water delivery rate per the San Francisco Public Utility Commission (SFPUC) Water Rate Schedule W-25: Wholesale Use with Long-Term Contract. The Commodity Charge will be passed through automatically via periodic rate adjustments to account for increases in wholesale water charges, as well as inflation. The pass-through period will be effective for fiscal years 2020 through 2024, inclusive. Customers will be provided notice of any adjustments via their billing statements or by any other mailing by CPAU to the customer’s regular billing address.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-1-2 dated 7-1-20198



CITY OF PALO ALTO UTILITIES

Effective 7-1-202219  
Sheet No W-1-2

**GENERAL RESIDENTIAL WATER SERVICE****UTILITY RATE SCHEDULE W-1****3. Calculation of Usage Tiers**

Tier 1 Water usage shall be calculated and billed based upon a level of 0.2 ccf per day rounded to the nearest whole ccf, based on Meter reading days of Service. As an example, for a 30-day bill, the Tier 1 level would be 0 through 6 ccf. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

**4. Drought Surcharge**

During period of Water shortage or restrictions on local Water use, the City Council may, by resolution, declare the need for citywide Water conservation at the 10/15%, 20% or 25% level. While such a resolution is in effect, a drought surcharge will apply. The purpose of the drought surcharge is to recover revenues lost as a result of reduced consumption.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-1-3  
dated 7-1-201~~9~~8



CITY OF PALO ALTO  
UTILITIES

Effective 7-1-20~~19~~21  
Sheet No ~~W-1-3~~

**WATER SERVICE FROM FIRE HYDRANTS**

UTILITY RATE SCHEDULE W-2

**A. APPLICABILITY:**

This schedule applies to all Water taken from fire hydrants for construction, maintenance, and other uses in conformance with provisions of a Hydrant Meter Permit.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Water Service.

**C. RATES:**

1. Monthly Service Charge.

METER SIZE

5/8 inch .....	50.00
3 inch .....	125.00

2. Volumetric Rate: (per hundred cubic feet)

Commodity Rate:

Water Delivery Charge from SFPUC ..... ~~\$4.10~~4.72-5.13

Distribution Rate:.....~~\$3.61~~3.76

4. Drought Surcharges (deactivated):

A drought surcharge will be added to the Customer’s applicable Commodity rate when the City Council has determined that a Water reduction level is in effect for the City as described in Section D.~~65~~. The drought surcharges in the table below are measured in dollars per hundred cubic feet (ccf).

Water Usage Reduction level	Level 1 (10/15%)	Level 2 (20%)	Level 3 (25%)
Surcharge	0.26	0.53	0.77

**D. SPECIAL NOTES:**

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-2-1 dated 7-1-201~~98~~



Effective 7-1-202~~19~~24  
Sheet No ~~W-2-1~~

## WATER SERVICE FROM FIRE HYDRANTS

### UTILITY RATE SCHEDULE W-2

1. Monthly charges shall include the applicable monthly Service Charge in addition to usage billed at the commodity rate.
2. The Commodity Charge is based on the water delivery rate per the San Francisco Public Utility Commission (SFPUC) Water Rate Schedule W-25: Wholesale Use with Long-Term Contract. The Commodity Charge will be passed through automatically via periodic rate adjustments to account for increases in wholesale water charges, as well as inflation. The pass-through period will be effective for fiscal years 2020 through 2024, inclusive. Customers will be provided notice of any adjustments via their billing statements or by any other mailing by CPAU to the customer's regular billing address.
3. Any person or company using a hydrant without first obtaining a valid Hydrant Meter Permit shall pay a fee of \$50.00 for each day of such use in addition to all other costs and fees provided in this schedule. A hydrant permit may be denied or revoked for failure to pay such fee.
4. A Meter deposit of \$750.00 may be charged any applicant for a Hydrant Meter Permit as a prerequisite to the issuance of a permit and Meter(s). A charge of \$50.00 per day will be added for delinquent return of hydrant Meters. A fee will be charged for any Meter returned with missing or damaged parts.
5. Any person or company using a fire hydrant improperly or without a permit, or who draws Water from a hydrant without a Meter installed and properly recording usage shall, in addition to all other applicable charges be subject to criminal prosecution pursuant to the Palo Alto Municipal Code.
6. During period of Water shortage or restrictions on local Water use, the City Council may, by resolution, declare the need for citywide Water conservation at the 10/15%, 20% or 25% level. While such a resolution is in effect, a drought surcharge will apply. The purpose of the drought surcharge is to recover revenues lost as a result of reduced consumption.

*{End}*

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No W-2-2  
dated 7-1-2019~~8~~



Effective 7-1-2022~~19~~  
Sheet No. ~~W-2-2~~

**FIRE SERVICE CONNECTIONS**

UTILITY RATE SCHEDULE W-3

**A. APPLICABILITY:**

This schedule applies to all public fire hydrants and private fire Service connections.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Water Service.

**C. RATES:**

1. Monthly Service Charges

Public Fire Hydrant..... \$5.00

Private Fire Service:

2-inch connection.....	<del>\$4.174.34</del>
4-inch connection.....	<del>25.8126.85</del>
6-inch connection.....	<del>74.9677.96</del>
8-inch connection.....	<del>159.74166.13</del>
10-inch connection.....	<del>287.27298.77</del>
12-inch connection.....	<del>464.02482.59</del>

2. Commodity (To be added to Service Charge unless Water is used for fire extinguishing or testing purposes.)

Per Hundred Cubic Feet

All water usage ..... \$10.00

**D. SPECIAL NOTES:**

1. Service under this schedule may be discontinued if Water is used for any purpose other than fire extinguishing or testing and repairing the fire extinguishing facilities. Using hydrants and fire Services for other purposes is illegal and will be subject to the commodity charge as noted above, fines, and criminal prosecution pursuant to the Palo Alto Municipal Code.
2. For a combination Water and fire Service, the Water Service schedule shall apply.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-3-1  
dated 7-1-2019~~8~~



CITY OF PALO ALTO  
**UTILITIES**

Effective 7-1-2022~~19~~  
Sheet No ~~W-3-1~~

**FIRE SERVICE CONNECTIONS****UTILITY RATE SCHEDULE W-3**

3. Utilities Rule and Regulation No. 21 provides additional information on Automatic Fire Services.
4. Repairs and testing of fire extinguishing facilities are not considered unauthorized use of Water if records and documentation are supplied by the Customer.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-3-2  
dated 7-1-201~~9~~8

**CITY OF PALO ALTO  
UTILITIES**

Effective 7-1-20~~21~~22  
Sheet No ~~W-3-2~~



**RESIDENTIAL MASTER-METERED AND  
GENERAL NON-RESIDENTIAL WATER SERVICE**

UTILITY RATE SCHEDULE W-4

**A. APPLICABILITY:**

This schedule applies to Water Services to non-residential buildings, and multi-family residential dwellings served through a Master-Meter.

**B. TERRITORY:**

This schedule applies everywhere the City of Palo Alto provides Water Service.

**C. RATES:**

<u>Monthly Service Charge</u>	<u>Per Meter Per Month</u>
For 5/8-inch meter .....	\$ <del>17.71</del> <u>18.42</u>
For 3/4-inch meter .....	<del>23.67</del> <u>24.62</u>
For 1-inch meter .....	<del>35.59</del> <u>37.02</u>
For 1 1/2-inch meter .....	<del>65.40</del> <u>68.02</u>
For 2-inch meter .....	<del>101.17</del> <u>105.22</u>
For 3-inch meter .....	<del>214.44</del> <u>223.02</u>
For 4-inch meter .....	<del>381.37</del> <u>396.63</u>
For 6-inch meter .....	<del>780.79</del> <u>812.03</u>
For 8-inch meter .....	<del>1,436.57</del> <u>1,494.04</u>
For 10-inch meter .....	<del>2,271.20</del> <u>2,362.05</u>
For 12-inch meter .....	<del>2,986.60</del> <u>3,106.07</u>

<u>Volumetric Rates: (to be added to Service Charge, applicable to all pressure zones)</u>	<u>Per Hundred Cubic Feet Per Month</u>
Commodity Rate:	
Water Delivery Charge from SFPUC .....	\$ <del>4.10</del> <u>4.72-5.13</u>
Distribution Rate: .....	<del>3.61</del> <u>3.76</u>

Drought Surcharges (deactivated):

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-4-1  
dated 7-1-201~~9~~8



CITY OF PALO ALTO  
**UTILITIES**

Effective 7-1-202~~19~~24  
Sheet No ~~W-4-1~~

**RESIDENTIAL MASTER-METERED AND  
GENERAL NON-RESIDENTIAL WATER SERVICE**

UTILITY RATE SCHEDULE W-4

A drought surcharge will be added to the Customer’s applicable commodity rate when the City Council has determined that a Water reduction level is in effect for the City as described in Section D.32. The drought surcharges in the table below are measured in dollars per hundred cubic feet (ccf).

<b>Water Usage Reduction level</b>	<b>Level 1 (10/15%)</b>	<b>Level 2 (20%)</b>	<b>Level 3 (25%)</b>
Surcharge	0.26	0.53	0.77

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

**2. Commodity Rate**

The Commodity Charge is based on the water delivery rate per the San Francisco Public Utility Commission (SFPUC) Water Rate Schedule W-25: Wholesale Use with Long-Term Contract. The Commodity Charge will be passed through automatically via periodic rate adjustments to account for increases in wholesale water charges, as well as inflation. The pass-through period will be effective for fiscal years 2020 through 2024, inclusive. Customers will be provided notice of any adjustments via their billing statements or by any other mailing by CPAU to the customer’s regular billing address.

**3. Drought Surcharge**

During period of Water shortage or restrictions on local Water use, the City Council may, by resolution, declare the need for citywide Water conservation at the 10/15%, 20% or 25% level. While such a resolution is in effect, a drought surcharge will apply. The purpose of the drought surcharge is to recover revenues lost as a result of reduced consumption.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-4-2  
dated 7-1-2019



**CITY OF PALO ALTO  
UTILITIES**

Effective 7-1-2021  
Sheet No W-4-2

NON-RESIDENTIAL IRRIGATION WATER SERVICE

UTILITY RATE SCHEDULE W-7

A. APPLICABILITY:

This schedule applies to non-residential Water Service supplying dedicated irrigation Meters.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides Water Services.

C. RATES:

<u>Monthly Service Charge</u>		<u>Per Meter Per Month</u>
For	5/8-inch meter .....	\$ <del>17.71</del> <u>18.42</u>
For	3/4-inch meter .....	<del>23.67</del> <u>24.62</u>
For	1-inch meter .....	<del>35.59</del> <u>37.02</u>
For	1 1/2 inch meter .....	<del>65.40</del> <u>68.02</u>
For	2-inch meter .....	<del>101.17</del> <u>105.22</u>
For	3-inch meter .....	<del>214.44</del> <u>223.02</u>
For	4-inch meter .....	<del>381.37</del> <u>396.63</u>
For	6-inch meter .....	<del>780.79</del> <u>812.03</u>
For	8-inch meter .....	<del>1,436.57</del> <u>1,494.04</u>
For	10-inch meter .....	<del>2,271.20</del> <u>2,362.05</u>
For	12-inch meter .....	<del>2,986.60</del> <u>3,106.07</u>

Volumetric Rates: (to be added to Service Charge, applicable to all pressure zones) Per Hundred  
Cubic Feet  
Per Month

Commodity Rate:	
Water Delivery Charge from SFPUC.....	\$ <del>4.10</del> <u>4.72-5.13</u>
Distribution Rate:.....	<del>5.50</del> <u>5.72</u>

CITY OF PALO ALTO UTILITIES  
Issued by the City Council

Supersedes Sheet No W-7-1  
dated 7-1-20198



Effective 7-1-20219  
Sheet No W-7-1

**NON-RESIDENTIAL IRRIGATION WATER SERVICE**

UTILITY RATE SCHEDULE W-7

Drought Surcharges (deactivated):

A drought surcharge will be added to the Customer’s applicable commodity rate when the City Council has determined that a Water reduction level is in effect for the City as described in Section D.32. The drought surcharges in the table below are measured in dollars per hundred cubic feet (ccf).

<b>Water Usage Reduction level</b>	<b>Level 1 (10/15%)</b>	<b>Level 2 (20%)</b>	<b>Level 3 (25%)</b>
Surcharge	0.53	1.25	2.02

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

**2. Commodity Rate**

The Commodity Charge is based on the water delivery rate per the San Francisco Public Utility Commission (SFPUC) Water Rate Schedule W-25: Wholesale Use with Long-Term Contract. The Commodity Charge will be passed through automatically via periodic rate adjustments to account for increases in wholesale water charges, as well as inflation. The pass-through period will be effective for fiscal years 2020 through 2024, inclusive. Customers will be provided notice of any adjustments via their billing statements or by any other mailing by CPAU to the customer’s regular billing address.

**3. Drought Surcharge**

During period of Water shortage or restrictions on local Water use, the City Council may, by resolution, declare the need for citywide Water conservation at the 10/15%, 20% or 25% level. While such a resolution is in effect, a drought surcharge will apply. The purpose of the drought surcharge is to recover revenues lost as a result of reduced consumption.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No W-7-2  
dated 7-1-2019~~8~~



**CITY OF PALO ALTO  
UTILITIES**

Effective 7-1-202~~19~~  
Sheet No ~~W-7-2~~

\* NOT YET APPROVED \*  
Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Approving the Fiscal Year 2023 Gas Utility Financial Plan, Including Proposed Transfers, and Increasing Gas Rates by Amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service)

#### R E C I T A L S

A. Each year the City of Palo Alto (“City”) regularly assesses the financial position of its utilities with the goal of ensuring adequate revenue to fund operations, including reserves. This includes making long-term projections of market conditions, the physical condition of the system, and other factors that could affect utility costs, and setting rates adequate to recover these costs. It does this with the goal of providing safe, reliable, and sustainable utility services at competitive rates. The City adopts Financial Plans to summarize these projections.

B. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

C. On \_\_\_\_, 2022, the City Council heard and approved the proposed rate increase at a noticed public hearing.

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

SECTION 1. The Council hereby adopts the FY 2023 Gas Utility Financial Plan.

SECTION 2. The Council hereby approves the transfer of up to \$2.766 Million from the Rate Stabilization Reserve to the Operations Reserve, and up \$3 Million from the Operations Reserve to the CIP Reserve, as described in the FY 2023 Gas Utility Financial Plan approved via this resolution.

SECTION 3. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-1 (Residential Gas Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-1, as amended, shall become effective July 1, 2022.

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-2 (Residential Master-Metered and Commercial Gas Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-2, as amended, shall become effective July 1, 2022.

\* NOT YET APPROVED \*

SECTION 5. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-3 (Large Commercial Gas Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-3, as amended, shall become effective July 1, 2022.

SECTION 6. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-10 (Compressed Natural Gas Service Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-10, as amended, shall become effective July 1, 2022.

SECTION 7. The City Council finds as follows:

- a. Revenues derived from the gas rates approved by this resolution do not exceed the funds required to provide gas service.
- b. Revenues derived from the gas rates approved by this resolution shall not be used for any purpose other than providing gas service, and the purposes set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

SECTION 8. The Council finds that the fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

SECTION 9. The Council finds that approving the Financial Plan does not meet the California Environmental Quality Act’s (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental assessment is required. The Council finds that changing gas rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

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\* NOT YET APPROVED \*

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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

**RESIDENTIAL GAS SERVICE**

UTILITY RATE SCHEDULE G-1

**A. APPLICABILITY:**

This schedule applies to the following Customers receiving Gas Service from City of Palo Alto Utilities:

1. Separately-metered single-family residential Customers.
2. Separately-metered multi-family residential Customers in multi-family residential facilities.

**B. TERRITORY:**

This schedule applies anywhere the City of Palo Alto provides Gas Service.

**C. UNBUNDLED RATES:**

Per Service

Monthly Service Charge: .....\$~~10.89~~11.54

Tier 1 Rates:

Per Therm

Supply Charges:

- |  |                          |
|--|--------------------------|
| 1. Commodity (Monthly Market Based)..... | \$0.10-\$2.00            |
| 2. Cap and Trade Compliance Charge ..... | \$0.00-\$0.25            |
| 3. Transportation Charge .....           | \$0.00-\$0.              |
| <del>4. Carbon Offset Charge .....</del> | <del>\$0.00-\$0.10</del> |
| <u>4. Carbon Offset Charge .....</u>     | <u>\$0.00-\$0.10</u>     |

Distribution Charge:..... \$0.~~529~~5607

Tier 2 Rates: (All usage over 100% of Tier 1)

Supply Charges:

- |  |                             |
|--|-----------------------------|
| 1. Commodity (Monthly Market Based)..... | \$0.10-2.00                 |
| 2. Cap and Trade Compliance Charge ..... | \$0.00-\$0.25               |
| 3. Transportation Charge .....           | \$0.00-\$0. <del>4525</del> |
| 4. Carbon Offset Charge .....            | \$0.00-\$0.10               |

Distribution Charge:.....  
 .....\$~~1.352~~61.4

338

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No G-1-1  
 dated 7-1-20201



CITY OF  
**PALO ALTO**  
 UTILITIES

Sheet No **G-1-1**  
 Effective 7-1-20212



**RESIDENTIAL GAS SERVICE****UTILITY RATE SCHEDULE G-1****D. SPECIAL NOTES:****1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or Taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, accounting for delivery losses to the Customer's Meter.

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced in the burning of natural gas. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum ranges set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.<sup>1</sup>

**2. Seasonal Rate Changes:**

The Summer period is effective April 1 to October 31 and the Winter period is effective from November 1 to March 31. When the billing period includes use in both the Summer

<sup>1</sup> Monthly gas and commodity and volumetric rates are available here, or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilites/monthly-gas-commodity-rates.pdf>

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No G-1-2  
dated 7-1-2020<sup>1</sup>



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No **G-1-2**  
Effective 7-1-2021<sup>2</sup>

**RESIDENTIAL GAS SERVICE****UTILITY RATE SCHEDULE G-1**

and the Winter periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates for each period. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

**3. Calculation of Usage Tiers**

Tier 1 natural gas usage shall be calculated and billed based upon a level of 0.667 therms per day during the Summer period and 2.0 therms per day during the Winter period, rounded to the nearest whole therm, based on meter reading days of service. As an example, for a 30 day bill, the Tier 1 level would be 20 therms during the Summer period and 60 therms during the Winter period months. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No G-1-3  
dated 7-1-202~~0~~1



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No **G-1-3**  
Effective 7-1-202~~1~~2

**RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE**

UTILITY RATE SCHEDULE G-2

**A. APPLICABILITY:**

This schedule applies to the following Customers receiving Gas Service from the City of Palo Alto Utilities:

- 1. Commercial Customers who use less than 250,000 therms per year at one site.
- 2. Master-metered residential Customers in multi-family residential facilities.

**B. TERRITORY:**

This schedule applies anywhere the City of Palo Alto provides Gas Service.

**C. UNBUNDLED RATES:**

Per Service

Monthly Service Charge: .....\$~~100.85~~106.90

Per Therm

Supply Charges:

- 1. Commodity (Monthly Market Based)..... \$0.10-\$2.00
- 2. Cap and Trade Compliance Charges ..... \$0.00-0.25
- 3. Transportation Charge ..... \$0.00-\$0.~~15~~25
- 4. Carbon Offset Charge ..... \$0.00-\$0.10

Distribution Charge: ..... \$0.~~69~~48  
7365

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or Taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, accounting for delivery losses to the Customer's Meter.

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council



## RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE

### UTILITY RATE SCHEDULE G-2

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced in the burning of natural gas. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum ranges set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.<sup>1</sup>

*{End}*

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<sup>1</sup> Monthly gas and commodity and volumetric rates are available here, or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilites/monthly-gas-commodity-rates.pdf>

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No G-2-2  
dated 7-1-2020<sup>1</sup>



CITY OF  
**PALO ALTO**  
UTILITIES

Effective 7-1-2021<sup>2</sup>  
Sheet No. G-2-2

Packet Pg. 148

**LARGE COMMERCIAL GAS SERVICE**

UTILITY RATE SCHEDULE G-3

**A. APPLICABILITY:**

This schedule applies to the following Customers receiving Gas Service from the City of Palo Alto Utilities:

- 1. Commercial Customers who use at least 250,000 therms per year at one site.
- 2. Customers at City-owned generation facilities.

**B. TERRITORY:**

This schedule applies anywhere the City of Palo Alto provides Gas Service.

**C. UNBUNDLED RATES:**

Per Service

Monthly Service Charge: \$~~461.43~~489.12

Per Therm

Supply Charges:

	1. Commodity (Monthly Market Based).....	\$0.10-\$2.00
	2. Cap and Trade Compliance Charges .....	\$0.00-0.25
	3. Transportation Charge .....	\$0.00-
\$0. <del>15</del> <u>25</u>	4. Carbon Offset Charge .....	\$0.00-\$0.10

Distribution Charge: .....\$0.~~6879~~7292

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or Taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, accounting for delivery losses to the Customer's Meter.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No G-3-1  
dated 7-1-2020~~1~~



Effective 7-1-2021~~2~~  
Sheet No. ~~C-3-1~~

## LARGE COMMERCIAL GAS SERVICE

### UTILITY RATE SCHEDULE G-3

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced in the burning of natural gas. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum ranges set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.<sup>1</sup>

#### 2. Request for Service

A qualifying Customer may request service under this schedule for more than one account or meter if the accounts are located on one site. A site consists of one or more contiguous parcels of land with no intervening public right-of- ways (e.g. streets).

#### 3. Changing Rate Schedules

Customers may request a rate schedule change at any time to any applicable City of Palo Alto full-service rate schedule.

*{End}*

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<sup>1</sup> Monthly gas and commodity and volumetric rates are available here, or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilities/monthly-gas-commodity-rates.pdf>

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

**COMPRESSED NATURAL GAS SERVICE**

UTILITY RATE SCHEDULE G-10

**A. APPLICABILITY:**

This schedule applies to the sale of natural gas to the City-owned compressed natural gas (CNG) fueling station at the Municipal Service Center in Palo Alto.

**B. TERRITORY:**

Applies to the City’s CNG fueling station located at the Municipal Service Center in City of Palo Alto.

**C. UNBUNDLED RATES:**

Per Service

Monthly Service Charge: .....\$~~68.21~~72.30

Per Therm

Supply Charges:

Commodity (Monthly Market Based)..... \$0.10-\$2.00

Cap and Trade Compliance Charges..... \$0.00 to \$0.25

Transportation Charge ..... \$0.00-\$0.~~15~~25

Carbon Offset Charge ..... \$0.00-\$0.10

Distribution Charge.....\$0.~~011~~30120

**D. SPECIAL CONDITIONS**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or Taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, accounting for delivery losses to the Customer’s Meter.

The Cap and Trade Compliance Charge reflects the City’s cost of regulatory compliance with the state’s Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City’s Gas Utility’s compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council



## COMPRESSED NATURAL GAS SERVICE

### UTILITY RATE SCHEDULE G-10

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced in the burning of natural gas. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum range set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.<sup>1</sup>

*{End}*

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<sup>1</sup> Monthly gas and commodity and volumetric rates are available here, or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilites/monthly-gas-commodity-rates.pdf>

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No G-10-2  
dated 7-1-2020<sup>1</sup>



CITY OF  
**PALO ALTO**  
UTILITIES

Effective 7-1-2021<sup>2</sup>  
Sheet No. **G-10-2**



\*Yet to be Passed\*  
Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Approving the Fiscal Year 2023 Electric Utility Financial Plan and Reserve Transfers, Amending the Electric Utility Reserves Management Practices and Amending Utility Rate Schedules E-1 (Residential Electric Service), E-2 (Residential Master-Metered and Small Non-Residential Electric Service), E-2-G (Residential Master-Metered and Small Non-Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E 7 (Large Non-Residential Electric Service), E-7-G (Large Non-Residential Green Power Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service), E-14 (Street Lights), E-NSE (Net Surplus Electricity Compensation Rate), and E-EEC (Export Electricity Compensation)

#### RECITALS

A. Each year the City of Palo Alto (“City”) regularly assesses the financial position of its utilities with the goal of ensuring adequate revenue to fund operations. This includes making long-term projections of market conditions, the physical condition of the system, and other factors that could affect utility costs, and setting rates adequate to recover these costs. It does this with the goal of providing safe, reliable, and sustainable utility services at competitive rates. The City adopts Financial Plans to summarize these projections.

B. The City uses reserves to protect against contingencies and to manage other aspects of its operations, and regularly assesses the adequacy of these reserves and the management practices governing their operation. The status of utility reserves and their management practices are included in Reserves Management Practices attached to and made part of the Financial Plans.

C. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

D. On June \_\_, 2022, the City Council heard and approved the proposed rate increase at a noticed public hearing.

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

SECTION 1. The Council hereby approves the FY 2023 Electric Utility Financial Plan.

SECTION 2. The Council hereby approves amendments to Section 6 (Electric Special Projects Reserve) of the Electric Utility Reserves Management Practices to read as attached and incorporated.

SECTION 3. The Council hereby approves the following transfers to be made by the end of FY 2022, as described in the FY 2023 Electric Utility Financial Plan:

- a. Approve a transfer of up to \$15 million from the Hydro Stabilization Reserve to the Supply Operations Reserve;
- b. Approve a transfer of up to \$5 million from the Electric Special Projects (ESP) reserve to the Supply Operations Reserve; and
- c. Approve an allocation of up to \$1 million from the Cap and Trade Program Reserve to be allocated to local decarbonization programs); and

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-1 (Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-1, as amended, shall become effective July 1, 2022.

SECTION 5. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-2 (Residential Master-Metered and Small Non-Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-2, as amended, shall become effective July 1, 2022.

SECTION 6. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-2-G (Residential Master-Metered and Small Non-Residential Green Power Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-2-G, as amended, shall become effective July 1, 2022.

SECTION 7. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-4 (Medium Non-Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-4, as amended, shall become effective July 1, 2022.

SECTION 8. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-4-G (Medium Non-Residential Green Power Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-4-G, as amended, shall become effective July 1, 2022.

SECTION 9. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-4 TOU (Medium Non-Residential Time of Use Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-4 TOU, as amended, shall become effective July 1, 2022.

SECTION 10. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-7 (Large Non-Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-7, as amended, shall become effective July 1, 2022.

SECTION 11. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-7-G (Large Non-Residential Green Power Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-7-G, as amended, shall become effective July 1, 2022.

SECTION 12. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-7 TOU (Large Non-Residential Time of Use Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-7 TOU, as amended, shall become effective July 1, 2022.

SECTION 13. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-14 (Street Lights) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-14, as amended, shall become effective July 1, 2022.

SECTION 14. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-NSE (Net Surplus Electricity Compensation Rate) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-NSE-1, as amended, shall become effective July 1, 2022.

SECTION 15. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-EEC-1 (Export Electricity Compensation) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-EEC-1, as amended, shall become effective July 1, 2022.

SECTION 16. The Council makes the following findings:

- a. The revenue derived from the adoption of this resolution shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.
- b. The fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

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SECTION 17. The Council finds that approving the Financial Plan and Reserve transfers does not meet the California Environmental Quality Act’s (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental assessment is required. The Council finds that changing electric rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

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

**RESIDENTIAL ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-1

**A. APPLICABILITY:**

This Rate Schedule applies to separately metered single-family residential dwellings receiving Electric Service from the City of Palo Alto Utilities.

**B. TERRITORY:**

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

**C. UNBUNDLED RATES:**

<u>Per kilowatt-hour (kWh)</u>	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
Tier 1 usage	\$0. <del>0854708</del> 339	\$0. <del>0542904971</del>	\$0. <del>0046900447</del>	\$0. <del>1444513757</del>
Tier 2 usage Any usage over Tier 1	0. <del>11858115</del> 69	0. <del>0800807351</del>	0. <del>0046900447</del>	0. <del>2033519367</del>
<u>Minimum Bill (\$/day)</u>				0. <del>34473283</del>

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

**2. Calculation of Usage Tiers**

Tier 1 Electricity usage shall be calculated and billed based upon a level of 11 kWh per day, prorated by Meter reading days of Service. As an example, for a 30-day bill, the Tier 1 level would be 330 kWh. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-1-1  
dated 7-1-2019~~98~~



Sheet No E-1-1  
Effective 7-1-~~2019~~2022

**RESIDENTIAL MASTER-METERED AND SMALL NON-RESIDENTIAL ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-2

**A. APPLICABILITY:**

This Rate Schedule applies to the following Customers receiving Electric Service from the City of Palo Alto Utilities:

- 1. Small non-residential Customers receiving Non-Demand Metered Electric Service; and
- 2. Customers with Accounts at Master-Metered multi-family facilities.

**B. TERRITORY:**

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

**C. UNBUNDLED RATES:**

<u>Per kilowatt-hour (kWh)</u>	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
Summer Period	\$0. <del>121511185</del> 5	\$0. <del>0927698551</del>	\$0. <del>0046900447</del>	\$0. <del>2189620853</del>
Winter Period	0. <del>0871508502</del>	0. <del>0617105675</del>	0. <del>0046900447</del>	0. <del>1535514624</del>
<u>Minimum Bill (\$/day)</u>				0. <del>87778359</del>

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

**2. Seasonal Rate Changes**

The Summer Period is effective May 1 to October 31 and the Winter Period is effective from November 1 to April 30. When the billing period includes use in both the Summer and the Winter Periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-2-1  
dated 7-1-20198



Sheet No E-2-1  
Effective 7-1-202219

**RESIDENTIAL MASTER-METERED AND SMALL NON-RESIDENTIAL ELECTRIC  
SERVICE**

UTILITY RATE SCHEDULE E-2

**3. Maximum Demand Meter**

Whenever the monthly use of energy has exceeded 8,000 kWh for three consecutive months, a maximum Demand Meter will be installed as promptly as is practicable and thereafter continued in service until the monthly use of energy has fallen below 6,000 kWh for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The maximum Demand in any month will be the maximum average power in kilowatts taken during any 15-minute interval in the month provided that if the Customer's load is intermittent or subject to fluctuations, the City may use a 5-minute interval. A thermal-type Demand Meter which does not reset after a definite time interval may be used at the City's option.

The billing Demand to be used in computing charges under this schedule will be the actual maximum Demand in kilowatts for the current month. An exception is that the billing Demand for Customers with Thermal Energy Storage (TES) will be based upon the actual maximum Demand of such Customers between the hours of noon and 6 pm on weekdays.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-2-2  
dated 7-1-201~~98~~



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No E-2-2  
Effective 7-1-20~~19~~<sup>22</sup>

**RESIDENTIAL MASTER-METERED AND SMALL NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-2-G

**A. APPLICABILITY:**

This Rate Schedule applies to the following Customers receiving Electric Service from the City of Palo Alto Utilities under the Palo Alto Green Program:

1. Small non-residential Customers receiving Non-Demand Metered Electric Service; and
2. Customers with Accounts at Master-Metered multi-family facilities.

**B. TERRITORY:**

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

**C. UNBUNDLED RATES:**

**1. 100% Renewable Option:**

<u>Per kilowatt-hour (kWh)</u>	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Palo Alto Green Charge</u>	<u>Total</u>
Summer Period	\$0. <del>12151448</del> 55	\$0. <del>09276085</del> 51	\$0. <del>004690</del> 0447	\$0. <del>007500</del> 60	\$0. <del>226462</del> 1453
Winter Period	0. <del>087150850</del> 2	0. <del>061710567</del> 5	0. <del>0046900</del> 447	0. <del>0075006</del> 0	\$0. <del>161051</del> 5224
<u>Minimum Bill (\$/day)</u>					0. <del>87778359</del>

**2. 1000 kWh Block Purchase Option:**

<u>Per kilowatt-hour (kWh)</u>	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
Summer Period	\$0. <del>12151448</del> 55	\$0. <del>09276085</del> 51	\$0. <del>004690</del> 0447	\$0. <del>218962</del> 0853
Winter Period	0. <del>087150850</del> 2	0. <del>061710567</del> 5	0. <del>0046900</del> 447	0. <del>1535514</del> 624
<u>Minimum Bill (\$/day)</u>				0. <del>87778359</del>
Palo Alto Green Charge (per 1000 kWh block)				\$ <del>7.506.00</del>

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-2-G-1  
dated 7-1-2021~~19~~



Sheet No E-2-G-1  
Effective 7-1-2022~~21~~



**RESIDENTIAL MASTER-METERED AND SMALL NON-RESIDENTIAL GREEN POWER  
ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-2-G

**D. SPECIAL NOTES:**

**1. Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

**2. Seasonal Rate Changes**

The Summer Period is effective May 1 to October 31 and the Winter Period is effective from November 1 to April 30. When the billing period includes use in both the Summer and Winter Periods, usage will be prorated based upon the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

**3. Palo Alto Green Program Description and Participation**

Palo Alto Green provides for either the purchase of enough renewable energy credits (RECs) to match 100% of the energy usage at the facility every month, or for the purchase of 1000 kilowatt-hour (kWh) blocks. These REC purchases support the production of renewable energy, increase the financial value of power from renewable sources, and create a transparent and sustainable market that encourages new development of wind and solar power.

Customers choosing to participate shall fill out a Palo Alto Green Power Program application provided by the Customer Service Center. Customers may request at any time, in writing, a change to the number of blocks they wish to purchase under the Palo Alto Green Program.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

*Supersedes Sheet No E-2-G-2  
dated 7-1-2021*



Sheet No **E-2-G-2**  
Effective 7-1-2022

**RESIDENTIAL MASTER-METERED AND SMALL NON-RESIDENTIAL GREEN POWER  
ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-2-G

**4. Maximum Demand Meter**

Whenever the monthly use of energy has exceeded 8,000 kWh for three consecutive months, a maximum Demand Meter will be installed as promptly as is practicable and thereafter continued in service until the monthly use of energy has fallen below 6,000 kWh for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The maximum Demand in any month will be the maximum average power in kilowatts taken during any 15-minute interval in the month, provided that if the Customer-s load is intermittent or subject to fluctuations, the City may use a 5-minute interval. A thermal-type Demand Meter which does not reset after a definite time interval may be used at the City's option.

The billing Demand to be used in computing charges under this schedule will be the actual maximum Demand in kilowatts for the current month. An exception is that the billing Demand for Customers with Thermal Energy Storage (TES) will be based upon the actual maximum Demand of such Customers between the hours of noon and 6 pm on weekdays.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-2-G-3  
dated 7-1-20~~14~~19



Sheet No **E-2-G-3**  
Effective 7-1-20~~21~~22

MEDIUM NON-RESIDENTIAL ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-4

A. APPLICABILITY:

This Rate Schedule applies to Demand metered Secondary Electric Service for Customers with a maximum Demand below 1,000 kilowatts. This Rate Schedule applies to three-phase Electric Service and may include Service to master-metered multi-family facilities or other facilities requiring Demand-metered Service, as determined by the City.

B. TERRITORY:

This rate schedule applies anywhere the City of Palo Alto provides Electric Service.

C. UNBUNDLED RATES:

Rates per kilowatt (kW) and kilowatt-hour (kWh):

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
<u>Summer Period</u>				
Demand Charge (per kW)	\$ <del>4.524.41</del>	\$ <del>25.8424.50</del>		\$ <del>30.3628.91</del>
Energy Charge (per kWh)	0. <del>10960405</del> 36	0. <del>0206101865</del>	0. <del>0046900447</del>	0. <del>1349012848</del>
<u>Winter Period</u>				
Demand Charge (per kW)	\$ <del>2.822.75</del>	\$ <del>17.1046.22</del>		\$ <del>19.9218.97</del>
Energy Charge (per kWh)	0. <del>07913076</del> 34	0. <del>0206101865</del>	0. <del>0046900447</del>	0. <del>1044309946</del>
Minimum Bill (\$/day)				<del>18.137917.2742</del>

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-1 dated 7-1-20198



Sheet No E-4-1 Effective 7-1-202219

**MEDIUM NON-RESIDENTIAL ELECTRIC SERVICE****UTILITY RATE SCHEDULE E-4****2. Seasonal Rate Changes**

The Summer Period is effective May 1 to October 31 and the Winter Period is effective from November 1 to April 30. When the billing period includes use both in the Summer and the Winter Periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

**3. Maximum Demand Meter**

Whenever the monthly use of energy has exceeded 8,000 kWh for three consecutive months, a Maximum Demand Meter will be installed as promptly as is practicable and thereafter continued in Service until the monthly use of energy has fallen below 6,000 kWh for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The Maximum Demand in any month will be the maximum average power in kilowatts taken during any 15-minute interval in the month, provided that if the Customer's load is intermittent or subject to fluctuations, the City may use a 5-minute interval. A thermal-type Demand Meter which does not reset after a definite time interval may be used at the City's option.

The Billing Demand to be used in computing charges under this schedule will be the actual Maximum Demand in kilowatts for the current month. An exception is that the Billing Demand for Customers with Thermal Energy Storage (TES) will be based upon the actual Maximum Demand of such Customers between the hours of noon and 6 pm on weekdays.

**4. Power Factor**

For new or existing Customers whose Demand is expected to exceed or has exceeded 300 kilowatts for three consecutive months, the City has the option of installing applicable Metering to calculate a Power Factor. The City may remove such Metering from the Service of a Customer whose Demand has been below 200 kilowatts for four consecutive months.

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-4-2  
dated 7-1-201~~98~~



Sheet No E-4-2  
Effective 7-1-20~~21~~19

**MEDIUM NON-RESIDENTIAL ELECTRIC SERVICE****UTILITY RATE SCHEDULE E-4**

When such metering is installed, the monthly Electric bill will include a “Power Factor Adjustment”, if applicable. The adjustment will be applied to a Customer’s bill prior to the computation of any primary voltage discount. The Power Factor Adjustment is applied by increasing the total energy and Demand charges for any month by 0.25 percent (0.25%) for each one percent (1%) that the monthly Power Factor of the Customer’s load was less than 95%.

The monthly Power Factor is the average Power Factor based on the ratio of kilowatt hours to kilovolt-ampere hours consumed during the month. Where time-of-day Metering is installed, the monthly Power Factor shall be the Power Factor coincident with the Customer’s Maximum Demand.

**5. Changing Rate Schedules**

Customers may request a rate schedule change at any time to any City of Palo Alto full-service rate schedule as is applicable to their kilowatt-Demand and kilowatt-hour usage profile.

**6. Primary Voltage Discount**

Where delivery is made at the same voltage as that of the line from which the Service is supplied, a discount of 2 1/2 percent for available line voltages above 2 kilovolts will be offered, but the City is not required to supply Service at a particular line voltage where it has, or will install, ample facilities for supplying at another voltage equally or better suited to the Customer’s electrical requirements, as determined in the City’s sole discretion. The City retains the right to change its line voltage at any time after providing reasonable advance notice to any Customer receiving the discount in this section. The Customer then has the option to change his system so as to receive Service at the new line voltage or to accept Service (without voltage discount) through transformers to be supplied by the City subject to a maximum kilovolt-ampere size limitation.

**7. Standby Charge**

- a. Applicability: The standby charge, subject to the exemptions in subsection D(7)(e), applies to Customers that have a non-utility generation source interconnected on the Customer’s side of the City’s revenue meter and that occasionally require backup power from the City due to non-operation of the non-utility generation source.

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-4-3  
dated 7-1-201~~98~~



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No E-4-3  
Effective 7-1-20~~21~~<sup>19</sup>

MEDIUM NON-RESIDENTIAL ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-4

b. Standby Charges:

Standby Charge (per kW of Reserved Capacity)	<u>Commodity</u>	<u>Distribution</u>	<u>Total</u>
Summer Period	\$0.69	\$15.23	\$15.92
Winter Period	\$0.63	\$9.04	\$9.67

c. Meters. A separate Meter is required for each non-utility generation source.

d. Calculation of Maximum Demand Credit.

(1) In the event the Customer’s Maximum Demand (as defined in Section D.3) occurs when one or more of the non-utility generators on the Customer’s side of the City’s revenue meter are not operating, the Maximum Demand will be reduced by the sum of the Maximum Generation of those non-utility generators, but in no event shall the Customer’s Maximum Demand be reduced below zero.

(2) If the non-utility generation source does not operate for an entire billing cycle, the standby charge does not apply and the Customer shall not receive the Maximum Demand credit described in this Section.

e. Exemptions.

(1) The standby charge shall not apply to backup generators designed to operate only in the event of an interruption in utility Service and which are not used to offset Customer electricity purchases.

(2) The standby charge shall not apply if the Customer meets the definition of an “Eligible Customer-generator” as defined in California Public Utilities Code Section 2827(b)(4), as amended.

(3) The applicability of these exemptions shall be determined at the discretion of the Utilities Director.

{End}

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-4 dated 7-1-2019



Sheet No E-4-4 Effective 7-1-2021

**MEDIUM NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-4-G

**A. APPLICABILITY:**

This Rate Schedule applies to Demand metered Secondary Electric Service for Customers with a maximum Demand below 1,000 kilowatts (kW) who receive power under the Palo Alto Green Program. This Rate Schedule applies to three-phase Electric Service and may include Service to Master-metered multi-family facilities or other facilities requiring Demand metered Service, as determined by the City.

**B. TERRITORY:**

The rate schedule applies everywhere the City of Palo Alto provides Electric Service.

**C. UNBUNDLED RATES:**

**1. 100% Renewable Option:**

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Palo Alto Green Charge</u>	<u>Total</u>
<u>Summer Period</u>					
Demand Charge (per kW)	<del>\$4.524.41</del>	<del>\$25.8424.50</del>			<del>\$30.3628.91</del>
Energy Charge (per kWh)	<del>0.1096010536</del>	<del>0.0206101865</del>	<del>0.0046900447</del>	<del>0.00750060</del>	<del>0.1424013448</del>
<u>Winter Period</u>					
Demand Charge (per kW)	<del>\$2.822.75</del>	<del>\$17.1016.22</del>			<del>\$19.9218.97</del>
Energy Charge (per kWh)	<del>0.0791307634</del>	<del>0.0206101865</del>	<del>0.0046900447</del>	<del>0.00750060</del>	<del>0.1119310546</del>
Minimum Bill (\$/day)				<del>18.137917.2742</del>	

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-4-G-1  
dated 7-1-2021~~19~~



Sheet No E-4-G-1  
Effective 7-1-2022~~1~~

MEDIUM NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-4-G

2. 1000 kWh Block Purchase Option:

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
<u>Summer Period</u>				
Demand Charge (per kW)	\$ <del>4.524.41</del>	\$ <del>25.8424.50</del>		\$ <del>30.3628.91</del>
	0. <del>109601053</del>	0. <del>020610186</del>	0. <del>0046900</del>	0. <del>1349012</del>
Energy Charge (per kWh)	<del>6</del>	<del>5</del>	<del>447</del>	<del>848</del>
Palo Alto Green Charge (per 1000 kWh block)				\$ <del>7.506.00</del>
<u>Winter Period</u>				
Demand Charge (per kW)	\$ <del>2.822.75</del>	\$ <del>17.1016.22</del>		\$ <del>19.9218.97</del>
	0. <del>07913076</del>	0. <del>0206101865</del>	0. <del>0046900</del>	0. <del>1044309</del>
Energy Charge (per kWh)	<del>34</del>		<del>447</del>	<del>946</del>
Palo Alto Green Charge (per 1000 kWh block)				\$ <del>7.506.00</del>
Minimum Bill (\$/day)				<del>18.137917.2742</del>

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges, and/or taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

2. Seasonal Rate Changes

The Summer Period is effective May 1 to October 31 and the Winter Period is effective from November 1 to April 30. When the billing period includes use both in the Summer and the Winter Periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

3. Maximum Demand Meter

Whenever the monthly use of energy has exceeded 8,000 kilowatt-hours for three consecutive months, a Maximum Demand Meter will be installed as promptly as is practicable and thereafter continued in Service until the monthly use of energy has dropped below 6,000 kilowatt-hours for twelve consecutive months, whereupon, at the

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Issued by the City Council

Supersedes Sheet No E-4-G-2 dated 7-1-2021~~19~~



CITY OF PALO ALTO UTILITIES

Sheet No E-4-G-2 Effective 7-1-2022~~19~~



## MEDIUM NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE

### UTILITY RATE SCHEDULE E-4-G

option of the City, it may be removed.

The Maximum Demand in any month will be the maximum average power in kilowatts taken during any 15-minute interval in the month, provided that if the Customer's load is intermittent or subject to fluctuations, the City may use a 5-minute interval. A thermal-type Demand Meter, which does not reset after a definite time interval, may be used at the City's option.

The Billing Demand to be used in computing charges under this schedule will be the actual Maximum Demand in kilowatts for the current month. An exception is that the Billing Demand for Customers with Thermal Energy Storage (TES) will be based upon the actual Maximum Demand of such Customers between the hours of noon and 6 PM on weekdays.

#### 4. **Power Factor**

For new or existing Customers whose Demand is expected to exceed or has exceeded 300 kilowatts for three consecutive months, the City has the option of installing applicable Metering to calculate a Power Factor. The City may remove such Metering from the Service of a Customer whose Demand has dropped below 200 kilowatts for four consecutive months.

When such Metering is installed, the monthly Electric bill will include a "Power Factor Adjustment", if applicable. The adjustment will be applied to a Customer's bill prior to the computation of any primary voltage discount. The Power Factor Adjustment is applied by increasing the total energy and Demand charges for any month by 0.25 percent or (1/4) for each one percent (1%) that the monthly Power Factor of the Customer's load was less than 95%.

The monthly Power Factor is the average Power Factor based on the ratio of kilowatt-hours to kilovolt-ampere hours consumed during the month. Where time-of-day Metering is installed, the monthly Power Factor shall be the Power Factor coincident with the Customer's Maximum Demand.

#### 5. **Changing Rate Schedules**

Customers may request a rate schedule change at any time to any applicable full-service rate schedule as is applicable to their kilowatt-Demand and kilowatt-hour usage profile.

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-G-3  
dated 7-1-2021~~19~~



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No E-4-G-3  
Effective 7-1-2022~~19~~

**MEDIUM NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE****UTILITY RATE SCHEDULE E-4-G****6. Palo Alto Green Program Description and Participation**

Palo Alto Green provides for either the purchase of enough renewable energy credits (RECs) to match 100% of the energy usage at the facility every month, or for the purchase of 1000 kilowatt-hour (kWh) blocks. These REC purchases support the production of renewable energy, increase the financial value of power from renewal sources, and creates a transparent and sustainable market that encourages new development of wind and solar.

Customers choosing to participate shall fill out a Palo Alto Green Power Program application provided by the Customer Service Center. Customers may request at any time, in writing, a change to the number of blocks they wish to purchase under the Palo Alto Green Program.

**7. Primary Voltage Discount**

Where delivery is made at the same voltage as that of the line from which the Service is supplied, a discount of 2.5 percent for available line voltages above 2 kilovolts will be offered, but the City is not required to supply Service at a particular line voltage where it has, or will install, ample facilities for supplying at another voltage equally or better suited to the Customer's electrical requirements, as determined in the City's sole discretion. The City retains the right to change its line voltage at any time after providing reasonable advance notice to any Customer receiving the discount in this section. The Customer then has the option to change the system so as to receive Service at the new line voltage or to accept Service (without voltage discount) through transformers to be supplied by the City subject to a maximum kilovolt-ampere size limitation.

**8. Standby Charge**

- a. **Applicability:** The standby charge, subject to the exemptions in subsection D(8)(e), applies to Customers that have a non-utility generation source interconnected on the Customer's side of the City's revenue Meter and that occasionally require backup power from the City due to non-operation of the non-utility generation source.

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-4-G-4  
dated 7-1-2021~~19~~



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**PALO ALTO**  
UTILITIES

Sheet No **E-4-G-4**  
Effective 7-1-202~~1~~<sup>21</sup>

**MEDIUM NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-4-G

b. Standby Charges:

	<u>Commodity</u>	<u>Distribution</u>	<u>Total</u>
Standby Charge (per kW of Reserved Capacity)			
Summer Period	\$0.69	\$15.23	\$15.92
Winter Period	\$0.63	\$9.04	\$9.67

c. Meters: A separate Meter is required for each non-utility generation source.

d. Calculation of Maximum Demand Credit:

(1) In the event the Customer’s Maximum Demand (as defined in Section D.3) occurs when one or more of the non-utility generators on the Customer’s side of the City’s revenue Meter are not operating, the Maximum Demand will be reduced by the sum of the Maximum Generation of those non-utility generators, but in no event shall the Customer’s Maximum Demand be reduced below zero.

(2) If the non-utility generation source does not operate for an entire billing cycle, the standby charge does not apply and the Customer shall not receive the Maximum Demand credit described in this Section.

e. Exemptions:

(1) The standby charge shall not apply to backup generators designed to operate only in the event of an interruption in utility Service and which are not used to offset Customer electricity purchases.

(2) The standby charge shall not apply if the Customer meets the definition of an “Eligible Customer-generator” as defined in California Public Utilities Code Section 2827(b)(4), as amended.

(3) The applicability of these exemptions shall be determined at the discretion of the Utilities Director.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-4-G-5  
dated 7-1-2021~~19~~



Sheet No **E-4-G-5**  
Effective 7-1-2022~~1~~

MEDIUM NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE

UTILITY RATE SCHEDULE E-4 TOU

A. APPLICABILITY:

This voluntary Rate Schedule applies to Demand metered Secondary Electric Service for Customers with Demand between 500 and 1,000 kilowatts per month and who have sustained this level of usage for at least three consecutive months during the most recent 12 month period. This Rate Schedule applies to three-phase Electric Service and may include Service to Master-Metered multi-family facilities or other facilities requiring Demand-metered Service, as determined by the City. In addition, this Rate Schedule is applicable for Customers who did not pay power factor adjustments during the last 12 months.

B. TERRITORY:

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

C. UNBUNDLED RATES:

Rates per kilowatt (kW) and kilowatt-hour (kWh):

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
<u>Summer Period</u>				
Demand Charge (per kW)				
Peak	\$ <del>2.712</del> .61	\$ <del>8.898</del> .44		\$ <del>11.601</del> 1.05
Mid-Peak	0. <del>979</del> 5	<del>8.898</del> .44		<del>9.869</del> .39
Off-Peak	0. <del>979</del> 5	<del>8.898</del> .44		<del>9.869</del> .39
Energy Charge (per kWh)				
Peak	\$0. <del>1002</del> 209 642	\$0. <del>020600</del> 1864	\$0. <del>0046900</del> 447	\$0. <del>125511</del> 1954
Mid-Peak	0. <del>12647</del> 121 42	0. <del>020600</del> 1864	0. <del>0046900</del> 447	0. <del>151761</del> 4453
Off-Peak	0. <del>07721</del> 074 51	0. <del>020600</del> 1864	0. <del>0046900</del> 447	0. <del>102500</del> 9763
<u>Winter Period</u>				
Demand Charge (per kW)				
Peak	\$ <del>1.571</del> .53	\$ <del>9.539</del> .04		\$ <del>11.101</del> 0.57
Off-Peak	<del>1.571</del> .53	<del>9.539</del> .04		<del>11.101</del> 0.57
Energy Charge (per kWh)				
Peak	\$0. <del>12268</del> 11 781	\$0. <del>020600</del> 1864	\$0. <del>0046900</del> 447	\$0. <del>147971</del> 4092
Off-Peak	0. <del>10516</del> 101 13	0. <del>020600</del> 1864	\$0. <del>0046900</del> 447	0. <del>130451</del> 2425

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-TOU-1 dated 7-1-201948



CITY OF PALO ALTO UTILITIES

Sheet No E-4-TOU-1 Effective 7-1-202219

MEDIUM NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE

UTILITY RATE SCHEDULE E-4 TOU

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
Minimum Bill (\$/day)				<u>18.1379</u> <u>17.2742</u>

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

2. Definition of Time Periods

SUMMER PERIOD (Service from May 1 to October 31):

Peak:	12:00 noon to 6:00 p.m.	Monday through Friday (except holidays)
Mid Peak:	8:00 a.m. to 12:00 noon 6:00 p.m. to 9:00 p.m.	Monday through Friday (except holidays)
Off-Peak:	9:00 p.m. to 8:00 a.m. All day	Monday through Friday (except holidays) Saturday, Sunday, and holidays

WINTER PERIOD (Service from November 1 to April 30):

Peak:	8:00 a.m. to 9:00 p.m.	Monday through Friday (except holidays)
Off-Peak:	9:00 p.m. to 8:00 a.m. All day	Monday through Friday (except holidays) Saturday, Sunday, and holidays

SEASONAL RATE CHANGES: When the billing period includes use in both the Summer and the Winter periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

3. Demand Meter

Whenever the monthly use of energy has exceeded 8,000 kilowatt-hours for three consecutive months, a Demand Meter will be installed as promptly as is practicable and

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-TOU-2  
dated 7-1-2019~~18~~



Sheet No E-4-TOU-2  
Effective 7-1-2022~~19~~

## MEDIUM NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE

### UTILITY RATE SCHEDULE E-4 TOU

thereafter continued in Service until the monthly use of energy has fallen below 6,000 kilowatt-hours for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The Billing Demand to be used in computing charges under this schedule will be the actual Maximum Demand in kilowatts taken during any 15-minute interval in each of the designated time periods as defined under Section D.2.

#### 4. **Power Factor Adjustment**

Time of Use Customers must not have had a power factor adjustment assessed on their Service for at least 12 months. Power factor is calculated based on the ratio of kilowatt hours to kilovolt-ampere hours consumed during the month, and must not have fallen below 95% to avoid the power factor adjustment.

Should the City of Palo Alto Utilities Department find that the Customer's Service should be subject to power factor adjustments, the Customer will be removed from the E-4-TOU rate schedule and placed on another applicable rate schedule as is suitable to their kilowatt Demand and kilowatt-hour usage.

#### 5. **Changing Rate Schedules**

Customers electing to be served under E-4 TOU must remain on said Rate Schedule for a minimum of 12 months. Should the Customer so wish, at the end of 12 months, the Customer may request a Rate Schedule change to any applicable City of Palo Alto full-service Rate Schedule as is suitable to their kilowatt Demand and kilowatt-hour usage.

#### 6. **Primary Voltage Discount**

Where delivery is made at the same voltage as that of the line from which the Service is supplied, a discount of 2 1/2 percent for available line voltages above 2 kilovolts will be offered, but the City is not required to supply Service at a particular line voltage where it has, or will install, ample facilities for supplying at another voltage equally or better suited to the Customer's electrical requirements, as determined in the City's sole discretion. The City retains the right to change its line voltage at any time after providing reasonable advance notice to any Customer receiving the discount in this section. The Customer then has the option to change his system so as to receive Service at the new line voltage or to accept Service (without voltage discount) through transformers to be supplied by the City subject to a maximum kilovolt-ampere size limitation.

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-TOU-3  
dated 7-1-2019~~18~~



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No **E-4-TOU-3**  
Effective 7-1-2022~~19~~

MEDIUM NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE

UTILITY RATE SCHEDULE E-4 TOU

7. Standby Charge

a. Applicability: The standby charge, subject to the exemptions in subsection D(7)(e), applies to Customers that have a non-utility generation source interconnected on the Customer’s side of the City’s revenue Meter and that occasionally require backup power from the City due to non-operation of the non-utility generation source.

b. Standby Charges:

	<u>Commodity</u>	<u>Distribution</u>	<u>Total</u>
Standby Charge (per kW of Reserved Capacity)			
Summer Period	\$0.69	\$15.23	\$15.92
Winter Period	\$0.63	\$9.04	\$9.67

c. Meters. A separate Meter is required for each non-utility generation source.

d. Calculation of Maximum Demand Credit.

(1) In the event the Customer’s Maximum Demand occurs when one or more of the non-utility generators on the Customer’s side of the City’s revenue Meter are not operating, the Maximum Demand will be reduced by the sum of the Maximum Generation of those non-utility generators, but in no event shall the Customer’s Maximum Demand be reduced below zero.

(2) If the non-utility generation source does not operate for an entire billing cycle, the standby charge does not apply and the Customer shall not receive the Maximum Demand credit described in this Section.

e. Exemptions.

(1) The standby charge shall not apply to backup generators designed to operate only in the event of an interruption in utility Service and which are not used to offset Customer electricity purchases.

(2) The standby charge shall not apply if the Customer meets the definition of an “Eligible Customer-generator” as defined in California Public Utilities Code Section 2827(b)(4), as amended.

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-4-TOU-4 dated 7-1-2019~~18~~



CITY OF PALO ALTO UTILITIES

Sheet No E-4-TOU-4 Effective 7-1-2022~~19~~

**MEDIUM NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE****UTILITY RATE SCHEDULE E-4 TOU**

(3) The applicability of these exemptions shall be determined at the discretion of the Utilities Director.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-4-TOU-5  
dated 7-1-201948



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No **E-4-TOU-5**  
Effective 7-1-202219



LARGE NON-RESIDENTIAL ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-7

A. APPLICABILITY:

This Rate Schedule applies to Demand Metered Service for large non-residential Customers with a Maximum Demand of at least 1,000KW per month per site, who have sustained this Demand level at least 3 consecutive months during the last twelve months.

B. TERRITORY:

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

C. RATES:

Rates per kilowatt (kW) and kilowatt-hour (kWh):

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
<u>Summer Period</u>				
Demand Charge (kW)	\$ <del>5.165.03</del>	\$ <del>27.0625.66</del>		\$ <del>32.2230.69</del>
Energy Charge (kWh)	0. <del>11476409</del> 32	0. <del>0005900053</del>	0. <del>0046900447</del>	0. <del>1200411432</del>
<u>Winter Period</u>				
Demand Charge (kW)	\$ <del>2.962.89</del>	\$ <del>14.9414.16</del>		\$ <del>17.9017.05</del>
Energy Charge (kWh)	0. <del>07597072</del> 38	0. <del>0005900053</del>	0. <del>0046900447</del>	0. <del>0812507738</del>
Minimum Bill (\$/day)				<del>51.569649.1139</del>

D. SPECIAL NOTES:

1. Calculation of Charges

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-1 dated 7-1-201948



Sheet No E-7-1 Effective 7-1-202219

## LARGE NON-RESIDENTIAL ELECTRIC SERVICE

### UTILITY RATE SCHEDULE E-7

#### 2. Seasonal Rate Changes

The Summer Period is effective May 1 to October 31 and the Winter Period is effective from November 1 to April 30. When the billing period includes use both in the summer and in the winter periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

#### 3. Request for Service

Qualifying Customers may request Service under this schedule for more than one Account or one Meter if the Accounts are on one site. A site, for the purposes of this Rate Schedule, consists of one or more Accounts which cover contiguous parcels of land with no intervening public right-of-ways (e.g. streets) and which have a common billing address.

#### 4. Maximum Demand Meter

Whenever the monthly use of energy has exceeded 8,000 kilowatt-hours for three consecutive months, a Maximum Demand Meter will be installed as promptly as is practicable and thereafter continued in Service until the monthly use of energy has fallen below 6,000 kilowatt-hours for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The Maximum Demand in any month will be the maximum average power in kilowatts taken during any 15-minute interval in the month provided that if the Customer's load is intermittent or subject to fluctuations, the City may use a 5-minute interval. A thermal-type Demand Meter which does not reset after a definite time interval may be used at the City's option.

The Billing Demand to be used in computing charges under this schedule will be the actual Maximum Demand in kilowatts for the current month. An exception is that the Billing Demand for Customers with Thermal Energy Storage (TES) will be based upon the actual Maximum Demand of such Customers between the hours of noon and 6 pm on weekdays.

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-2  
dated 7-1-2019~~18~~



Sheet No E-7-2  
Effective 7-1-2022~~19~~

## LARGE NON-RESIDENTIAL ELECTRIC SERVICE

### UTILITY RATE SCHEDULE E-7

#### 5. **Power Factor**

For new or existing Customers whose Demand is expected to exceed or has exceeded 300 kilowatts for three consecutive months, the City has the option to install applicable Metering to calculate a Power Factor. The City may remove such Metering from the Service of a Customer whose Demand has been below 200 kilowatts for four consecutive months.

When such metering is installed, the monthly Electric bill shall include a “Power Factor Adjustment”, if applicable. The adjustment shall be applied to a Customer’s bill prior to the computation of any primary voltage discount. The power factor adjustment is applied by increasing the total energy and Demand charges for any month by 0.25 percent (0.25%) for each one percent (1%) that the monthly Power Factor of the Customer’s load was less than 95%.

The monthly Power Factor is the average Power Factor based on the ratio of kilowatt hours to kilovolt-ampere hours consumed during the month. Where time-of-day Metering is installed, the monthly Power Factor shall be the Power Factor coincident with the Customer’s Maximum Demand.

#### 6. **Changing Rate Schedules**

Customers may request a rate schedule change at any time to any applicable full service rate schedule as is applicable to their kilowatt-Demand and kilowatt-hour usage profile.

#### 7. **Primary Voltage Discount**

Where delivery is made at the same voltage as that of the line from which the Service is supplied, a discount of 2 1/2 percent for available line voltages above 2 kilovolts will be offered, but the City is not required to supply Service at a particular line voltage where it has, or will install, ample facilities for supplying at another voltage equally or better suited to the Customer’s electrical requirements, as determined in the City’s sole discretion. The City retains the right to change its line voltage at any time after providing reasonable advance notice to any Customer receiving the discount in this section. The Customer then has the option to change his system so as to receive Service at the new line voltage or to accept Service (without voltage discount) through transformers to be supplied by the City subject to a maximum kVA size limitation.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-3  
dated 7-1-2019~~18~~



Sheet No **E-7-3**  
Effective 7-1-20~~19~~**21**

LARGE NON-RESIDENTIAL ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-7

8. Standby Charge

a. Applicability: The standby charge, subject to the exemptions in subsection D(8)(e), applies to Customers that have a non-utility generation source interconnected on the Customer’s side of the City’s revenue Meter and that occasionally require backup power from the City due to non-operation of the non-utility generation source.

b. Standby Charges:

	<u>Commodity</u>	<u>Distribution</u>	<u>Total</u>
Standby Charge (per kW of Reserved Capacity)			
Summer Period	\$0.84	\$12.55	\$13.39
Winter Period	\$0.72	\$6.04	\$6.76

c. Meters. A separate Meter is required for each non-utility generation source.

d. Calculation of Maximum Demand Credit.

(1) In the event the Customer’s Maximum Demand (as defined in Section D.4) occurs when one or more of the non-utility generators on the Customer’s side of the City’s revenue Meter are not operating, the Maximum Demand will be reduced by the sum of the Maximum Generation of those non-utility generators, but in no event shall the Customer’s Maximum Demand be reduced below zero.

(2) If the non-utility generation source does not operate for an entire billing cycle, the standby charge does not apply and the Customer shall not receive the Maximum Demand credit described in this Section.

e. Exemptions.

(1) The standby charge shall not apply to backup generators designed to operate only in the event of an interruption in utility Service and which are not used to offset Customer electricity purchases.

(2) The standby charge shall not apply if the Customer meets the definition of an “Eligible Customer-generator” as defined in California Public Utilities Code

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-4 dated 7-1-2019~~18~~



CITY OF PALO ALTO UTILITIES

Sheet No E-7-4 Effective 7-1-2022~~19~~

**LARGE NON-RESIDENTIAL ELECTRIC SERVICE****UTILITY RATE SCHEDULE E-7**

Section 2827(b)(4) , as amended.

(3) The applicability of these exemptions shall be determined at the discretion of the Utilities Director.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-5  
dated 7-1-201918



Sheet No **E-7-5**  
Effective 7-1-202219

**LARGE NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE**

UTILITY RATE SCHEDULE E-7 TOU

**A. APPLICABILITY:**

This voluntary Rate Schedule applies to Demand Metered Service for non-residential Customers with a Maximum Demand of at least 1,000KW per month per site, who have sustained this Demand level at least 3 consecutive months during the last twelve months. In addition, this Rate Schedule is applicable for Customers who did not pay power factor adjustments during the last 12 months.

**B. TERRITORY:**

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

**C. UNBUNDLED RATES:**

**Rates per kilowatt (kW) and kilowatt-hour (kWh):**

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
<u>Summer Period</u>				
Demand Charge (per kW)				
Peak	<del>\$3.243.11</del>	<del>\$9.088.62</del>		<del>\$12.3211.73</del>
Mid-Peak	<del>0.990.97</del>	<del>9.088.62</del>		<del>10.079.60</del>
Off-Peak	<del>0.990.97</del>	<del>9.088.62</del>		<del>10.079.60</del>
Energy Charge (per kWh)				
Peak	<del>\$0.11921113</del> <del>56</del>	<del>\$0.0005900053</del>	<del>\$0.0046900447</del>	<del>\$0.1244911856</del>
Mid-Peak	<del>0.150111429</del> <del>9</del>	<del>0.0005900053</del>	<del>0.0046900447</del>	<del>0.1553914799</del>
Off-Peak	<del>0.092120877</del> <del>6</del>	<del>0.0005900053</del>	<del>0.0046900447</del>	<del>0.0974009276</del>
<u>Winter Period</u>				
Demand Charge (per kW)				
Peak	<del>\$1.511.47</del>	<del>\$7.567.17</del>		<del>\$9.078.63</del>
Off-Peak	<del>1.511.47</del>	<del>7.567.17</del>		<del>9.078.63</del>
Energy Charge (per kWh)				
Peak	<del>\$0.07997076</del> <del>19</del>	<del>\$0.0005900053</del>	<del>\$0.0046900447</del>	<del>\$0.0852508119</del>

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-TOU-1  
dated 7-1-201948



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Effective 7-1-202219

LARGE NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE

UTILITY RATE SCHEDULE E-7 TOU

	0. <del>068640654</del>	0	0. <del>0005900053</del>	0. <del>0046900447</del>	0. <del>0739207040</del>
Off-Peak					
Minimum Bill (\$/day)					<u>51.569649.1139</u>

D. SPECIAL NOTES:

1. Calculation of Charges

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

2. Definition of Time Periods

SUMMER PERIOD (Service from May 1 to October 31):

Peak: 12:00 noon to 6:00 p.m. Monday through Friday (except holidays)

Mid Peak: 8:00 a.m. to 12:00 noon Monday through Friday (except holidays)  
6:00 p.m. to 9:00 p.m.

Off-Peak: 9:00 p.m. to 8:00 a.m. Monday through Friday  
All day Saturday, Sunday, and holidays

WINTER PERIOD (Service from November 1 to April 30):

Peak: 8:00 a.m. to 9:00 p.m. Monday through Friday (except holidays)

Off-Peak: 9:00 p.m. to 8:00 a.m. Monday through Friday (except holidays)  
All day Saturday, Sunday, and holidays

SEASONAL RATE CHANGES: When the billing period includes use in both the Summer and the Winter periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

3. Request for Service

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Issued by the City Council

Supersedes Sheet No E-7-TOU-2 dated 7-1-2019~~18~~



Sheet No E-7-TOU-2 Effective 7-1-2022~~19~~

## LARGE NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE

### UTILITY RATE SCHEDULE E-7 TOU

Qualifying Customers may request Service under this schedule for more than one Account or one Meter if the Accounts are on one site. A site, for the purposes of this Rate Schedule, consists of one or more Accounts which cover contiguous parcels of land with no intervening public right-of-ways (e.g. streets) and which have a common billing address.

#### 4. Demand Meter

Whenever the monthly use of energy has exceeded 8,000 kilowatt-hours for three consecutive months, a Demand Meter will be installed as promptly as is practicable and thereafter continued in Service until the monthly use of energy has fallen below 6,000 kilowatt-hours for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The Billing Demand to be used in computing charges under this schedule will be the actual Maximum Demand in kilowatts taken during any 15-minute interval in each of the designated time periods as defined under Section D.2.

#### 5. Power Factor Adjustment

Time of Use Customers must not have had a power factor adjustment assessed on their Service for at least 12 months. Power factor is calculated based on the ratio of kilowatt hours to kilovolt-ampere hours consumed during the month, and must not have fallen below 95% to avoid the power factor adjustment.

Should the City of Palo Alto Utilities Department find that the Customer's Service should be subject to power factor adjustments, the Customer will be removed from the E-7-TOU rate schedule and placed on another applicable rate schedule as is suitable to their kilowatt Demand and kilowatt-hour usage.

#### 6. Changing Rate Schedules

Customers electing to be served under E-7 TOU must remain on said Rate Schedule for a minimum of 12 months. Should the Customer so wish, at the end of 12 months, the Customer may request a Rate Schedule change to any applicable City of Palo Alto full-service Rate Schedule as is suitable to their kilowatt Demand and kilowatt-hour usage.

#### 7. Primary Voltage Discount

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-TOU-3  
dated 7-1-2019~~18~~



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UTILITIES

Sheet No E-7-TOU-3  
Effective 7-1-2022~~19~~



**LARGE NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE**

UTILITY RATE SCHEDULE E-7 TOU

Where delivery is made at the same voltage as that of the line from which the Service is supplied, a discount of 2 1/2 percent for available line voltages above 2 kilovolts will be offered, but the City is not required to supply Service at a particular line voltage where it has, or will install, ample facilities for supplying at another voltage equally or better suited to the Customer's electrical requirements, as determined in the City's sole discretion. The City retains the right to change its line voltage at any time after providing reasonable advance notice to any Customer receiving the discount in this section. The Customer then has the option to change his system so as to receive Service at the new line voltage or to accept Service (without voltage discount) through transformers to be supplied by the City subject to a maximum kilovolt-ampere size limitation.

**8. Standby Charge**

a. Applicability: The standby charge, subject to the exemptions in subsection D(8)(e), applies to Customers that have a non-utility generation source interconnected on the Customer's side of the City's revenue Meter and that occasionally require backup power from the City due to non-operation of the non-utility generation source.

b. Standby Charges:

	<u>Commodity</u>	<u>Distribution</u>	<u>Total</u>
Standby Charge (per kW of Reserved Capacity)			
Summer Period	\$0.84	\$12.55	\$13.39
Winter Period	\$0.72	\$6.04	\$6.76

c. Meters. A separate Meter is required for each non-utility generation source.

d. Calculation of Maximum Demand Credit.

(1) In the event the Customer's Maximum Demand occurs when one or more of the non-utility generators on the Customer's side of the City's revenue Meter are not operating, the Maximum Demand will be reduced by the sum of the Maximum Generation of those non-utility generators, but in no event shall the Customer's Maximum Demand be reduced below zero.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-TOU-4  
dated 7-1-2019~~18~~



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UTILITIES

Sheet No **E-7-TOU-4**  
Effective 7-1-2022~~19~~

**LARGE NON-RESIDENTIAL ELECTRIC TIME OF USE SERVICE****UTILITY RATE SCHEDULE E-7 TOU**

- (2) If the non-utility generation source does not operate for an entire billing cycle, the standby charge does not apply and the Customer shall not receive the Maximum Demand credit described in this Section.
- e. Exemptions.
- (1) The standby charge shall not apply to backup generators designed to operate only in the event of an interruption in utility Service and which are not used to offset Customer electricity purchases.
- (2) The standby charge shall not apply if the Customer meets the definition of an “Eligible Customer-generator” as defined in California Public Utilities Code Section 2827(b)(4) , as amended.
- (3) The applicability of these exemptions shall be determined at the discretion of the Utilities Director.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-TOU-5  
dated 7-1-20~~19~~18



CITY OF  
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UTILITIES

Sheet No **E-7-TOU-5**  
Effective 7-1-20~~19~~19

LARGE NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-7-G

A. APPLICABILITY:

This Rate Schedule applies to Demand metered Service for large non-residential Customers who choose Service under the Palo Alto Green Program. A Customer may qualify for this Rate Schedule if the Customer’s Maximum Demand is at least 1,000KW per month per site, who have sustained this Demand level at least 3 consecutive months during the last twelve months.

B. TERRITORY:

The rate schedule applies everywhere the City of Palo Alto provides Electric Service.

C. UNBUNDLED RATES:

1. 100% Renewable Option:

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Palo Alto Green Charge</u>	<u>Total</u>
<u>Summer Period</u>					
Demand Charge ( per kW)	<del>\$5.165.03</del>	<del>\$27.0625.66</del>			<del>\$32.223</del>
	0. <del>11476409</del>	0. <del>000590005</del>	0. <del>0046900</del>	0. <del>0075006</del>	0. <del>12754</del>
Energy Charge (per kWh)	<del>32</del>	<del>3</del>	<del>447</del>	<del>0</del>	<del>42032</del>
<u>Winter Period</u>					
Demand Charge (per kW)	<del>\$2.962.89</del>	<del>\$14.9414.16</del>			<del>\$17.904</del>
	0. <del>07597072</del>	0. <del>000590005</del>	0. <del>0046900</del>	0. <del>0075006</del>	0. <del>08875</del>
Energy Charge (per kWh)	<del>38</del>	<del>3</del>	<del>447</del>	<del>0</del>	<del>08338</del>
Minimum Bill (\$/day)				<del>51.569649.1139</del>	

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-G-1 dated 7-1-2021-19



Sheet No E-7-G-1 Effective 7-1-2022-1

LARGE NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE

UTILITY RATE SCHEDULE E-7-G

2. 1000 kWh Block Purchase Option:

	<u>Commodity</u>	<u>Distribution</u>	<u>Public Benefits</u>	<u>Total</u>
<u>Summer Period</u>				
Demand Charge (per kW)	<del>\$5.165.03</del>	<del>\$27.0625.66</del>		<del>\$32.223</del> 0.69
Energy Charge (per kWh)	0. <del>11476109</del> 32	0. <del>000590005</del> 3	0. <del>0046900447</del>	0. <del>12004</del> 11432
Palo Alto Green Charge (per 1000 kWh block)				<del>\$7.506.0</del> 0
<u>Winter Period</u>				
Demand Charge (per kW)	<del>\$2.962.89</del>	<del>\$14.9414.16</del>		<del>\$17.901</del> 7.05
Energy Charge (per kWh)	0. <del>07597072</del> 38	0. <del>000590005</del> 3	0. <del>0046900447</del>	0. <del>08125</del> 07738
Palo Alto Green Charge (per 1000 kWh block)				<del>\$7.506.0</del> 0
Minimum Bill (\$/day)				<del>51.569649.1139</del>

D. SPECIAL NOTES:

1. Calculation of Charges

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

2. Seasonal Rate Changes

The Summer Period is effective May 1 to October 31 and the Winter Period is effective from November 1 to April 30. When the billing period includes use both in the Summer and the Winter Periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

3. Maximum Demand Meter

Whenever the monthly use of energy has exceeded 8,000 kilowatt-hours for three consecutive months, a Maximum Demand Meter will be installed as promptly as is

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-G-2 dated 7-1-2021+9



CITY OF PALO ALTO UTILITIES

Sheet No E-7-G-2 Effective 7-1-2022+1

## LARGE NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE

### UTILITY RATE SCHEDULE E-7-G

practicable and thereafter continued in Service until the monthly use of energy has dropped below 6,000 kilowatt-hours for twelve consecutive months, whereupon, at the option of the City, it may be removed.

The Maximum Demand in any month will be the maximum average power in kilowatts taken during any 15-minute interval in the month, provided that if the Customer's load is intermittent or subject to fluctuations, the City may use a 5-minute interval. A thermal-type Demand Meter which does not reset after a definite time interval may be used at the City's option.

The Billing Demand to be used in computing charges under this schedule will be the actual Maximum Demand in kilowatts for the current month. An exception is that the Billing Demand for Customers with Thermal Energy Storage (TES) will be based upon the actual Maximum Demand of such Customers between the hours of noon and 6 PM on weekdays.

#### 4. Request for Service

Qualifying Customers may request Service under this schedule for more than one Account or one Meter if the Accounts are at one site. A site, for the purposes of this Rate Schedule, consists of one or more Accounts which cover contiguous parcels of land with no intervening public right-of-ways (e.g. streets) and which have a common billing address.

#### 5. Power Factor

For new or existing Customers whose Demand is expected to exceed or has exceeded 300 kilowatts for three consecutive months, the City has the option of installing applicable Metering to calculate a Power Factor. The City may remove such Metering from the Service of a Customer whose Demand has dropped below 200 kilowatts for four consecutive months.

When such Metering is installed, the monthly Electric bill shall include a "Power Factor Adjustment", if applicable. The adjustment shall be applied to a Customer's bill prior to the computation of any primary voltage discount. The power factor adjustment is applied by increasing the total energy and Demand charges for any month by 0.25 percent or (1/4) for each one percent (1%) that the monthly Power Factor of the Customer's load was less than 95%.

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-G-3  
dated 7-1-2021~~19~~



Sheet No E-7-G-3  
Effective 7-1-2022~~21~~

## LARGE NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE

### UTILITY RATE SCHEDULE E-7-G

The monthly Power Factor is the average Power Factor based on the ratio of kilowatt-hours to kilovolt-ampere hours consumed during the month. Where time-of-day Metering is installed, the monthly Power Factor shall be the Power Factor coincident with the Customer's Maximum Demand.

#### 6. **Changing Rate Schedules**

Customers may request a rate schedule change at any time to any applicable full service rate schedule as is applicable to their kilowatt-Demand and kilowatt-hour usage profile

#### 7. **Palo Alto Green Program Description and Participation**

Palo Alto Green provides for either the purchase of enough renewable energy credits (RECs) to match 100% of the energy usage at the facility every month, or for the purchase of 1000 kilowatt-hour (kWh) blocks. These REC purchases support the production of renewable energy, increase the financial value of power from renewal sources, and creates a transparent and sustainable market that encourages new development of wind and solar.

Customers choosing to participate shall fill out a Palo Alto Green Power Program application provided by the Customer Service Center. Customers may request at any time, in writing, a change to the number of blocks they wish to purchase under the Palo Alto Green Program.

#### 8. **Primary Voltage Discount**

Where delivery is made at the same voltage as that of the line from which the Service is supplied, a discount of 2 1/2 percent for available line voltages above 2 kilovolts will be offered, but the City is not required to supply Service at a qualified line voltage where it has, or will install, ample facilities for supplying at another voltage equally or better suited to the Customer's Electrical requirements, as determined in the City's sole discretion. The City retains the right to change its line voltage at any time after providing reasonable advance notice to any Customer receiving the discount in this section. The Customer then has the option to change the system so as to receive Service at the new line voltage or to accept Service (without voltage discount) through transformers to be supplied by the City subject to a maximum kilovolt-ampere size limitation.

#### 9. **Standby Charge**

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No E-7-G-4  
dated 7-1-2021-19



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No **E-7-G-4**  
Effective 7-1-2022-1

**LARGE NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-7-G

a. Applicability: The standby charge, subject to the exemptions in subsection D(9)(e), applies to Customers that have a non-utility generation source interconnected on the Customer’s side of the City’s revenue Meter and that occasionally require backup power from the City due to non-operation of the non-utility generation source.

b. Standby Charges:

	<u>Commodity</u>	<u>Distribution</u>	<u>Total</u>
Standby Charge (per kW of Reserved Capacity)			
Summer Period	\$0.84	\$12.55	\$13.39
Winter Period	\$0.72	\$6.04	\$6.76

c. Meters: A separate Meter is required for each non-utility generation source.

d. Calculation of Maximum Demand Credit:

(1) In the event the Customer’s Maximum Demand (as defined in Section D.3) occurs when one or more of the non-utility generators on the Customer’s side of the City’s revenue Meter are not operating, the Maximum Demand will be reduced by the sum of the Maximum Generation of those non-utility generators, but in no event shall the Customer’s Maximum Demand be reduced below zero.

(2) If the non-utility generation source does not operate for an entire billing cycle, the standby charge does not apply and the Customer shall not receive the Maximum Demand credit described in this Section.

e. Exemptions:

(1) The standby charge shall not apply to backup generators designed to operate only in the event of an interruption in utility Service and which are not used to offset Customer electricity purchases.

(2) The standby charge shall not apply if the Customer meets the definition of an “Eligible Customer-generator” as defined in California Public Utilities Code Section 2827(b)(4), as amended.

(3) The applicability of these exemptions shall be determined at the discretion of the Utilities Director.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-G-5  
dated 7-1-2021-19



Sheet No E-7-G-5  
Effective 7-1-2022-1

**LARGE NON-RESIDENTIAL GREEN POWER ELECTRIC SERVICE**

UTILITY RATE SCHEDULE E-7-G  
*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No E-7-G-6  
dated 7-1-20~~19~~21



CITY OF  
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Sheet No **E-7-G-6**  
Effective 7-1-20~~21~~22



**STREET LIGHTS**

UTILITY RATE SCHEDULE E-14

**A. APPLICABILITY:**

This Rate Schedule applies to all street and highway lighting installations, which CPAU elects to operate and maintain.

**B. TERRITORY:**

Within the incorporated limits of the City of Palo Alto and on land owned or leased by the City.

**C. RATES:**

**Per Lamp Per Month**  
Class A: CPAU supplies electricity and switching service only.

Lamp Rating:

High Pressure Sodium Vapor Lamps

100 watts	<del>6.21</del> 5.91
200 watts	<del>11.46</del> 10.91
250 watts	<del>14.08</del> 13.41
310 watts	<del>17.42</del> 16.59
400 watts	<del>22.43</del> 21.36

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No. E-14-1  
dated 7-1-201918



Sheet No. **E-14-1**  
Effective 7-1-202219

**STREET LIGHTS**UTILITY RATE SCHEDULE E-14**Per Lamp Per Month –**

Class C: CPAU supplies electricity and switching and maintains lighting system, including lamps and glassware.

## Lamp Rating:

Mercury-Vapor Lamps

400 watts

35.8334.12High Pressure Sodium Vapor Lamps

70 watts

32.9731.40

100 watts

34.5532.90

150 watts

37.1735.40

250 watts

42.4240.40Light Emitting Diode (LED) Lamps

70 watts-equivalent

29.4828.08

100 watts-equivalent

30.6829.22

150 watts-equivalent

31.7730.26

250 watts

34.7833.12**D. SPECIAL CONDITIONS:**

1. Type of Service: This Rate Schedule applies to series, multiple, and single lamp street lighting systems to which CPAU delivers Service at secondary voltage. Unless a variation is approved by CPAU in its sole discretion, Service to street lighting systems will be delivered at 120/240 volts, three-wire, single-phase or 120/208 volt three-wire, single phase from star-connected poly-phase lines. Single phase service from 480-volt sources will be available in certain areas at CPAU's discretion. All voltages stated herein are nominal, and reasonable variations may occur. New lights will normally be installed as multiple lamp systems with a single Service point or single lamp with and individual Service point.
2. Point of Delivery: Delivery will be made to the Customer's system at a Service point or at points designated by CPAU. CPAU will furnish the Service connection to one point for each

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No. E-14-2  
dated 7-1-201918



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Effective 7-1-202219

**STREET LIGHTS**UTILITY RATE SCHEDULE E-14

lamp or group of lamps, provided the Customer has designed the system to include the minimum number of delivery points. CPAU will make all underground connections to CPAU's system at the Customer's expense.

3. Switching: CPAU will perform switching (on CPAU's side of the points of delivery) at no Charge, provided there are at least 10 kilowatts of lamp load on each circuit separately switched, including all lamps on the circuit whether served under this Rate Schedule or not. An extra charge of \$2.50 per month will be made for each circuit separately switched unless such switching installation is made for CPAU's convenience.
4. Annual Burning Schedule: The rates in this Rate Schedule apply to lamps which will be turned on and off once each night in accordance with a regular burning schedule approved by CPAU and not exceeding 4,100 hours per year.
5. Maintenance: The Class C rates in this Rate Schedule include all labor necessary for replacement of glassware, including inspection and cleaning. Maintenance of glassware by CPAU is limited to standard glassware that is commonly used and manufactured in reasonably large quantities, as determined by CPAU in its sole discretion. The Class C rates include maintenance of circuits between lamp posts and of circuits and equipment in and on the posts, provided these are all of good standard construction as determined by CPAU. CPAU in its sole discretion may decline to grant Class C rates for maintenance of systems with non-standard glassware, or inadequate circuitry and equipment. Class C rates applied to any agency other than the City of Palo Alto also include painting of posts with one coat of good ordinary paint, as determined by CPAU to be needed to maintain good appearance. Maintenance does not include replacement of posts damaged by third parties or acts of nature.
6. System Owned In-Part by CPAU: If CPAU agrees to a Customer's request for CPAU to install, own, or maintain any portion of the lighting fixtures, supports, and/or interconnecting circuits, the Customer shall be responsible for an extra monthly Charge of one and one-fourth percent of CPAU's contribution to the cost of the street lighting system.
7. Rates For Lamps Not on this Rate Schedule: In the event a Customer installs a lamp which is not represented on this Rate Schedule, CPAU will prepare an interim rate reflecting CPAU's estimated costs associated with the specific lamp. This interim rate will serve as the effective rate for billing purposes until the new lamp rating is added to Rate Schedule E-14.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No. E-14-3  
dated 7-1-2019~~18~~



Sheet No. E-14-3  
Effective 7-1-2022~~19~~

**EXPORT ELECTRICITY COMPENSATION**

UTILITY RATE SCHEDULE E-EEC-1

**A. APPLICABILITY:**

This Rate Schedule applies in conjunction with the otherwise applicable Rate Schedules for each Customer class. This Rate Schedule may not apply in conjunction with any time-of-use Rate Schedule. This Rate Schedule applies to Customer-Generators as defined in Rule and Regulation 2 who are either not eligible for Net Energy Metering or who are eligible for Net Energy metering but elect to take Service under this Rate Schedule.

**B. TERRITORY:**

Applies to locations within the service area of the City of Palo Alto.

**C. RATE:**

The following buyback rate shall apply to all electricity exported to the grid.

Per kWh

Export electricity compensation rate

\$0.~~1045~~~~1078~~

**D. SPECIAL CONDITIONS**

1. Metering equipment: Electricity delivered by CPAU to the Customer-Generator or received by CPAU from the Customer-Generator shall be measured using a Meter capable of registering the flow of electricity in two directions (aka “bidirectional meter”). The electrical power measurements will be used for billing the Customer-Generator. CPAU shall furnish, install and own the appropriate Meter.

2. Billing:

- a. CPAU shall measure during the billing period, in kilowatt-hours, the electricity delivered and received after the Customer-Generator serves its own instantaneous load.
- b. CPAU shall bill the Customer-Generator consumption charges for the electricity delivered by CPAU to the Customer-Generator based on the Customer-Generator’s applicable Rate Schedule.
- c. In the event the electricity generated exceeds the electricity consumed and therefore is received by CPAU, the Customer will receive a credit for all electricity received by CPAU at the buyback Rate designated in section C above.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council



**NET METERING NET SURPLUS ELECTRICITY COMPENSATION**

UTILITY RATE SCHEDULE E-NSE-1

**A. APPLICABILITY:**

This Rate Schedule applies to eligible residential and small commercial Net Energy Metering Customers who, at the end of an annual settlement period, as described in Rule 29, are Net Surplus Customer-Generators of electricity who elect to receive monetary compensation as such preference is indicated on the net surplus electricity election form. This Rate Schedule only applies to Customers who participate in Net Energy Metering, and does not apply to Customers that take service under the City’s Net Energy Metering Successor Rate, as each of these terms are defined in Rule and Regulation 2.

**B. TERRITORY:**

This rate schedule applies anywhere the City of Palo Alto provides electric service.

**C. RATES:**

Per kWh

Net Surplus Electricity Compensation rate

\$0.~~10260992~~

**D. SPECIAL CONDITIONS**

1. Net Surplus Electricity Compensation Rate eligibility shall be determined as specified in Rule 29. Net surplus electricity, as specified in Rule 29, if applicable, will be multiplied by the above compensation rate to determine the Customer’s annual net surplus electricity compensation stated in dollars.
2. Additional terms, conditions and definitions govern Net Energy Metering Service and Interconnection, as described in Rule 29.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No. E-NSE-1  
dated 07-01-20~~21~~19



CITY OF  
**PALO ALTO**  
UTILITIES

Sheet No. E-NSE-1  
Effective 7-1-20~~22~~21

# MEMORANDUM

**DATE:** March 2, 2022

**SUBJECT:** Evaluation of Implementing an All-Electric rate prior to COSA

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## Executive Summary

During the Finance Committee ([CMR 13544](#)<sup>1</sup>) and City Council ([CMR 13546](#)<sup>2</sup>) meetings to review and recommend guidelines for an Electric Cost of Service Analysis (COSA), set to commence in FY 2022 and anticipated for completion in FY 2023, the Finance Committee passed the following motion:

Direct staff to study options for an interim modification to (residential electric) tiers that would support electrification, and return to the Utilities Advisory Commission, the Finance Committee and City Council at a future date.

Setting rates without a COSA in place can be responsibly accomplished through implementation of a pilot rate; staff recommends against using that mechanism. This conclusion was drawn after reviewing the City's adopted and published COSA ([CMR 6857](#)<sup>3</sup>) and evaluating the resource impacts and technical and operational challenges of developing a pilot rate.

## Discussion

### Palo Alto's Rate-setting Process

Palo Alto's rates are designed to collect revenues sufficient to cover the cost to serve each customer or customer group. It is industry practice to periodically perform a COSA to ensure that a utility's rates meet this requirement. Proposition 26 (2010) amended the California Constitution, which defines all government-imposed charges, including electric rates, as taxes requiring voter approval, unless certain exceptions are met. Cost-based electric rates may be adopted by the City Council. The COSA helps the utility ensure that rates represent the cost to serve customers.

### Council-adopted COSA Guidelines

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<sup>1</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2021/20211005/20211005pfcs.pdf>

<sup>2</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/11-november/20211101pccs-amended.pdf>

<sup>3</sup> [https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2016/final-staff-report-id-6857\\_electric-utility-financial-plan-and-rate-changes.pdf](https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2016/final-staff-report-id-6857_electric-utility-financial-plan-and-rate-changes.pdf)

The Electric Utilities' last published COSA and was approved by City Council on June 13, 2016 ([CMR 6932<sup>4</sup>](#)). In preparation for that study, Council adopted a set of guidelines ([CMR 6061<sup>5</sup>](#)) including:

“For this cost of service study, and to the extent feasible, energy charges should be based on existing rate structures. This includes: a tiered rate design structure for residents.”

Prior to the study, Palo Alto's residential rates had three tiers. The results of the study indicated a reduction in the number of tiers from three to the current two was necessary to adequately reflect the cost to provide service. Based upon an analysis of median residential baseload energy use, the daily allowance of energy per household allocated for the first tier was increased from 10 kwh/day to 11kwh/day.

Alternative rate structures, such as a uniform/single-tier rate structure, were not addressed in the report, nor was the creation of different classes of residential customer (such as all-electric or Electric Vehicle (EV) specific rates).

The Utilities Department is planning to update the COSA model, commencing in FY 2022 and completing the work in FY 2023. Several options for residential rates will be evaluated including: (1) whether better or alternative cost allocation methods could be utilized, (2) whether tiered rates should be changed (increased, lowered, or condensed to a single tier), and (3) whether multiple rate options could be available to customers within a rate class (residential, etc.) while still maintaining adequate and equitable revenue collection for the rate class as a whole.

#### Pilot Rate Option

It is possible to create a separate rate for customers pursuing electrification under a 'pilot' or test-case program. Pilot rates are designed to study the impact of the rate design on customer behavior.

#### Resource Constraints

Implementing rate changes will require staff time and resources. Staff estimates three to four months needed to analyze and determine new rates, configuration, design and testing of the billing system, customer service training, and outreach.

This resource need will be in direct competition for the need to complete an updated COSA. It is anticipated this effort will take two to three months followed by three months to analyze, design configure and test new rates. These changes will also require staff resources for billing system changes, customer outreach, etc. Dividing work on these two tasks will lengthen the time to complete the COSA.

#### Technical and Operational Constraints

. Typically an all-electric rate or electric vehicle rate would encourage customers to consume more electricity in off-peak vs. on-peak hours. Since Palo Alto does yet have time of use or interval metering, that kind of study is infeasible at this time.

<sup>4</sup> <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2016/6932-merged.pdf>

<sup>5</sup> [https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2015/final-staff-report-id-6061\\_adoption-of-design-guidelines-for-electric-cost-of-service-analysis.pdf](https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2015/final-staff-report-id-6061_adoption-of-design-guidelines-for-electric-cost-of-service-analysis.pdf)

Many administrative challenges exist for a pilot rate study. Determining customer eligibility for a pilot rate (such as not having a gas meter, EV ownership, etc.) will be difficult. Additional administrative challenges such as managing caps on participation (pilot rates are limited in size), monitoring pilot vs. non-participant behaviors, and making sure there are no unanticipated revenue changes arising from rate switching are require a significant investment of staff time.



\* NOT YET APPROVED \*

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Adopting a Dark Fiber Rate Increase and Amending Rate Schedules EDF-1 (Dark Fiber Licensing Services) and EDF-2 (Dark Fiber Connection Fees)

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

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule EDF-1 (Dark Fiber Licensing Services) is hereby amended to read as attached and incorporated. Utility Rate Schedule EDF-1, as amended, shall become effective July 1, 2022.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule EDF-2 (Dark Fiber Connection Fees) is hereby amended to read as attached and incorporated. Utility Rate Schedule EDF-2, as amended, shall become effective July 1, 2022.

SECTION 3. The Council finds that the revenue derived from the adoption of this resolution shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

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\* NOT YET APPROVED \*

SECTION 4. The Council finds that the adoption of this resolution increasing dark fiber rates by the Consumer Price Index to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

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

**DARK FIBER LICENSING SERVICES**

UTILITY RATE SCHEDULE EDF-1

**A. APPLICABILITY:**

This rate schedule applies to customer accounts established prior to September 18, 2006, unless the customer elects to apply the EDF-3 rate to the entire customer account. This rate applies to Fiber Optic services from the City of Palo Alto Utilities (CPAU) pertaining to the City's network (Backbone and associated connections).

**B. TERRITORY:**

Within the incorporated limits of the City of Palo Alto and land owned or leased by the City.

**C. FEES:**

**1. DARK FIBER BACKBONE LICENSE FEES:**

The values or ranges for each of these price components are shown below:

(1) Fiber Price.....	\$ <del>432.32</del> <del>414.72</del> /FM/month
(2) Quantity discount .....	\$0 to \$59.84/FM/month
(3) Buffer tube discount.....	\$0 to \$59.84/FM/month
(4) Route length discount.....	\$0 to \$77.80/FM/month
(5) Ring topology discount.....	\$0 to \$23.94/FM/month
(6) Length of term discount.....	\$0 to \$46.80/FM/month

Minimum Backbone License Fee  
\$~~653.86~~~~627.24~~/month

Project Minimum Backbone Fees apply to any project proposal signed after September 18, 2006 in which the project connects with the Backbone.

**Description for Discounts:**

- Quantity discount: based on an array of discounts for quantities of fiber licensed on a specific path.
- Buffer tube discount: discount for numbers of full buffer tubes licensed on a specific path.
- Route length discount: based on the route length licensed on a specific project.
- Ring topology discount: The ring topology discount for customers contracting for complete rings.
- Term discount: based on an array of discounts for contracts greater than one and less than ten years.

**2. DARK FIBER LATERAL CONNECTION FEES:**

Customer responsibilities and fees for drop and custom cable construction are described in the CPAU Rules and Regulations, Rate Schedule EDF-2, project proposals and other associated documents. In all cases, the Licensee shall pay an annual Drop/Custom Cable Management Fee based on the follow per foot fees:

(1) Drop Cable Management Fees (for the first 12-Fibers) .....	\$0.03-\$0.08/ft/month
(2) Custom Cable Management Fees (for the first 12-Fibers).....	\$0.4 <del>2</del> <del>9</del> /ft/month
(3) Fees for additional Drop or Custom Cable fibers (each additional set of 12-Fibers)	\$0.08/ft/month

Minimum Drop or Custom Cable Management Fees..... \$~~323.08~~~~309.93~~/month  
Minimum Drop Cable Management Fees apply to any project proposal signed after September 18, 2006.

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council



**DARK FIBER LICENSING SERVICES****UTILITY RATE SCHEDULE EDF-1****3. EARLY TERMINATION FEES:**

If the Licensee chooses to terminate for convenience the License Agreement or the term of any project under the License Agreement, then the Licensee shall pay the applicable termination payment as specified in this schedule or in the License Agreement, as provided below.

Unless otherwise provided in the License Agreement, the Licensee shall pay a termination fee in one of the following amounts, whichever is less:

- Annual fee of the contract year that the Licensee chooses to terminates in full without term discounts, or
- Remaining fees of the project term as indicated in the License Agreement.

**D. SPECIAL NOTES:**

1. All fees must be paid to the City in accordance with the terms of the Dark Fiber License Agreement, the customer's project proposals and all the applicable Utilities Rates, Rules, and Regulations.
2. All fees and minimum charges are subject to Consumer Price Index (CPI) adjustments, to be applied annually, except as defined by Section D.3 of this Rate Schedule. Discounts will not be modified by changes to CPI.
3. The CPI adjustment will be based on the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose MSA, published by the U.S. Department of Labor, Bureau of Labor Statistics. The adjustment is calculated by dividing the most recent calendar year December CPI by the December CPI in the year rates last changed. In the event that the change between December CPI's indicates an adjustment of less than 1% is required, a change to rate schedules may not be made for the upcoming year. Future rate changes will take the last year of change as the new base year for purposes of calculation.

*{End}*

**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No EDF-1-2  
dated 7-01-2021<sup>0</sup>



CITY OF PALO ALTO  
**UTILITIES**

Effective 07-01-2022<sup>1</sup>  
Sheet No. ~~EDF-1-2~~

**Packet Pg. 204**

**DARK FIBER SERVICE CONNECTION FEES**

UTILITY RATE SCHEDULE EDF-2

**A. APPLICABILITY:**

This schedule applies to all connections, expansions, and upgrades to the City's Dark Fiber network (Backbone).

**B. TERRITORY:**

All territory within the incorporated limits of the City and land owned or leased by the City.

**C. FEES:**

**1. ADVANCE ENGINEERING FEES:**

Advance engineering (AER) fees must be paid to start the engineering process and are non-refundable. The fees will be credited against the estimated project cost prior to the collection of the project construction fees.

(1) Commercial/Industrial AER minimum fee.....	\$ <del>1032990</del> .00
(2) Special conditions (requiring expert assessment) .....	By Estimate

**2. ESTIMATED SERVICE CONNECTION AND RECONFIGURATION FEES**

All estimated service connection and reconfiguration fees must be paid prior to the scheduling of any construction or reconnections to the City's Dark Fiber network.

(1) Service connection (Interconnection) fee .....	By Estimate
(2) Reconfiguration Fees.....	By Estimate

Labor rates are subject to change as stated in the Utility Rate Schedule C-1.

**D. NOTES:**

1. The Customer is responsible for the installation and maintenance of all ducts and pathways from the facility to the property line in compliance with City of Palo Alto Utilities Rules and Regulations and contract agreements.
2. The City shall not be held liable for delays or interruptions in service, but will make reasonable efforts to provide timely continuous service.
3. All fees are subject to Consumer Price Index (CPI) adjustments, to be applied annually. The CPI adjustment will be based on the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose MSA, published by the U.S. Department of Labor, Bureau of Labor Statistics. The adjustment is calculated by dividing the most recent calendar year December CPI by the December CPI in the year rates last changed. In the event that the change between December CPI's indicates an adjustment of less than 1% is required, a change to rate schedules may not be made for the upcoming year. Future rate changes will take the last year of change as the new base year for purposes of calculation.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council

Supersedes Sheet No EDF-2-1  
dated 7-01-2021~~0~~



**CITY OF PALO ALTO  
UTILITIES**

Effective 7-01-2022~~1~~  
Sheet No. ~~EDF-2-1~~

\*Not Yet Passed\*

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase the Storm Water Management Fee by 4.2% Per Month Per Equivalent Residential Unit for Fiscal Year 2023

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

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule D-1 (Storm and Surface Water Drainage) is hereby amended to read in accordance with sheet D-1-1, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective July 1, 2022.

SECTION 2. The Council finds that this rate increase is being imposed to offset the effects of inflation on labor and material costs pursuant to the annual inflationary fee escalator provision of the Storm Water Management Fee ballot measure, which was approved by a majority of Palo Alto property owners on April 11, 2017.

SECTION 3. The Council finds that the revenue derived from the authorized adoption enumerated herein shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

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\*Not Yet Passed\*

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SECTION 4. The Council finds that the adoption of this resolution changing the Storm Water Management Fee to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Assistant City Attorney

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Director of Public Works

\_\_\_\_\_  
Director of Administrative Services

GENERAL STORM AND SURFACE WATER DRAINAGE

UTILITY RATE SCHEDULE D-1

A. APPLICABILITY:

This schedule applies to all Storm and Surface Water Drainage Service, excepting only those users and to the extent that they are constitutionally exempt under the Constitution of the State of California or who are determined to be exempt pursuant to Rule and Regulation 25.

B. TERRITORY:

Inside the incorporated limits of the city of Palo Alto and land owned or leased by the City.

C. RATES:

Per Month:

Storm Water Management Fee per Equivalent Residential Unit (ERU)..... \$15.98

D. SPECIAL NOTES:

- 1. An Equivalent Residential Unit (ERU) is the basic unit for computation of storm drainage fees for residential and non-residential Customers. All single-family residential properties shall be billed the number of ERUs specified in the following table, based on an analysis of the relationship between impervious area and lot size for Palo Alto properties.

Table with 2 columns: PARCEL SIZE (sq.ft.) and ERU. Rows include <6,000 sq.ft. (0.8 ERU), 6,000 - 11,000 sq.ft. (1.0 ERU), and >11,000 sq.ft. (1.4 ERU).

All other properties will have ERU's computed to the nearest 1/10 ERU using the following formula:

No. of ERU = Impervious Area (Sq. Ft.) / 2,500 Sq. Ft.

- 2. For more details on the Storm Water Management Fee, refer to Utilities Rule and Regulation 25.

{End}







# City of Palo Alto

## City Council Staff Report

(ID # 14477)

Meeting Date: 6/13/2022

Report Type: Action Items

**Title: Policy and Services Committee Recommendations on Pending State Assembly Bills 2181 (VTA) and 1944, 2449, and 2647 (Local Meeting Procedures)**

**From: City Manager**

**Lead Department: City Manager**

### Recommendation

The Policy & Services Committee recommends that the City Council discuss recommendations on pending legislation regarding governance of Valley Transportation Authority (Assembly Bill 2181) and meeting procedures for local governing bodies (Assembly Bills 1944, 2449, and 2647) and provide direction to staff on the City's advocacy positions.

### 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 this current staff report focused on pending State legislation for the full City Council to discuss the City's position. The unanimous items will be brought to Council as a Consent report for the City Council to consider.

### **Discussion**

As mentioned above, the bills for City Council discussion as a follow up to the Policy and Services Committee meetings are:

- Assembly Bill 2181 (Santa Clara Valley Transportation Authority: board of directors)
- Assembly Bill 1944 (Local Government: open and public meetings)
- Assembly Bill 2449 (Open meetings: local agencies: teleconferences)
- Assembly Bill 2647 (Local government: open meetings)

The Policy and Services Committee recommended support for each of these bills, but the votes were not unanimous. Thus, the bills are being brought forward to the City Council to consider whether to support the bills, support with amendments, oppose the bills, or oppose unless amended for each one. A description of each bill, current status, and timeline is included in **Attachment A**.

Specific to AB 2181, there have been a variety of opinions on this bill from different municipalities. The City of Campbell supported the bill while the City of Morgan Hill and City of Mountain View opposed the bill. The City of Mountain View's opposition letter is included in this report as **Attachment B** for reference.

Staff and the City's state legislative advocate from Townsend Public Affairs will be present at the City Council meeting to address questions.

### **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 in the coming weeks.

#### **Attachments:**

- **Attachment10.a:** Attachment A: Townsend Updated State Legislation Memo June 2022
- **Attachment10.b:** Attachment B: Mountain View - AB 2181 - Oppose Unless Amended - Sen Transportation Committee

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 1, 2022

**Subject:** Updated Memo relating to state legislation on public meetings and the Santa Clara Valley Transportation Authority (AB 2181)

**SUMMARY**

Townsend Public Affairs, Inc. (TPA) has prepared this updated report for the City of Palo Alto as we move forward in the 2022 Legislative session. This memo highlights four pieces of legislation that were discussed in the Policy and Services Committee and deal with public meetings and the Santa Clara Valley Transportation Authority. 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.

**Assembly Bill 1944 (Lee) Local Government: open and public meetings**

Last amended: May 25, 2022

*Status: The bill passed out of the Assembly on a vote of 44-12 with 22 abstentions. Its now in the Senate and will be scheduled for its first Senate policy committee hearing which has not yet been set.*

**Focus of the legislation:** Allows members of a legislative body of a local agency to use teleconferencing without identifying each teleconference location in the notice and agenda of the meeting or proceeding, and without making each teleconference location accessible to the public. This measure sunsets on Jan. 1, 2030.

**Argument in Support:** A coalition including the Urban Counties of California, the Rural County Representatives of California, the California State Association of Counties, the Association of California Healthcare Districts, the Association of California School Administrators, the California Association of Public Authorities for IHSS, and the League of California Cities, in support, write, "AB 1944 represents an important modernization to the Brown Act that protects local elected officials' location when participating from a non-public, remote location, while improving access to members of the public via a teleconferencing option.

"As you know, local agencies subject to the Brown Act were able to utilize remote participation for elected officials and for the public during the COVID-19 public health crisis. Those processes worked well, allowing for local agencies to continue to conduct the public's business in a safe manner. In fact, many of our local agencies report increased participation and interaction with



members of the public who would otherwise have been unable to access such meetings as a result. At the same time, the ability for local elected officials to participate remotely without having to share the address of their whereabouts allowed them to do so without risking their own well-being and that of their families and neighbors.

“While authority to maintain remote participation continues after the approval of last year’s AB 361 (R. Rivas), based on public health recommendations at the time, this authorization of remote participation by local elected officials, as well as members of the public, is slated to sunset at the end of 2023. Developing a long-term framework for remote participation is a critical update of the Brown Act. We have learned during the pandemic that such participation is effective, transparent, and encourages participation from a broader component of the public than was anticipated.

“These positive effects on the conduct of the public’s business would suggest that the conditions outlined in AB 1944 are both reasonable and appropriate to incorporate into our post-pandemic practice of delivering open and public meetings.”

**Argument in Opposition:** A coalition including the California News Publisher’s Association, the American Civil Liberties Union, the First Amendment Coalition, the Howard Jarvis Taxpayers Association, Californians Aware, the Leadership Counsel for Justice and Accountability, the Society for Professional Journalists Los Angeles, the Orange County Press Club, and the National Writers Union of Southern California, in opposition, writes, “...we must respectfully oppose AB 1944 (Lee), which would make a fundamental change to the Brown Act, enshrining government officials’ ability to teleconference from private locations not identified or accessible to the public. While temporary accommodations may be necessary, such as to address public health needs during the COVID-19 pandemic, this bill would abolish longstanding democratic protections that require public meetings be held in public venues where government officials can be seen and engaged by the public.

“Further, this bill would change the Brown Act’s requirement that a quorum be present during a teleconference, allowing government bodies to vote to allow themselves to teleconference from outside the jurisdiction, indefinitely and without justification. While this bill includes some provisions that may expand access for members of the public who wish to participate, the cost to democratic principles and public protection is too great...

“AB 1944 as written, would allow a body to vote to govern themselves with a teleconference scheme that does not require members to identify the location from which they are taking the meeting, nor make that location accessible to the public. Without disclosing the locations, they are participating from there is no mechanism to ensure that a quorum of members, or any members, are within the jurisdiction about which they are making decisions

### **Assembly Bill 2449 (Rubio) Open meetings: local agencies: teleconferences**

Last amended: May 23, 2022. One of the amendments includes ending these provisions by January 1, 2028.

*Status: The bill passed out of the Assembly on a vote of 65 - 4 with 9 abstentions. Its now in the Senate and will be scheduled for its first Senate policy committee hearing which has not yet been set.*

**Focus of the legislation:** Allows members of a legislative body of a local agency to use teleconferencing without identifying each teleconference location in the notice and agenda of the meeting, and without making each teleconference location accessible to the public, if at least a quorum of the members of the body participates in person.

**Argument in support:** Three Valleys Municipal Water District, sponsor of this measure, writes, “As part of his response to the COVID-19 pandemic, Governor Newsom originally issued a series of Executive Orders to expand public access to meetings of local agencies by suspending some



of the restrictions on teleconferencing. The effect was an expanded use of teleconferencing for meetings of the legislative body, resulting in enhanced public access and increased participation by the public.

“The expiration of the Executive Orders immediately gave way to the new AB 361, essentially allowing for the teleconference provisions detailed in the Executive Orders to continue during a period of emergency declaration. However, once an emergency declaration has ended, local agencies will again be required to comply with antiquated provisions of existing law, making it potentially more difficult to hold meetings of the legislative body by teleconference. While current law does allow for “teleconference locations” under normal circumstances, it requires various actions to be taken at the teleconference locations and fails to recognize in the digital age that a teleconference location is wherever there is a person with a computer, a tablet, or even a mobile phone.

“AB 2449 will eliminate the previously existing concept of teleconference locations and will revise notice requirements to allow for greater public participation in teleconference meetings of local agencies. The bill does not require teleconferencing, rather it modernizes existing law to ensure greater public participation in meetings of the legislative bodies of local agencies who choose to utilize teleconferencing. Similarly, in acknowledgement of the critical importance of maintaining transparency and accountability, the bill requires that a quorum of the governing body be physically present at a clearly identified meeting location for all public meetings.”

**Argument in opposition:** A coalition including the California News Publisher’s Association, the ACLU California Action, the First Amendment Coalition, the Howard Jarvis Taxpayers Association, Californians Aware, the Leadership Counsel for Justice and Accountability, and the Society for Professional Journalists Los Angeles, in opposition, writes, “If enacted, AB 2449 would fundamentally alter the Brown Act by providing express authorization to members of legislative bodies to teleconference into public meetings from private locations not identified or accessible to the public at any time, without a compelling reason. While temporary accommodations may be necessary, such as during the COVID-19 public health emergency, this bill would excise the longstanding democratic protection afforded by requiring the entire legislative body to directly face the public. We must be mindful before making substantial changes to the laws that have ensured democracy at the local government level for generations. There are many examples of remote meetings increasing public participation in many respects, but there are still many lessons to learn as we continue to move out of the COVID-19 pandemic...”

“To be clear, we support increased public access, such as the provisions of this bill that increase remote participation for the public; however, AB 2449, as written, ties that expanded access to removal of existing requirements for those who have sought and agreed to public service in local government. We greatly appreciate that the bill has incorporated many of the provisions that were the result of discussion on AB 339 (Lee) & AB 361 (R. Rivas) last year, including requiring members to be on camera, providing telephonic access for those who do not have stable internet, addressing technological disruptions, and others. However, those bills differed in that AB 339 sought to only expand access for the public, and AB 361’s allowances for legislative bodies are confined to states of emergency and required a vote every 30 days to continue.

“We are also very glad to see that a quorum must be in the same physical location with the public in this bill, but it is essential to narrow the circumstances in which members outside of the quorum can participate remotely, so that the same members cannot avoid physically appearing without circumstances that justifies limiting the public’s access to the member who is supposed to be serving their interests.”



**Assembly Bill 2647 (Levine) Local government: open meetings**

Last amended: April 19, 2022

*Status of the Legislation: The bill passed out of the Assembly on a vote of 62-0 with 16 abstentions. Its now in the Senate and will be scheduled for its first Senate policy committee hearing which has not yet been set.*

**Focus of the legislation:** Allows writings that have been distributed to members of a legislative body of a local agency less than 72 hours before an open meeting to be posted online to satisfy specified requirements of the Brown Act.

**Argument in support:** The League of California Cities, sponsor of this bill, writes in support, “Recently the Third District Court of Appeals held that posting meeting documents online does not satisfy this requirement of the Brown Act, and that local governments must place physical copies of the document in a designated office open to the public. Requiring physical access at a public location as the only way to satisfy the Brown Act could impair the conduct of the people’s business. Without a legislative solution, the Court’s decision requires local agencies to keep an office open to the public during evenings and/or weekends when a writing is distributed to a local agency’s legislative body. Alternatively, the local agency would have to withhold late breaking information from the legislative body until an office is open which could impact the ability of a legislative body to be best informed with less time to consider additional information.

“This measure would clarify that writings distributed to the majority of a local legislative body less than 72 hours before a meeting can be posted online if physical copies are made available for public inspection at the beginning of the next regular business hours at a public office or designated location. By reducing delays, the public and the community will be better informed to engage in the meeting with the flexibility and transparency this measure provides. This change would advance meaningful public access to government information.”

**Argument in opposition:** There is no argument in opposition, or any opposition listed.

**Assembly Bill 2181 (Berman) Santa Clara Valley Transportation Authority: board of directors**

Last amended: May 2, 2022

*Status: The bill passed out of the Assembly on a vote of 69-2 with 7 abstentions. Its now in the Senate and will be scheduled for its first Senate policy committee hearing which has not yet been set.*

**Focus of the legislation:** This legislation seeks to make changes to the Board of the Santa Clara Valley Transportation Authority (VTA), including:

- 1) Specifies that the government of VTA shall be vested in a board of directors that shall consist of 12 voting members, as follows:
  - a) Two representatives of Santa Clara County, who shall be appointed by the president of the board of supervisors with board of supervisors’ approval by at least a four-fifth vote, consistent with both of the following requirements:
    - i) One representative shall be a nonelected community member with expertise in financing and accounting.
    - ii) One representative shall be a nonelected community member with expertise infrastructure management, construction management, or project management.
  - b) Five representatives of the City of San Jose, who shall be appointed by the mayor of the City of San Jose with city council approval, consistent with the following:
    - i) At least two representatives shall be city council members or the mayor of the City of San Jose.



- ii) At least two representatives shall be nonelected community members who, to the extent possible, have expertise, experience, or knowledge relative to transportation issues.
- iii) The mayor of the City of San Jose shall appoint at least one representative who uses public transit as their primary mode of transportation.
- c) Five representatives of the cities in the county, other than the City of San Jose, elected in a manner consistent with the following:
  - i) At least two representatives shall be nonelected community members who, to the extent possible, have expertise, experience, or knowledge relative to transportation issues.
  - ii) At least two representatives shall be city council members or mayors of the cities in the county, other than the City of San Jose.
  - iii) To the extent possible, each regional group, as provided for by the agreements among the cities in the county, other than the City of San Jose, shall be represented on the board of directors by a representative elected pursuant to this bill.
  - iv) The representatives shall be elected through the following ranked choice voting process:
    - (1) VTA shall develop an application process.
    - (2) To be eligible to be selected, a candidate shall complete an application and submit the application to VTA.
    - (3) VTA shall create one ranked choice ballot that includes only those candidates that submitted complete applications.
    - (4) The city council of each city in the county, other than the City of San Jose, shall in a public forum, rank those candidates using the ranked choice ballot and submit the ranked choice ballot to VTA by a date determined by VTA.
    - (5) VTA shall count the ranked choice ballots submitted pursuant to (4) above.
  - v) Provides that if a representative who is elected as a city council member or mayor of a city in the county, other than the City of San Jose, no longer serves in that capacity as a city council member or mayor, the representative may continue to serve on the board of directors until their term on the board of directors expires, unless as otherwise specified.
- 2) Specifies that in addition to the 12 voting members of the VTA Board, VTA's Board may include ex officio nonvoting members from regional transportation or governmental bodies.
- 3) Requires VTA to ensure that representatives of a single city do not compose most of the board of directors.
- 4) Provides that a representative appointed or elected pursuant to this bill shall serve a four-year term and may be reappointed without limitation.
- 5) Specifies that VTA shall implement guidelines for the removal for cause of a representative appointed or elected to the Board.
- 6) Removes, as of January 1, 2024, the provision in existing law that provides that the term of office for each director shall be two years and until the appointment and qualification of their successor, and specified vacancy requirements.
- 7) Specifies that this bill shall become operative on July 1, 2023.

**Argument in Support:** There is no formal support.

Per the author, "Valley Transportation Authority provides essential public transit options that help get Santa Clara County's two million residents to and from work, school, and home. However, three Civil Grand Jury Reports over the last 17 years have concluded that VTA's governance structure is a root cause of the agency's poor performance and is in need of structural reform. AB 2181 delivers this structural reform by transitioning the current board—a rotating group of 12



elected officials and 6 alternates in Santa Clara County—to a 12-member hybrid board composed of both elected officials and qualified members of the public. This bill honors local control by building in flexibility, while prioritizing both regional accountability and equity in using a regional ranked choice voting process. The new VTA board members would be selected by city and county officials in a transparent public process, ensuring that expertise related to transportation, infrastructure or project management, and budgetary expertise are represented on the board. A more experienced, transparent, and regionally focused VTA Board will be better positioned to meet Santa Clara County’s complex transportation needs.”

**Argument in Opposition:** There is no formal opposition.

Per the most recent Grand Jury report, “The Grand Jury concluded that today, more so than in 2004 or 2009, the VTA Board is in need of structural change to enable it to better protect the interests of the County’s taxpayers and address the many complex challenges presented by emerging trends in transportation, rapidly evolving technology and the changing needs of Silicon Valley residents. The Grand Jury recommends several changes to the governance structure and operations of the VTA Board which will improve the Board’s ability to effectively perform its important oversight and strategic decision-making functions.”







## CITY OF MOUNTAIN VIEW

Office of the Mayor and City Council • 500 Castro Street • Post Office Box 7540 • Mountain View, California 94039-7540  
650-903-6305 • FAX 650-903-6039

May 26, 2022

The Honorable Lena Gonzalez  
Chair, Senate Transportation Committee  
7720 1021 O Street  
Sacramento, CA 95814

AB 2181 (Berman) SANTA CLARA VALLEY TRANSPORTATION AUTHORITY –  
OPPOSE UNLESS AMENDED

Dear Senator Gonzalez:

On behalf of the City of Mountain View, I am writing to express the City's oppose unless amended position to Assembly Bill (AB) 2181 (Berman). AB 2181 proposes significant changes to the membership and governance of the Board of Directors of the Santa Clara Valley Transportation Authority (VTA) by reducing the elected representation, which disenfranchises Mountain View's voice on important regional transportation initiatives and critical funding decisions.

Mountain View is poised to become the largest city by population within the newly adopted 22nd Assembly District. We are a regional leader and responsible steward of policies seeking to increase affordable and attainable housing, social equity, environmental justice, and the transition to a green economy. To fulfill the State and City's mutually ambitious housing targets, we have made several changes to accommodate more densely populated growth – proposing to zone for over 11,000 new homes to satisfy our Regional Housing Needs Assessment (RHNA) requirements.

The VTA is responsible for Countywide transportation planning and promotion of transit-oriented development, providing bus, light rail, and paratransit services and acting as a funding partner in regional rail services, including Caltrain, Capitol Corridor, and the Altamont Corridor Express.

VTA also determines the allocation of billions of dollars in transportation grants from Federal, State, regional, and local funding sources (e.g., the 2016 Measure B sales tax in Santa Clara County) to the Countywide cities for their use. Consequently, VTA's decisions related to transit service levels in each city and funding for road pavement maintenance, active transportation improvements, and major infrastructure, such as

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May 26, 2022  
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Caltrain grade separation projects, directly affect each city's ability to plan for its transportation needs and land-use plans. An active partnership with every city that includes understanding each city's community needs and priorities is essential for the VTA Board of Directors.

As a rapidly growing city with increased regional transportation needs, it is imperative that the City of Mountain View has a more consistent and reliable presence – with equitable input from our Countywide elected officials – to help guide VTA according to local priorities and toward sustainable regional solutions. AB 2181 runs counter to this important goal.

There are 12 voting members on the VTA Board. AB 2181 would impose ranked-choice voting among 14 "small cities" (e.g., all the cities within Santa Clara County except for San Jose) to compete for five of those seats. However, under AB 2181, at least two, but no more than three seats, among our 14 cities would be for our elected officials, including Mountain View, and would further impose a change that two voting members representing all the 14 "small cities" be community members. **Allowing only up to three elected officials from 14 cities is not sufficient.** In addition, the community members would have no accountability to the voters in our cities in making billion-dollar funding decisions on critical transportation projects. The ranked-choice voting process among 14 city councils in our region would not ensure that the community representatives selected will understand how local government funding streams work or what the transportation priorities in the region are – there is no expectation to even work proactively with Mountain View or any of the regional cities.

In fact, ranked-choice voting among all the cities will make the governing process more complicated and convoluted and create more problems than it seeks to fix. This is further intensified if the representative is a private citizen who may not understand the intertwined role of transit services and transportation funds in working with our community to add housing.

The intent of this bill is to provide a more experienced, transparent, and regionally focused VTA Board better suited to meet Santa Clara County's complex transportation needs. To achieve this result, we respectfully suggest the following modifications to the current bill language:

- The Board of Directors shall consist of 12 members and six alternates who shall serve in the absence of the appropriate group's Director.

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- Before assuming office, every Director will be required to attend a two-day academy imparting information on transit, transportation, and financing provided by VTA and outside industry experts. No Director can be seated without completing this academy.
- The Board of Directors shall appoint two ex officio members who shall be citizens of Santa Clara County with demonstrable expertise in finance and project management. Their term shall be four years and will be eligible for reappointment.
- These ex officio members will be excluded from participation in Closed Sessions.
- Alternate members of the Board of Directors will be required to attend all Board of Directors meetings and such committees as the Board may deem appropriate.
- All Directors must demonstrate the necessary commitment and experience relative to appointments, such as serving as an alternate, member of the Policy Advisory Committee, or other similar services. Exceptions to this requirement will be extended to elected representatives of districts or cities with major transportation infrastructure projects or other extraordinary congestion management or transportation impacts.
- Directors from cities other than the City of San José and the County shall have two VTA staff to provide information and briefings to support their work on the Board.
- Directors shall be selected from elected officials from the groups established by the current agreement among the cities of Santa Clara County who will serve while holding their public office.
- The selection of Directors for each group is to be made during a noticed Public Hearing of the appointing body. The Board member and alternate selection for each group are to be ratified by all city councils within that group.

We believe that the proposed amendments outlined above provide a balanced approach that would ensure the voting power of the VTA continues to accurately reflect where the population growth and transit needs exist over the long term as our communities continue to build out.

The City of Mountain View is an increasingly important voice for the Santa Clara Valley Transportation Authority as a center of regional growth and a transit hub encompassing both a Caltrain station and an adjacent VTA light rail transit station. These are services

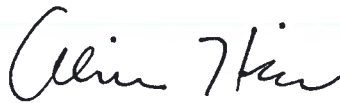
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provided by and within Mountain View. The decisions made by VTA directly impact our City's ability to meet our stated housing, transportation, and environmental goals.

While we can certainly appreciate the effort to bring needed changes to the VTA governance structure, as proposed, we firmly believe this will disenfranchise our community members and neighboring jurisdictions. It is our hope that we can collaboratively work with the Legislature to address our concerns; however, we must regretfully oppose AB 2181 unless amended as currently drafted.

Should you have any questions regarding our position, please contact our legislative advocate, Dane Hutchings, with the Renne Public Policy Group, at 916-974-9270.

Sincerely,



Alison Hicks  
Vice Mayor

AH/CG/4/MGR  
001-05-26-22L-1

cc: The Honorable Marc Berman, California State Assembly

The Honorable Josh Becker, California State Senate

Members, Senate Transportation Committee

Rhonda Pascal, Deputy Legislative Secretary, Office of Governor Newsom

Santa Clara Valley Transportation Authority, Board of Directors

Seth Miller, League of California Cities Regional Public Affairs Manager,  
[smiller@cacities.org](mailto:smiller@cacities.org)

Meg Desmond, League of California Cities, [cityletters@cacities.org](mailto:cityletters@cacities.org)

City Council

CM, ACM/COO, PWD, ATCM – Gilmore



## City of Palo Alto City Council Staff Report

(ID # 13983)

Meeting Date: 6/13/2022

Report Type: Action Items

**Title: Revenue-Generating Ballot Measures (Affirmation of the Natural Gas Utility Transfer and New Business Tax): Direction to Staff on Key Policy Questions and Measure Characteristics, and Direction to Return with Final Documents for Placement of Ballot Measure(s) on the November 2022 Election and a Non-Binding Resolution for Intended Use of Business Tax Proceeds**

**From: City Manager**

**Lead Department: Administrative Services**

### RECOMMENDATION

Staff recommends that the City Council:

- 1) Review and discuss additional information provided to inform decision-making on two potential ballot measures for voter consideration as part of the November 2022 election
  - a) affirmation of the natural gas utility transfer and b) new business tax:
    - a. Analysis of comparison agencies and impact of potential tax offsets
    - b. Summary polling results of the third and final round of polling.
- 2) Direct staff to return to the City Council on June 20 with completed documents for placement of a ballot measure on the November 2022 election for affirmation of the natural gas utility transfer as outlined in Attachment D and summarized in Table 2.
- 3) Direct staff to return to the City Council with completed documents for placement of a ballot measure on the November 2022 election for a new business tax with the following refinements:
  - a. Recommended “Key Policy Questions” as summarized in this report to be reflected in the ordinance;
  - b. Recommended final tax rate not to exceed \$0.10/sq ft per month
  - c. Characteristics as outlined in summary Table 3 or as amended per Council determination.
- 4) Review the draft non-binding Resolution to inform the public of Council’s intentions regarding the use of Business Tax proceeds if passed by voters (Attachment C) and

affirm content or direct staff to make revisions. Staff will return to the City Council with a final Resolution for Council adoption on June 20.

Please note staff expect to release a supplemental memorandum on June 9 that will transmit the summary results of the 3<sup>rd</sup> round of polling, the draft ordinance for a new Business Tax, and a draft resolution to inform the public of Council’s intentions regarding use of Business Tax proceeds.

**EXECUTIVE SUMMARY**

The information provided in the following staff report represents several months of work exploring potential ballot measure options for voter consideration during the November 2022 election to maintain high quality City services at fiscally sustainable levels. The two ballot measure proposals under review seek to address the City’s long-term structural budget issues through new revenue, in order to enhance priority services to the community, prepare for the future, and help build on Palo Alto’s services as community needs evolve and grow.

Over the last six months, staff and consultants organized a series of conversations about the City’s budget and fiscal sustainability efforts, holding several focus groups, informational sessions, online surveys, mailed surveys and polls to hear from residents and businesses about these potential ballot measures. As this has been an iterative process with the City Council, the steps taken to date respond to feedback received in many ways (Table 1 below). Adjustments based on feedback seek to provide balanced revenue measures that continue to further the City’s interest in investing for the future while also recognizing the importance of business to the community.

**TABLE 1: Community and Stakeholder Business Tax Structure Feedback**

<i>Feedback</i>	<i>Recommended Adjustments</i>
<i>Implementation / Timing</i>	<ul style="list-style-type: none"> <li>• Retrospective or prospective                             <ul style="list-style-type: none"> <li>• Staff recommends that any tax and offsets/credits be assessed retrospectively</li> </ul> </li> <li>• Not the right time – that businesses need to recover from the economic impacts of the pandemic.                             <ul style="list-style-type: none"> <li>• Tax and offsets/credits for calendar 2023 would be due in early 2024</li> <li>• Two-year phase in is included in Council’s 4/25 direction</li> </ul> </li> </ul>
<i>Square Footage Calculation</i>	<ul style="list-style-type: none"> <li>• Multiple locations and/or facilities                             <ul style="list-style-type: none"> <li>• See staff’s recommendation to calculate multiple locations and/or facilities in the aggregate</li> </ul> </li> <li>• Residential property                             <ul style="list-style-type: none"> <li>• See staff’s recommendation to exclude living areas (apartments and bedrooms) but to include all common areas where commercial services are provided</li> </ul> </li> </ul>

<i>Feedback</i>	<i>Recommended Adjustments</i>
<i>Exemptions / Offsets</i>	<ul style="list-style-type: none"> <li>• Vacant property <ul style="list-style-type: none"> <li>• See staff's recommendation to consider an offset for vacant property</li> </ul> </li> <li>• Hotel exemption or offset <ul style="list-style-type: none"> <li>• See staff's financial impact for an offset for TOT Remittal</li> </ul> </li> </ul>
<i>Annual CPI</i>	<ul style="list-style-type: none"> <li>• Without a cap, the CPI would continually increase. <ul style="list-style-type: none"> <li>• 5% cap on CPI is included Council's 4/25 direction</li> </ul> </li> </ul>
<i>Sunset</i>	<ul style="list-style-type: none"> <li>• Lack of specified end date, coupled with no CPI cap, is viewed as problematic. <ul style="list-style-type: none"> <li>• Not included in Council direction</li> </ul> </li> </ul>
<i>Spending Plan</i>	<ul style="list-style-type: none"> <li>• A plan should be developed that specifies how business tax revenue will be spent <ul style="list-style-type: none"> <li>• See <a href="#">CMR 13571</a> on 4/18 for draft spending plan; non-binding resolution regarding use of potential Business Tax Proceeds will be released on June 9<sup>th</sup> in a supplemental memo</li> </ul> </li> </ul>

Through this staff report, staff is seeking direction on key policy questions and the final tax structure. Policy questions for Council consideration and direction for the ordinance are: effective date and timing of tax assessment; treatment of vacant property for tax assessment; calculation of square feet for a business with multiple locations and/or facilities; inclusion of residential property/use in calculation of square feet; calculation of square feet for a property management type business; and, offset/credit allocation. The report outlines staff recommendations and alternatives on these policy questions for City Council decision-making.

In addition, based on Council direction, a draft resolution outlines spending priorities for the use of business tax proceeds if passed by voters and include:

- New/enhanced services, specifically investment in public safety services
- Investment in train crossing safety, and transportation
- Investment in affordable housing and unhoused services
- Investment in economic development support through support of University Avenue and California Avenue streetscapes and placemaking work.

The schedule anticipates Council discussion on June 13 and June 20 with a series of proposed actions related to the two proposed revenue measures. These actions allow the City to meet requirements set forth by the Registrar of Voters to place items on the ballot for November 2022. Actions include:

June 13 City Council Meeting:

- Receive and review results of third and final round of polling

- Review and provide direction on draft full ballot language and ballot questions for potential ballot measure(s)
- Review and provide updates on additional analysis, comparisons, policy questions and calculations for additional offsets/credits
- Provide final refining direction to staff for official action at the June 20 meeting

June 20 City Council Meeting:

- Final Approval of November 2022 Ballot Measure(s) for voter consideration

There has been tremendous value in the input and feedback gained to date, provided by both residents and businesses. The staff report outlines engagement activities completed since April. The feedback has been critical to this process. Notably, in May, staff held another facilitated focus group with businesses, and feedback was considered in preparing the draft ordinance and key policy questions for Council consideration.

## **BACKGROUND**

On April 18 and 25, 2022, the City Council continued discussions exploring revenue generating ballot measures for the November 2022 election ([CMR 13571, packet p. 162](#)). This meeting followed the March 28, 2022 Finance Committee meeting ([CMR 13981, packet p. 3](#)), where the Committee recommended affirmation of the current Gas Utility Transfer; business tax characteristics, including exemptions, rates, an adjustment based on CPI, and phase-in; and recommendation to Council to proceed with the third round of polling.

The April 25<sup>th</sup> report to Council summarized the tax framework for the proposed business tax and measure to affirm the gas funds transfer. The report also included results of the outreach efforts of the Community and Stakeholder Engagement Plan and results of the second round of polling. The following is Council's direction to staff on April 25<sup>th</sup>:

*Direct staff to continue work regarding potential ballot measures for voter consideration during the November 2022 election, including execution of the third round of polling, drafting of ballot questions and the full ballot measure text in accordance with the following characteristics:*

- 1) *Continue to pursue a ballot measure seeking to affirm the natural gas utility transfer, at the current rate of up to 18% of natural gas utility gross receipts as outlined in Table 2 in the staff report;*
- 2) *Continue to pursue a ballot measure seeking to establish a new Business Tax based on square footage with the following characteristics:*
  - a) *Tax is determined based on a business's square footage in Palo Alto,*
  - b) *Tax rate of \$0.10/sq. ft. per month or \$0.12/sq. ft. per month,*
  - c) *Tax rate to increase by the CPI, capped at 5% per annum with excess CPI carrying over to future years,*
  - d) *Two-year phase-in provision: reduced rate of 50% in the year of initiation of the tax, and the full rate to be charged in the second year (initiation date to be refined later),*



- e) *No sunset*
- f) *Exemptions for the following:*
  - i) *Grocery stores (requires a given % of sq ft of food sales to qualify as a grocery)*
  - ii) *Seasonal businesses operating less than 90 days*
  - iii) *First 5,000 square feet*
- g) *Direct staff to evaluate the impacts of allowing an offset for hotels based on remittance of TOT*
- h) *Direct staff to research offsets for businesses based on remittance of sales & use tax where the point of sales has discretion and is designated in Palo Alto.*
- i) *Confirm that the City's Business Registry program will continue to operate and be required for all businesses except as exempted by the program ordinance.*
- j) *Direct staff to draft a non-binding resolution to inform the public of Council's intentions regarding the use of Business Tax proceeds,*
  - i) *Explore through polling regarding the use of Business Tax Proceeds: funds would be used for grade separation and rail safety, affordable housing and homeless programs, public safety, and improvements to University and California Avenue business districts*

The Summary of Prior Work on Potential Revenue Generating Ballot Measures can be found in **Attachment F**.

## **DISCUSSION**

The City Council has been systematically evaluating and refining two potential ballot measures since June 2021, and previously since 2016. Specifically, because of rising costs and needs for affordable housing and the expected significant investment in transportation infrastructure for safe train crossings, the Council was reviewing a potential tax measure for the November 2020 election. In recognition of the onset of a worldwide pandemic, this work was placed on pause until June 2021 when the discussions were resumed. Below and attached are continued information to assist the Council in its decision making as it considers two potential ballot measures to place before the voters. As part of this action, staff has outlined remaining information as requested by the City Council on April 25, 2022, or as included in the original Ballot Measure workplan.

Staff is seeking the following actions from the Council:

- 1) Approval of a ballot question and ordinance language for a potential measure that would affirm the current practice of transferring proceeds from the natural gas utility to the General Fund. Staff will return to Council on June 20, 2022, with final documents for approval.
- 2) Approval of a ballot question and direction on initial draft ordinance language for a potential measure that would implement a new Business Tax, including direction on:

- “Key Policy Questions” summarized below and as drafted in the attached ordinance
- A final tax rate
- Revisions to characteristics as outlined in summary Table 3, and
- The draft resolution for intended use of tax proceeds if passed by voters.

Staff will return to Council on June 20, 2022 with final documents for approval.

In order to assist the Council in these decisions, the outline below identifies the additional information in this report and intended to be provided in a supplemental report that will be published on June 9<sup>th</sup>. Following this outline is a high-level summary of the timeline between now and the November 2022 election.

- 1) Measure to Affirm Natural Gas Funds Transfer
  - Draft Ballot Question and Ordinance (Attachment D)
- 2) New Business Tax
  - Summary of Additional Analysis (Attachment A): Financial impacts of tax offsets/credits for hotel tax and sales & use tax, & Analysis of tax impacts compared to neighboring jurisdictions
  - Draft Ballot Question, Initial Draft Ordinance & Key Policy Questions (Attachment B)
  - Draft Resolution Identifying Intended Spend of Tax Proceeds (Attachment C)
- 3) Stakeholder Engagement
  - Updates to fiscal sustainability community engagement (Polling results will be brought forward on June 9<sup>th</sup> in a late packet memorandum once this work is complete)
  - Community Feedback Survey (Attachment E)
  - Ongoing community feedback and focus groups (Attachment F)
- 4) Resource Impacts
  - Summary of costs to date
  - Estimated election costs
- 5) Timeline

The following documents will be provided in a supplemental late packet memorandum to be issued no later than Thursday, June 9, 2022:

- Third and final round of polling results from FM3
- Attachment B, Initial Draft Ordinance for a New Business Tax
- Attachment C, Draft resolution identifying intended spend of business tax proceeds

### *Summary Timeline*

Below is a summary timeline of the remaining components for consideration of and potentially placement of a ballot measure(s) for voter consideration on the November 2022 election. Most significantly, the Council must ensure their consideration and vote for placement of a measure(s) is completed in time for submittal to the County Registrar of Voters (ROV) by the due date of August 12, 2022. Key components of information to be sent to the ROV is below,

specific due date for each component can be found in the “TIMELINE” section later in this report.

The City Council will adopt a resolution (which does not become a part of the ballot) calling a local election and sending the measure or measures to the County Registrar of Voters. Lastly, if chosen, the Council may adopt a resolution communicating intentions for use of proceeds for a successful Business Tax measure.

**May:**

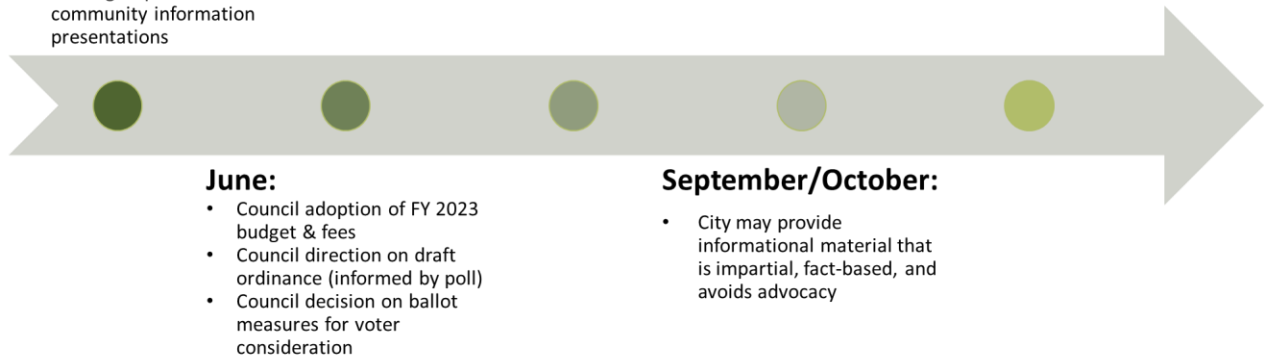
- Finance Committee FY 2023 budget hearings
- 3<sup>rd</sup> & final round of polling
- Focus groups & community information presentations

**August:**

- August 12 is last day to submit ballot measures to Registrar of Voters

**November:**

- Election November 8, 2022



**Measure to Affirm Natural Gas Funds Transfer**

*Natural Gas Funds Transfer: Ballot Question and Ordinance (Attachment D)*

For decades, Palo Alto gas ratepayers have funded contributions to the City’s General Fund to support a variety of City programs and services, including police protection, fire and emergency medical services, local parks, community centers and libraries. Most municipal utilities in California make similar transfers to help fund government services. Investor-owned utilities also collect ratepayer funds that are paid to the cities where they operate, typically in the form of franchise fees or taxes.

In 1950, Palo Alto voters approved the use of some rate revenues for City services via an amendment to the City’s Charter. Since then, California law has evolved through a series of statewide initiatives and court decisions governing how cities set and impose charges for the services they provide. In FY 2021 the Santa Clara Superior court held that a portion of Palo Alto’s annual transfer of funds from the gas utility was a tax that required voter approval to continue. Both sides have appealed, and City leaders believe it is prudent to seek voter affirmation that the City may continue its current and longstanding general fund transfer.

The draft ballot question and ordinance are attached in Attachment D.

**TABLE 2: Summary of Affirmation of Natural Gas Transfer**

<i>Purpose</i>	<ul style="list-style-type: none"> <li>Affirm the City’s past practice of annually transferring from the natural gas utility (established in City charter in the 1950’s)</li> </ul>
<i>Disposition of Revenue</i>	<ul style="list-style-type: none"> <li>Allocated to the General Fund for general government purposes</li> </ul>
<i>Calculation</i>	<ul style="list-style-type: none"> <li>Measured by gross revenue of the natural gas utility</li> <li>Projected cost of the transfer included in the City’s retail natural gas utility rates as a cost of providing gas services</li> </ul>
<i>Rate</i>	<ul style="list-style-type: none"> <li>Transfer up to 18% of the gross revenues of the natural gas utility</li> <li>No change in natural gas utility rates, confirmation of the City’s past and current practice</li> </ul>
<i>Council Authority</i>	<ul style="list-style-type: none"> <li>Council may decide to transfer a lesser amount from voter approved levels</li> </ul>

After the court decision in 2021, the City began setting aside the disputed funds pending resolution of the legal challenge. As a result of this action and revenues shortfalls resulting from the pandemic-related economic contraction, service reductions were made across the organization – including fire and emergency services, police protection, library hours, and community center programs. One-time federal relief funds mitigated some of these cuts.

As part of the FY 2023 Proposed Operating Budget, staff included a recommended allocation of projected one-time excess funds to restore services previously eliminated. These include areas such as police officers, fire services, support for the City’s community centers, children’s theater productions, library hours, and support for the City’s current and long-range planning efforts. Voter approval through this ballot measure can help sustain ongoing funding of these services, should future Councils so direct.

### **New Business Tax**

#### *Business Tax Summary of Analysis (Attachment A)*

The City Council directed staff in their April 25, 2022 meeting to research and evaluate the impacts of business tax offsets for hotels and designated sales and use tax point of sale. Staff’s research and analysis includes:

- Sales and use tax revenues where the reporting business designates the place where the principal negotiations are carried on resulting in the City of Palo Alto as the point of sale.
- Transient occupancy tax (TOT) revenues.

To provide the Council with additional context for consideration and evaluation of the proposed business tax rates and offsets, staff reviewed the City’s possible top five business tax payors to determine the range of annual business tax to be paid as currently constructed.

Detailed discussion and financial impact analysis for the two business tax offsets and the possible top five business tax payors can be found in **Attachment A**.

### *Potential Top Five Business Tax Payors*

Using the CoStar real estate database and a variety of other online real estate resources, staff researched and analyzed the potential top five business tax payors in the City and also surveyed surrounding cities for their top five business tax payors to calculate the range of tax these businesses would possibly pay if they were to operate in the City of Palo Alto.

In comparing Palo Alto's range of annual square footage tax for the top five business payors with other agencies, the low end of the tax range, \$0.3 million, aligns with the cities of Mountain View and East Palo Alto, using Palo Alto's proposed rates. In contrast, on the high end of Palo Alto's range, the top business tax payor is estimated to pay \$1.7 million in annual business tax. If Mountain View's top business tax payor were to operate in Palo Alto, this business would pay approximately \$7.3 million in business tax, assuming the monthly \$0.12 per square foot rate.

### *Financial Impact of Business Tax Offset for Sales & Use Tax*

Council directed staff to research a potential offset for businesses that designate Palo Alto as the point of sale for remittance of sales and use tax. Based on this review, the potential annual business tax offset ranges between \$1.3 million and \$3.0 million across all businesses. When fully implemented, the monthly \$0.10 per square foot rate is estimated to generate gross receipts of \$22 million; this offset would reduce estimated gross receipts to range between \$20.7 million and \$19.0 million. Similarly, the monthly \$0.12 per square foot rate is estimated to generate gross revenues of \$26 million; this offset would reduce estimated gross receipts to a range of \$24.7 million to \$23 million.

### *Financial Impact of a Business Tax Offset for TOT or "Hotel Tax" Remittance*

Council directed staff to evaluate the impacts of an offset for hotels based on TOT remittances. Previously, staff had modeled a full exemption for business tax remittance for hotels. TOT is imposed by the City and is paid by individuals staying at hotels within the City. Attachment A details staff's calculation of the financial impact of this offset, assuming a two-year phase in beginning January 1, 2024, through FY 2028. After the two-year implementation, the potential TOT Business Tax offset ranges from \$1.4 million to \$1.8 million through FY 2028. Based on these calculations and compared to projected TOT revenue, hotels operating in the City will effectively offset their Business Tax obligation if every \$1 in TOT receipts offsets every \$1 in Business Tax liability; one hotel would only be able to offset approximately 50 percent of their Business Tax obligation with this credit and would be responsible for the remaining tax liability. Estimated business tax revenues totaling \$22 million (monthly \$0.10/sf) and \$26 million (monthly \$0.12/sf) included the hotel exemption. This offset would not change these estimated totals since remittance of TOT is higher than the estimated business tax to be paid.

### *Business Tax: Ballot Question, Initial Draft Ordinance, & Key Policy Questions (Attachment B)*

As directed by Council in April, staff has prepared an initial draft of a potential ordinance creating a new Business Tax (Attachment B). This ordinance, in outline form, was posted to the

City’s webpage along with a blog post and discussed as part of a recent focus group to solicit feedback from stakeholders. Although substantially complete there remain some policy questions for the Council’s consideration which are highlighted below. Otherwise, the draft was prepared based on the most recent direction and outline of terms in the table below as directed by the Council and informed by feedback from stakeholder engagement.

**TABLE 3: Summary of Business Tax Characteristics**

<i>Purpose</i>	Allocated to the General Fund for general government purposes, without a sunset
<i>Calculation</i>	Measured by square feet
<i>Rate</i>	<ul style="list-style-type: none"> <li>• \$0.10/sq ft/mo or \$0.12/sq. ft. per month</li> <li>• 2-year phase in</li> <li>• 5% CPI cap, excess carrying over to future years</li> <li>• Penalties and interest to be assessed for non-compliance</li> <li>• Continue current Business Registry Certificate Program for all eligible businesses</li> </ul>
<i>Exemptions</i>	<p>The following would be exempt from payment of the tax</p> <ul style="list-style-type: none"> <li>• First 5,000 square feet of all businesses</li> <li>• Grocery or Supermarket stores</li> <li>• Seasonal businesses operating less than 90 days</li> </ul>
<i>Offset/Credit</i>	<p>Qualifying businesses may apply annually to the Tax Administrator to offset up _____% of the business’s Business Tax obligation as follows</p> <ul style="list-style-type: none"> <li>• Remittance of hotel tax receipts, aka Transient Occupancy Tax (TOT)</li> <li>• Remittance of sales &amp; use tax designated by a point or place of sale that has discretion</li> <li>• Vacant space</li> </ul>
<i>Council Authority</i>	Designate authority for the City Council to adjust rates or other provisions in any manner that does not increase the tax.

Policy questions for Council consideration and direction that are stipulated in the draft ordinance are highlighted below. Direction from Council either affirming staff’s recommendation or amending is an important part of the Council’s decision making as part of this item. This direction will be included in a final revised full text ordinance for the Council’s final vote and direction if the Council desires to place this on the ballot for voters’ consideration.

**A) Effective date and timing of tax assessment**

- Recommendation: Staff recommends that the tax and any offset/credits be assessed in a retrospective manner, no less frequently than once a quarter. For example, the tax assessment including any offsets for the January-March period would be due within 30 days of the close, or April 1-April 30. Tax remittance would be determined delinquent if received on or after May 1. Council may choose the effective date of the tax itself; staff recommends a date no earlier than January 2023 and as stated before, does not expect to be able to administer the tax until January 2024 should voters affirm this measure in November 2022. This means that taxes incurred during calendar year 2023 would be due in a lump sum in early 2024.
- Alternatives: Annual prospective assessment: the tax would be assessed and due within the first 30 days of the tax year and would cover the tax for the coming 12 months. For example, the tax assessed in January 2021, would be for the period of January 2021 through December 2021. Offsets could either 1) be estimated for the same 12-month period and reconciled based on actuals, or 2) reflect actual receipts from the prior 12 month period. A prospective assessment alleviates the risk that a business could leave Palo Alto part way through the year without paying the appropriate tax for the partial year of operations. However, the stable data that a retrospective assessment affords coupled with a quarterly billing to mitigate the risk of tax leakage during a final year of operation balances the options.

**B) Treatment of vacant property for tax assessment**

- Recommendation: Staff recommends that the tax be established to address vacant property in the following ways:
  - Vacant property shall not be assessed as part of the tax. Businesses that own or control (lease) square footage that they are not using would report that vacant square footage and apply for an offset/credit.

“Vacant” is to mean a severable portion of the physical location that a business is operating, such as an entire floor, a building, or a portion of a floor with independent entrance/exits, that is free from any use, fixtures, furniture, and equipment, and is available for immediate use by a new tenant.
- Alternatives: Staff explored whether the tax ordinance could be applied to all square feet that are currently owned or controlled by a business, regardless of whether in active use. Staff does not recommend this approach because the proposed Business Tax uses square footage as a measure of taxable business activity in Palo Alto. Vacant and unused square footage does not correspond to business activity.

**C) Calculation of square feet for a business with multiple locations and/or facilities**

- **Recommendation:** Staff recommends that should a business operate at multiple locations, the calculation of square feet be the aggregate of all locations in Palo Alto. This situation may apply to various types of activity, including large corporate campuses with multiple buildings and addresses of operation, as well as smaller operations that may operate locations in various shopping centers. In any of these instances, the total square footage of all locations of the business would be aggregated, the aggregate of any offsets would be applicable, as well as the first 5,000 square feet of the aggregate total would be applied once to the aggregate total as opposed to each individual location.
- **Alternatives:** Square feet could be calculated by each individual facility. In this instance, if a business has three locations of 7,000 square feet each, the business would be taxed on 6,000 square feet instead of 16,000 square feet. Staff will develop definitions and standards for determining businesses with common ownership that are truly separate.

**D) Shall residential property/use be included in the calculation of square feet?**

- **Recommendation:** Staff considered businesses that are engaged in the activity of providing residential property for rent and businesses that provide housing in conjunction with services (such as assisted living and other congregate housing facilities). Staff recommends that the calculation of square footage exclude actual living areas (such as apartments and bedrooms) but include all common areas and areas where commercial services are provided, or administration occurs. Therefore, businesses such as apartments or congregate living facilities would be taxed on the square feet of common areas, administrative offices, and areas where services are provided; areas solely for individual or family sleeping/living/cooking/hygiene would be excluded.
- **Alternatives:** All square feet of a residential property business, including those facilities with square footage solely used for individual or family sleeping/living/cooking/hygiene could be included in the calculation of square feet for assessment of the tax. This action would likely increase the estimated gross receipts from levels provided to the Council thus far, as staff has been excluding any residential property in calculations based on prior direction for assessment on commercial activities. Another alternative could be to simply exempt all residential property including common areas which would result in the near exemption of all apartment operations as well as likely assisted living facilities businesses. Other cities do include businesses such as apartments or property owners/managers in their tax calculations, however, it is typically based on number of units, total lease revenues, or headcount of staff employed by the business.



**E) Calculation of square feet for a property management type business: commercial developer, property manager, etc.**

- **Recommendation:** Staff recommend that a property manager’s tax obligations relating to unleased developments or multitenant buildings partially occupied by property management functions be limited to the space occupied by administrative offices and operations.
- **Alternative:** Alternatively, the property management business’ tax obligation could include the “common” areas or “services areas” that are unlikely to be assigned to a specific lessee. The draft ordinance currently requires proportioning common space among tenants, unless assigned to a specific business. In either case, only one business would be responsible for tax associated with a given building space.

**F) Offset/Credit Allocations**

- **Recommendation:** Staff recommend that any offset/credit be able to adjust the business tax assessment within the following parameters:
  - Sales & Use Tax receipts 2:1 ratio: every \$2 of eligible sales & use tax received would offset \$1 of business tax liability up to 75% of the tax liability.
  - All other, such as TOT receipts or vacant space 1:1 ratio: for every \$1 of hotel tax remitted, \$1 of business tax liability would be offset
- **Alternative:** For the Sales & Use or TOT offsets, Council could choose a different ratio or cap than the staff recommendation above.

**Business Tax: Resolution Identifying Intended Use of Tax Proceeds (Attachment C)**

As outlined in April 2022 and directed by the Council on April 25, 2022, is preparing a draft Resolution that the Council may choose to adopt in parallel with the placement of a potential Business Tax on the November 2022 ballot. The Resolution will be published late-packet on June 9. Currently proposed as a general tax, the priority uses of funds is not legally binding, however, is a form of communication clearly identifying the intended uses of any tax proceeds generated. The City Council has successfully honored its representations to voters with respect to the change in the Transient Occupancy Tax rate (hotel tax), with all proceeds from a rate change approved in 2014 and another in 2018 being dedicated to investment and completion of the City Council 2014 approved Infrastructure Plan. TOT receipts have funded major projects such as the new Public Safety Building, Bike & Pedestrian Plan, and the new parking garage in the California Avenue district. Based on the Council direction, this draft Resolution will include the following spending priorities:

- New/enhanced services, specifically investment in public safety services
- Investment in train crossing safety, and transportation
- Investment in affordable housing and unhoused services
- Investment in economic development support through support of University Avenue and California Avenue streetscapes and placemaking work.

## STAKEHOLDER ENGAGEMENT

The Ballot Measure Workplan integrates stakeholder engagement through constituent polling and extensive direct stakeholder outreach. Staff has gained valuable input and feedback to date from the City Council, Finance Committee, community members, and the business community. Per City Council direction, the City has engaged with FM3 to perform polling, Lew Edwards Group for stakeholder engagement planning, and the Public Dialog Consortium (PDC) for stakeholder engagement.

### Updates to fiscal sustainability community engagement

Since April, staff continue to implement the various tenants of the community and stakeholder engagement plan. In the last two months, staff have updated the Fiscal Sustainability Webpage, engaged in Community group information presentations, and hosted a focus group for feedback on the draft ordinance. In addition, staff have published blog posts, provided online information and continued to make the survey responses available. Lastly the City did complete a third round of polling. Polling results will be brought forward in a late packet memorandum on June 9.

The Fiscal Sustainability: A Community Conversation webpage was updated for the most current actions by the City Council as well as the documents that have been released to date. Most notable, a blog post issued May 19, 2022 [here](#) as well as the posting of a community information presentation [here](#) and the draft ordinance for the public's review [here](#) were provided. Staff have been reaching out to large community groups offering to provide an informational presentation on the Fiscal Sustainability Plan including its nexus with the FY 2023 Budget process, with the presentation linked above.

### Ongoing community feedback and focus groups (Attachment F)

On May 19, 2022, staff held another facilitated focus group with businesses, specifically to receive feedback on the draft ordinance that was provided in advance of the meeting. Attachment F is a memo from the Public Dialogue Consortium (PDC) summarizing this conversation. Feedback from this group was considered in preparing the draft ordinance. There was significant discussion in this focus group on how various types of space would be taxed, including commercial leased space, unused space, vacant space listed for lease, and residential leased space. There was discussion of offsets, the measurement of square footage, the treatment of businesses with multiple locations, and the treatment of buildings with multiple businesses. Staff have worked to incorporate feedback in the draft ordinance and in the key policy questions for Council direction above.

### Community Feedback Survey (Attachment E)

The fiscal sustainability survey has remained open and the updated results are included in Attachment E. As of June 1, 2022, over 433 respondents had engaged with this feedback tool assisting staff in crafting both the priorities in the FY 2023 Proposed Budget as well as the priority areas for investment should a tax measure pass. The community feedback is

summarized in Attachment E and remains in line with feedback provided prior to April 7, 2022. Only 39 new responses were received between April 7<sup>th</sup> and June 1<sup>st</sup>.

## **RESOURCE IMPACT**

### Staff and Consultant Resource Impacts

Implementation of this workplan to develop a revenue generating local ballot measure has and continues to require significant resources that include internal staff, consultant expertise, and stakeholder engagement. This initiative has required an average of the equivalent of approximately two full time dedicated staff positions, however, in recent months and at present have presented a significant increase in staffing resources including significant focused executive support from multiple members of the Executive Leadership Team. This has impacted progress on other projects as this work has been prioritized over others.

The City Council appropriated funding for this activity as part of the FY 2022 Preliminary 1st Quarter and subsequent actions. Through Council approved budget amendments of \$270,400, additional resources supporting this major project include:

- Community & Stakeholder Engagement: Lew Edwards Group, \$101,695 Council approved on [11/15/2021, CMR 13626](#)
- Public Opinion Polling: Fairbank, Maslin, Maullin, Metz & Associates (FM3), \$113,500 Council approved on [4/4/2022, CMR 14078](#)
- Outside Legal Counsel: Jarvis Fay LLP, \$25,000
- Miscellaneous printing and mailing

### Ballot Measure Placement Resource Impact

The Santa Clara County Registrar of Voters (ROV) estimates that placing two measures on the November 2022 election ballot will cost approximately \$172,000, or \$86,000 each; this is revised from the initial estimate of \$80,000 per six page measure based on new fees as published by the ROV. When combined with the planned Councilmember elections and assuming two ballot measures, the total estimated cost is \$333,000 for the November 2022 election. Appropriation for these funds was brought forward in the FY 2023 Proposed Budget at the prior estimate of \$320,000, depending on the final direction, staff may need to appropriate additional funds.

### 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: \$4 million*  
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 to \$26 million gross revenues, annually*  
 The total gross revenue will depend on the rate of taxation as well as the offsets/credits and exemptions the Council decides to include. This overall would establish a new tax and revenue to the City’s General Fund where they can be spent on any general government purposes. That decision will be made each year by the sitting Council, however, examples of priority investments are outlined in the draft resolution in Attachment C as directed by the City Council. Administrative costs to collect and implement the tax will impact available funds for spend and administrative expenses are estimated to range between \$500,000 and \$1 million depending on the tax.

**TIMELINE**

Ballot Measure(s) Workplan Timeline	
June 2022	<p><i>Council: ★</i></p> <ul style="list-style-type: none"> <li>- Receive and review results of third and final round of polling</li> <li>- Review and provide direction on draft full ballot language and ballot questions for potential ballot measure(s)</li> <li>- Review and provide updates on additional analysis, comparisons, policy questions and calculations for additional offsets/credits</li> <li>- Provide final refining direction to staff for official action at the end of June</li> </ul> <p><i>Staff Work:</i></p> <ul style="list-style-type: none"> <li>- Finalize documents for Council approval</li> <li>- Continue to provide and support community group information sessions</li> </ul> <p><i>Council June 20, 2022:</i></p> <ul style="list-style-type: none"> <li>- Final Approval of November 2022 Ballot Measure(s) for voter consideration</li> </ul>
August 2022	<p><i>Staff work:</i></p> <ul style="list-style-type: none"> <li>- Language submitted to Santa Clara County Registrar of Voters including:             <ul style="list-style-type: none"> <li>o Ballot question(s) (a clear, accurate statement that describes what the measure will do, not to exceed 75 words) (Due August 12, 2022)</li> <li>o Full text of the measure(s) (Due August 12, 2022)</li> <li>o Impartial analysis of the measure prepared by the City Attorney (Due August 23, 2022)</li> <li>o Arguments for &amp; against (Due August 16, 2022, rebuttal due August 23, 2022)</li> </ul> </li> </ul>
November 2022	Election

**ENVIRONMENTAL REVIEW**

This activity is not a project under California Environmental Quality Act (CEQA) as defined in the 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:**

- **Attachment11.a:** Attachment A - Business Tax Research and Analysis
- Attachment11.b: Attachment B - [placeholder]
- Attachment11.c: Attachment C - [placeholder]
- Attachment11.d: Attachment D - Ballot Measure Affirming Gas General Fund Transfer
- Attachment11.e: Attachment E - Summary of Online Survey Responses
- Attachment11.f: Attachment F - Report from PDC re Addtl Focus Groups
- Attachment11.g: Attachment G - Summary of Prior Work on Potential Revenue Generating Ballot Measures
- Attachment11.h: Attachment H - [placeholder]

## ATTACHMENT A

### Square Footage Business Tax Additional Research and Analysis

Through the City of Palo Alto's exploration of a potential business tax, on April 25, 2022 ([CMR 14316](#)), the City Council directed staff to continue pursuit of a ballot measure to establish a square footage business tax and to research and evaluate the impacts of allowing the following business tax offsets:

- 1) Transient occupancy tax (TOT), and
- 2) Sales and use tax revenues where the reporting business designates the City of Palo Alto as the point of sale.

Using the CoStar database (referenced and presented in detail on November 8, 2021, [CMR 13687, p. 115](#)), this attachment presents research and analysis for the City's possible top five business tax payors that includes the dollar range of revenue, percent of total revenue these businesses may potentially pay in business tax, and comparisons with the top five business tax payors in surrounding agencies. This attachment includes:

- 1) Top Five Business Tax payors
  - Comparison to surrounding agencies
- 2) Business Tax revenue impact, including scenarios/options for:
  - Potential offset TOT remittal
  - Potential offset for designated point of sale for sales and use tax offset

#### **Potential Top Five Business Tax Payors**

To provide the City Council with additional context for consideration of a potential business tax measure, staff researched and analyzed the potential top five business tax payors in the City and surveyed surrounding agencies to order of magnitude for the proposed Business tax. This research and analysis is presented in *Table A1: Possible Top Five Business Tax Payors – Palo Alto and Other Agencies*. Using the CoStar database and internet searches, staff calculated the City's possible top five business tax payors, should this proposed measure be passed by voters. In Palo Alto, the Business tax assessment for each of the five businesses is estimated to range between \$320,000 and \$1.4 million based on the monthly \$0.10 per square foot, and between \$380,000 to \$1.7 million based on the \$0.12 per square foot monthly rate. Additionally, the proposed Business tax assessed on the top five businesses account for 20 percent of total estimated Business tax revenues. In Palo Alto, the square footage for these businesses ranges from 270,000 to 1.2 million square feet in size.

To provide additional context, staff surveyed surrounding cities that shared local or economic similarities such as types of businesses that operate within that city, basis for tax and how the tax is calculated, and/or whether the tax was modernized via recent tax measure. The Tax Range, shown in the second column of *Table A1* calculates the tax range for the top five businesses, based on Palo Alto's current proposed Business tax rate structure. This table includes the following information:

- *Square Footage Tax Range*: the range of tax each of the top five business tax payors in Palo Alto other surveyed cities would pay, under the current business tax proposal.

## ATTACHMENT A

- *Other Agency Tax Range / Estimated Rate per Square Foot:* the range of tax each of the top five business tax payors in other cities pay; the estimated rate per square foot, based on the range of tax each of the top five businesses pay and estimated building size.
- *Percent of Total Business Tax Revenue / Total Top Five:* percent of total business tax revenue remitted by top five payors and total amount remitted.
- *Estimated Building Size:* based on real estate data base searches
- *Total Annual Business Tax:* FY 2021 business tax revenue reported by the surveyed city. FY 2021 is Mountain View's second year of a three-year implementation of the 2018 business tax measure. *Table A1* assumes the amounts for a full year.

Calculations in *Table A1* assume:

- Full monthly tax rate of \$0.10/sf and \$0.12/sf after two-year phase in
- Exemptions that are currently proposed by Council (5,000 square feet, grocery stores)
- Calculated tax before possible offsets for transient occupancy tax and/or remittance of sales and use tax point of sale

**Table A1: Possible Top Five Business Tax Payors – Palo Alto and Other Agencies**

	Square Footage Tax Range (Palo Alto Rates)	Other Agency Tax Range / Est. Rate per SF	% of Total BT Revenue / Total Top 5	Est. Bldg. Size	Total Annual Business Tax
<b>Palo Alto</b> <i>Square Footage</i>	\$0.3M-\$1.7M	n/a	20% / \$4.3M- \$5.2M	270K-1.2M sf	\$22M - \$26M
<b>Mountain View (a)</b> <i>Employee Headcount</i>	\$0.2M-\$7.3M	\$0.2M-\$4.0M \$0.55-\$4.40/sf	77% / \$4.8M	170K-5.1M sf	\$6.3M
<b>East Palo Alto</b>					
Business Tax	\$137K-\$2.0M	\$13K-\$0.4M	49% / \$0.6M	119K-1.4M sf	\$1.2M
Gross Receipts		\$0.26-\$0.50/sf			
Parcel Tax (b)	\$0.2M-\$0.3M	\$0.4M-\$0.5M \$2.50/sf	100% / \$1.7M	165K-213K sf	\$1.7M
<b>San Jose (c)</b>	n/p	\$0.2M (cap)	%n/p / \$0.8M	n/p	\$70M
<b>Notes:</b>					
(a) 2018 measure included a three-year implementation. FY 2021 is the second year of implementation; amount presented assumes fully implemented tax.					
(b) Top four parcel tax payors were provided.					
(c) San Jose uses Employee Headcount as tax basis, Number of Rental Units (housing) and Square Footage (commercial landlords). The general business tax has a \$166,311.35 cap; six businesses pay this cap amount.					
n/p = Not Provided					

To compare the proposed business tax structure to other agencies, staff researched real estate databases for the estimated square footage for the possible top five square footage business tax payors for the City's and other agencies. The estimated business tax to be paid by each of the top five businesses was calculated using the business tax structure detailed in Council's April 25<sup>th</sup> motion, excluding possible hotel and/or sales and use tax offsets. If passed by the voters in November 2022, Palo Alto's top five businesses would pay a range between \$0.3 million to \$1.7 million, which would represent approximately 20 percent of total business tax revenue.

## ATTACHMENT A

In comparison, the top five business tax payors of Mountain View pay between \$0.2 million to \$4.0 million, which comprise approximately 77 percent of total business tax revenue. If Mountain View's top five business tax payors were to operate in Palo Alto under the current proposed square footage tax structure, these businesses would pay a range between \$0.2 million and \$7.3 million. While the low end of the range is consistent with Mountain View's business tax, based on Palo Alto's rates, the high end of the range (\$1.7 million) is 75 percent lower than Mountain View's top payor would be taxed using Palo Alto's rates (\$7.3 million). As a percentage of total business tax revenue, 20 percent of Palo Alto's estimated annual business tax revenue is from the top five payors, while 77 percent of Mountain View's annual business tax revenue is from their top five payors.

Staff also compared the proposed business tax with East Palo Alto's business tax and parcel tax. Using Palo Alto's proposed business tax structure, the ranges the top five business tax payors and four parcel tax payors in East Palo Alto would pay are similar, between \$0.3 million and \$2 million. As a percentage of total business tax revenue, close to 50 percent of East Palo Alto's business tax revenue is derived from their top five payors; this is 30 percentage points higher than Palo Alto's estimate.

### **Financial Impact of Business Tax Offset for Sales & Use Tax**

The City Council directed staff to research a potential offset for businesses based on remittance of sales and use tax where the point of sale is designated in Palo Alto. The [California Department of Tax and Fee Administration](#) (CDTFA) highlights key sections of the Revenue and Taxation Code that discusses sales and use tax law. In addition to typical "brick and mortar" sales tax imposed on goods sold directly to consumers, equipment and products sold to businesses, regardless of whether the business purchasing the good is located within the boundaries of the City, are also subject to sales tax. The business to business segment includes categories such as office and electronic equipment, business services, and leasing activities. According to the Sales Tax Digest Summary for Calendar 2021 Q4 ([CMR 14262](#)), close to 30 percent of the City's total sales tax revenue is attributed to business to business activity. In comparing this to the statewide and San Francisco Bay Area percent of total sales tax, the City's business to business segment is approximately 13 percentage points higher than the state and 7 percentage points higher than the San Francisco Bay Area ([see Attachment A, Chart 1](#)). [Chart 7](#) and [Chart 8](#) in this report provides a break down and analysis of the percent change for the business to business section by comparing to other cities in Santa Clara County and by geographic area in the City.

Staff and the City's sales tax consultant reviewed data for the fourth quarter of calendar year 2021 by reviewing estimated business to business sales and use tax for all businesses with a sales tax permit. Based on this review and as summarized in *Table A2*, the potential annual business tax offset ranges between \$1.3 million to \$3.0 million across all businesses. When fully implemented, the monthly \$0.10 per square foot rate is estimated to generate gross revenues of \$22 million; this offset would reduce estimated gross receipts to range between \$20.7 million and \$19 million. Similarly, the monthly \$0.12 per square foot rate is estimated to generate gross revenues of \$26 million; this offset would reduce estimated gross receipts to a range of \$24.7 million to \$23 million.



## ATTACHMENT A

Table A2: Business Tax Offset for Designated Point of Sale Sales and Use Tax			
	Estimated Annual Business Tax	Range of Offset	Net Annual Business Tax Revenue
Monthly \$0.10/sf	\$22M	\$1.3M-\$3.0M	\$19M-\$20.7M
Monthly \$0.12/sf	\$26M	\$1.3M-\$3.0M	\$23M-\$24.7M

Based on staff's calculation of the possible top five business tax payors and compared to this sales tax data analysis, should the City Council elect to include a business tax offset that is based on a business operator that has the discretion on where the reporting business designates the place where the principal negotiations are carried on resulting in the City of Palo Alto as the point of sale, the top five business may be eligible to offset in part or in full their business tax liability. As noted in the policy questions in the staff report, the Council may choose to adjust the level of offset/credit by establishing an overall cap (e.g. a business may offset business tax up to 75 percent of the business tax liability), and/or a ratio of sales and use tax remittance to offset Business Tax (e.g. \$2 of sales & use tax offsets \$1 of business tax). If instituted, a threshold or ratio may lessen the impact of the offsets on gross business tax receipts.

#### **Financial Impact of Business Tax Offset for Transient Occupancy Tax (TOT) or "Hotel Tax" Remittal**

During the April 25<sup>th</sup> meeting, Council directed staff to evaluate the impacts of an offset for hotels based on TOT remittance ([Council meeting minutes](#)). Previously, staff had modeled a full exemption for business tax remittance for hotels. An individual staying at hotels within the City, referred to as a transient, is subject to a 15.5 percent TOT that is imposed by the City and based on the hotel rate paid by the transient ([PAMC 2.33.020](#)). Within the past decade, voters have approved two ballot measures ([2014](#), [2018](#)) to increase the TOT rate to support the [2014 Infrastructure Plan](#).

Staff presented the Finance Committee with analysis and the potential financial impact regarding an exemption for hotels and grocery stores ([CMR 13981](#)). The aggregate estimated business tax revenue from hotels, based on CoStar data previously presented to Council is presented below. This calculation assumes the first 5,000 square feet is exempt and applies a monthly rate of \$0.10 and \$0.12 per square foot.

*Table A3* below calculates the financial impact of the TOT remittance offset assuming a two-year phase in beginning January 1, 2024, should the business tax be approved by voters in November 2022. Also assumed in the below calculation is the exemption for the first 5,000 square feet, calculations for both monthly rates of \$0.10 and \$0.12 per square foot, and an annual 3 percent CPI beginning July 1, 2026.

ATTACHMENT A

**Table A3: Business Tax Offset for Transient Occupancy Tax Remittance**

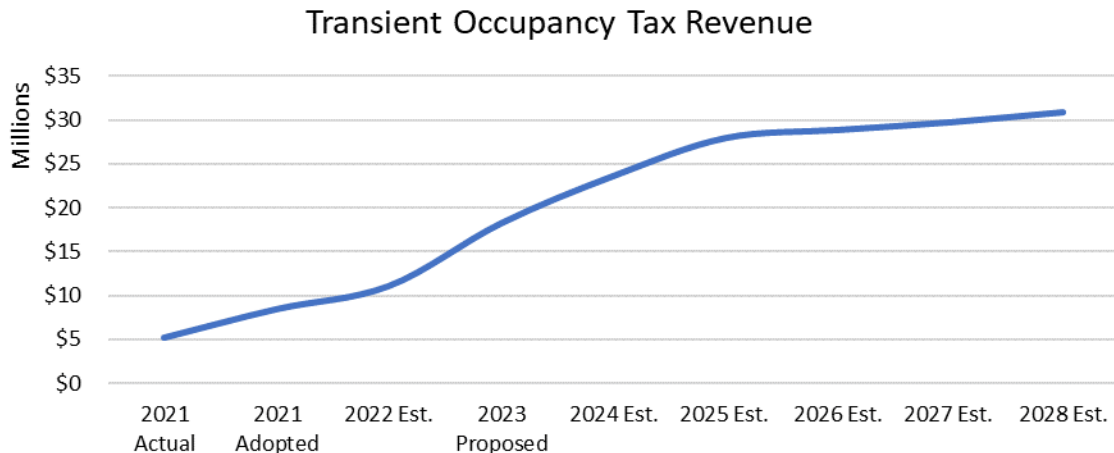
*Assumes Business Tax is imposed beginning January 1, 2024, over a two-year phase in, and assumes an annual 3% CPI beginning January 1, 2026.*

	FY 2024	FY 2025	FY 2026	FY 2027*	FY 2028
<b>Est. Annual Business Tax</b>					
Monthly \$0.10/sf	\$360	\$1,080	\$1,440	\$1,480	\$1,520
Monthly \$0.12/sf	\$430	\$1,290	\$1,720	\$1,770	\$1,830
<b>TOT Revenue**</b>	<b>\$23,580</b>	<b>\$27,900</b>	<b>\$28,820</b>	<b>\$29,700</b>	<b>\$30,830</b>

\*3% CPI begins July 1, 2026 to align CPI calculation with fiscal year  
\*\*Source: LRFF Base Case (January 10, 2022, CMR 13800)

Based on CoStar data previously presented to Council ([CMR 13875, Attachment A](#)) and after the two-year implementation, the potential TOT Business Tax offset ranges from \$1.4 million to \$1.8 million through FY 2028. Based on these calculations and compared to projected TOT revenue, while the majority of the hotels operating in the City will effectively offset their Business tax obligation, there is one hotel that will only be able to offset their Business tax obligation by half.

Based on the City’s Long Range Financial Forecast (LRFF) that was transmitted to the Council on January 10, 2022 ([CMR 13800](#)), business and other leisure/non-leisure travel has experienced significant reductions in recent years due to public health orders, travel restrictions, and diminishing business and personal travel plans resulting from the pandemic. TOT revenues sharply declined from pre-pandemic levels of \$25.6 million in FY 2019 to a low of \$4.9 million in FY 2021. The [FY 2023 Proposed Budget](#) estimates TOT revenues to be \$18.2 million. As public health conditions improve and travel resumes and with the opening of two Marriott hotels in FY 2021, TOT revenue is anticipated to recover and grow, however the FY 2023 estimate remains to be approximately 30 percent lower than pre-pandemic revenue levels of FY 2019. Based on the LRFF base case scenario, TOT revenue is expected to return to pre-pandemic levels within two or three fiscal years (FY 2024 and FY 2025).



PLACEHOLDER

Attachment B: Draft Business Tax Ordinance and Ballot Question

This attachment is expected to be released on June 9<sup>th</sup> in a supplemental report.

PLACEHOLDER

Attachment C: Draft Non-Binding Resolution Regarding  
the use of Potential Business Tax Proceeds

This attachment is expected to be released on June 9<sup>th</sup> in a supplemental report.

Draft – Not Yet Approved

**Ballot Measure Affirming Gas General Fund Transfer****Ballot Question**

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 libraries; climate change reduction; transportation; 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	

**Ordinance**

Chapter 2.28 “Fiscal Procedures” of the Palo Alto Municipal Code is hereby amended by adding Section 2.28.185 as follows:

**Section 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.

## Summary of Responses to Online Community Feedback Survey

*Status update, June 1, 2022*

Starting February 15, 2022, the City provided an online feedback form 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.

As of June 1, 2022, the [Fiscal Sustainability Community Conversation survey](#) may still be accessed.<sup>1</sup>

### Survey Contents

Community members were asked the following questions:

*The City of Palo Alto is engaging the community around long-term fiscal sustainability and community priorities. Below are some of the key priorities Palo Alto residents have historically identified as key to their quality of life. Please give us your feedback by ranking the following priorities from 1 to 8, with "1" being the most important. We will review all comments to ensure that the City continues to address the community's priorities in its long-range planning.*

#### 1. Priorities to be ranked:

- *Expanding City Services*
- *Maintaining basic services*
- *Improving services such as longer library hours*
- *Adding public safety services such as police, fire and emergency medical*
- *Investing in community-owned assets like roads and community centers*
- *Funding affordable housing and homeless services*
- *Repairing streets/roads*
- *Maintaining after school/summer youth programs*

#### 2. Suggestions for additional service priorities:

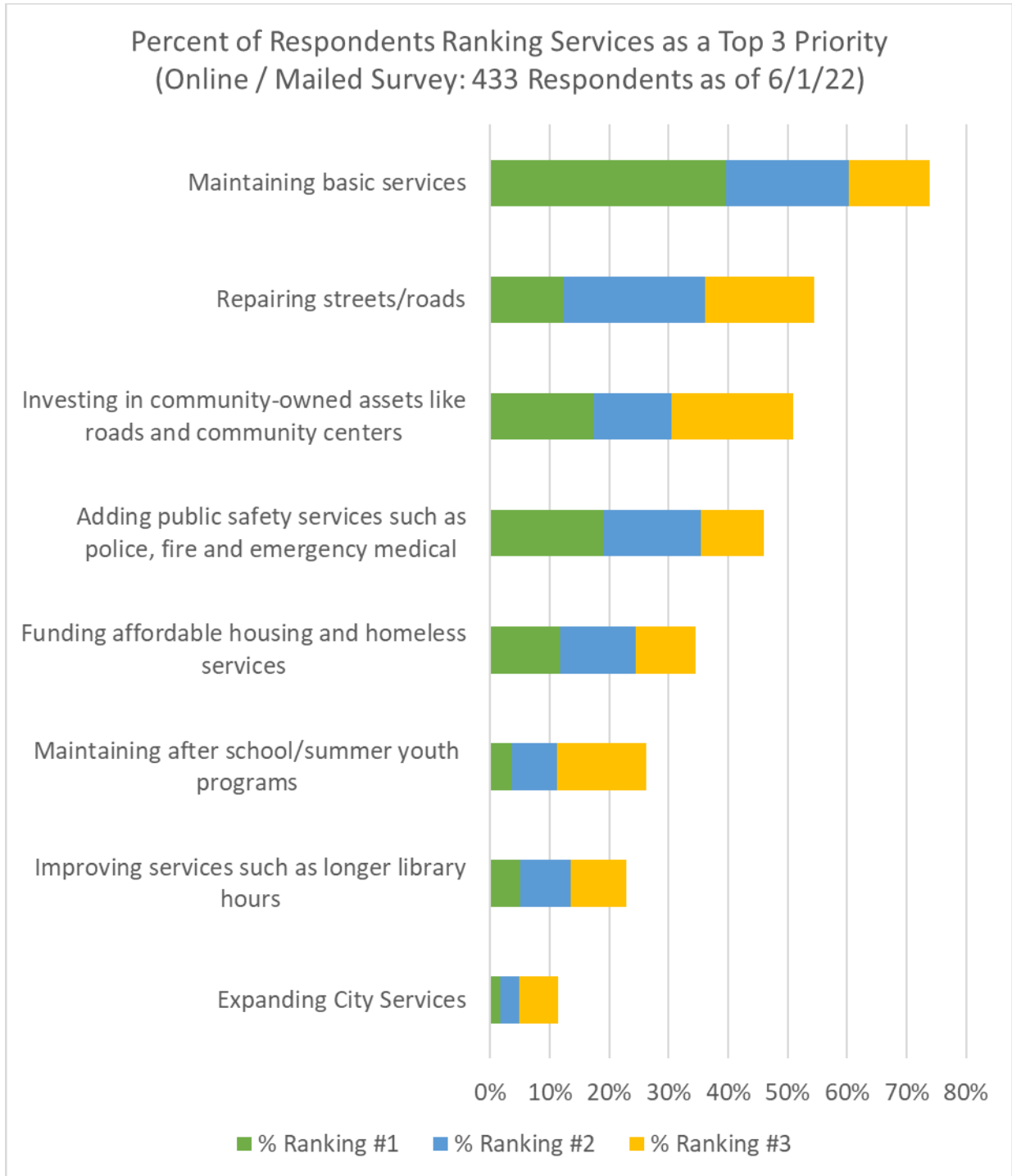
#### 3. I have the following questions:

### Survey Responses

There were 433 responses as of June 1, 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," as shown in Table 1. Table 1 shows the percentage of respondents who ranked each priority first, second, or third.

<sup>1</sup> <https://us.openforms.com/Form/07db0c33-8339-497b-839b-6aab75e1f635>

**Table 1: Percentage of Survey Respondents Ranking Each Priority First, Second, or Third**



There were 142 respondents who submitted suggestions for additional service priorities or additional comments and questions via the online survey. The complete comments are included at the end of this attachment, but in summary:

- 44 respondents wrote comments supporting funding for Lucie Stern Theatre facilities and staffing. Of these, 3-5 appeared to be duplicate submittals.
- 20 comments related to investments in various other types of City infrastructure
- 15 comments related to increasing policing, including code enforcement and traffic enforcement
- 14 comments related to climate action, with a couple of comments opposing City action.
- 6 comments related to affordable housing or homeless services, with a couple of comments expressing concern about setting affordable housing goals or homeless services.
- Other respondents wrote comments related to traffic safety, traffic congestion, road maintenance, parking, expanding bicycle infrastructure and other alternative transportation options, climate change (both in favor of and opposing action), electric grid reliability, fiber internet, zoning, affordable housing, employee pension costs, community and human services, and other topics.

There were 105 respondents to the mailed version of the survey who submitted additional comments or questions. The complete comments are included at the end of this attachment, but to summarize:

- 21 comments related to infrastructure, with an emphasis on roads
- 14 comments focused on increased traffic enforcement, code enforcement, or policing in general.
- 8 comments related to sustainability (climate change, tree canopy, alternative transportation)
- Other respondents wrote comments related to airplane noise, affordable housing, the animal shelter, recreation services, fiber to the home, library hours, utility services, zoning, and service levels in general.



## Comments from Online Survey

The following comments were submitted in response to the two open-ended survey questions for the online version of the survey.

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
1	<p>Reducing pension and retirement benefit expenses</p> <p>Switching to a 24/7 mental health crisis team approach like cahoots using mental health and social workers. Police are only needed if there is a threat of violence which is rarely the case. We could save so much money with this approach.</p> <p>Fiber to the Home; Undergrounding utilities as promised so many years ago. Increasing police response to gangs stealing from stores - there doesn't seem to be much effort here at all.</p> <p>New Animal Shelter</p>	<p>This survey is poorly written. Most people want all of the above. But I also want. to see ways to save money. We seem to be adding more and more administrators and fewer people who actually perform the work of caring for the city. Do we really need another assistant to the City Manager? We need a new animal shelter which we could have had for a fraction of the cost of the bike bridge. Increasing library hours is so cheap - why isn't this a given? Let's get the police up to fill strength - 79 officers and then decide to get more. The poor showing of the police with only 59 officers does not mean that 79 is not enough, esp. if we outsource mental health calls.</p>
2	<p>Support our downtown retail and business operations. They provide the revenues needed to provide all services. They also provide the vibrancy we all value.</p>	<p>Why does the Council not support businesses? We need them to support our hotels, frequent our retailers, and provide quality jobs.</p> <p>Why is the Council wanting to tax businesses now with a business tax AND with a district tax?</p> <p>Why doesn't the Council incentivize housing development by a reduction its fees and an offer to expedite the permitting processes instead of keeping those as the worst in the area and adding more taxes to try and add housing itself?</p>
4	<p>Law enforcement to reduce property crime</p>	
5	<p>Please focus on managing the City and prioritize its citizens.</p> <p>Thanks for the survey.</p>	
6	<p>Providing actionable resources to Eichlers to help with green related retrofitting - for instance, I can't find a non-gas powered boiler for my radiant heating!</p>	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
7	<p>I would also encourage the City to scrub the budget and eliminate some unnecessary items that cost too much. In my neighborhood, I can mention the Ross Road street "improvement" that cost a lot, did not do anything and created a lot of controversy.</p> <p>Also we should aim to make projects less expansive, the pedestrian overpass for 101 at the Baylands should not have costed more than \$10M, also the Mitchell Park community center should not have costed as much and taken so long. The city needs to learn how to manage these projects better.</p>	
8	Finish work at Shoreline Park	
9	Close Churchill Ave Caltrain intersection. It is too dangerous for pedestrians and bikes and cars!!!	
10	providing access to Foothills park to mountain bikes through Arastradero and create one bike trail (single track) in Foothill park	
11	Stop forcing green energy initiatives on the residents, making it more and more expensive to live in PA. These should be put to a vote by residents, not forced by city council members who think more of themselves in how they can get national publicity than supporting the residents.	
12	<p>This should be at the top of the list:                      Funding city's future obligations in terms of pensions, etc. I have heard that we haven't funded these obligations anywhere near sufficiently.</p>	What is the city doing to fund the future generous pensions that we owe?
13	<p>Delete the commercial zoning requirement, density, and height requirements on most parcels along El Camino. Especially near transportation.                      Especially for affordable housing.                      Increase zoning and density along Alma. Especially for affordable housing .</p>	
14	As a subset re public safety, consider installation of additional speed limit signage in our residential neighborhoods.	
15	Please improve bicycle infrastructure! I see many others biking as I do for transportation, but I often don't feel safe next to cars on the main road.	
16	Preparing for flooding risk.	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
17	Dealing with the City has become onerous. 10 years ago, staff were responsive with fewer regulations to navigate. 10 years later, and everything has become complicated - you need high-cost permits for a generator or to get solar. You have fill out forms which are returned for minor issues. Just cut out the red tape - please. And enforce city regulations on leaving trash cans out, safety in walking downtown (arrest people).	
18	Affordable housing is a huge problem and we need better solutions.	
19	It was a waste of taxpayer's money for so-called improvement of Ross Road.	
20	Addressing climate change	Is each city department maximizing each budgeted dollar?
21	<p>A. The item, Maintaining basic services, should include preparing for climate change, especially sea level rise, more frequent droughts and global warming.</p> <p>B. The item, Investing in community-owned assets ... , should include providing broadband, i.e. fiber optic, internet service to the premises.</p> <p>C. The item, Expanding City Services, should include providing better intra-city commuter options to reduce the need for individually owned cars.</p> <p>D. The item, Repairing streets/roads, should include adding new bike lanes and upgrading existing lanes to provide safe use.</p>	
22	Law enforcement	
23	Free shuttle system	
24	Increased policing and enforcement of traffic laws such as parking and speed laws	
25	<p>Improved street signage and efficient street lighting.</p> <p>Encourage CalTrans to improve El Camino road surface !</p> <p>Consider levy of small city tax on all residents -- sliding scale based on income, not to exceed \$100 / year.</p>	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
26	<p>I recommend increasing police services to contain burglaries from homes and businesses. Such crime must be addressed.</p> <p>I emphatically do not recommend increasing fire services. They are more than adequately funded and should be reduced to provide any needed emergency medical services.</p> <p>I would have given public safety services a higher ranking, but since fire services was included it was given a lower priority.</p>	
27	<p>Don't just fix the potholes on El Camino redo the street material with a mix of tires and asphalt to make them more resilient to the wear and tear. Also can you please pay attention to Barron Park Streets they are looking like very undeveloped countries</p> <p>The Barron park section of el Camino is a disaster</p>	
28	<p>City-funded housing and transportation services for seniors.</p>	
29	<p>Putting electrical wires underground.</p> <p>Replacing large lawn areas with native shrubs (but leaving areas for kids to play).</p>	
30	<p>Reduction of city management salaries. Find a hungry person to do it for a fair price.</p>	
31		<p>Why is Lucie Stern Community Center so underinvested compared to Cubberley Community Center? It's a beautiful indoor + outdoor space (and home to three award-winning performing arts companies that Palo Alto should be proud to claim as its own!) that can benefit many more community members, especially during COVID-19, if repairs and upgrades are made to the facilities.</p>
32	<p>Make it more difficult for developers/speculators to demolish livable housing to replace it with huge homes that are often not occupied. This is why housing has become unaffordable. Increase incentives to remodel/rehab existing housing stock. Build affordable/low income housing in Palo Alto Square (not sure who owns that). Stop billionaires from buying up multiple neighborhood houses and taking them out of the housing market. Decrease the number of ghost houses.</p>	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
33	Do not spend any money on public art until all the potholes in the city are fixed.	How much money is CPA spending on the fiber-optic project? Why is it building this service when fiber optic is already being provided by AT&T and Comcast?  Why is a fire engine dispatched along with an ambulance for every emergency call?
34	Grade Separation on the SP tracks. You can't keep all the people happy all the time. Subsidized Solar Roof plan for residents.	
35	Ease traffic congestion and provide more parking.	
36	First category above (expanding...) is too vague to be useful.  Cubberley should get sustained attention and investment, leading to purchase from the school district and total renovation, funded by long term bonds. It is a huge opportunity for the future and a pretty ugly testimonial to our confused process and thinking in the present.	How do we compare to MV, RWC, Sunnyvale in per capita spending on various categories. Can we find places where we are overspending this way?
37	Nothing about utilities here. Improving the utility function is a very high priority.	
38	Missing from the list: RESTORE cut funding for multi-modal transportation projects, including foot-powered transportation safety, especially at identified safety trouble spots on school commute routes. Before you "Add" public safety services, you need to restore what the city cut. The item should read, "RESTORE public safety services." The survey language is not an honest representation of where we are and what adding funds will really do. Restoration of cut services is not "adding" or "expanding" them. These are misleading options. What are "basic services", if not police, fire, road repair, etc. Utilities? Waste collection? Street cleaning? Arborist? What? The average citizen won't know this. This second item is vague and, in context of the rest of this list especially, requires explanation. This is a poor beginning to a listening exercise. I filled out the priorities so the survey would let me go beyond this page. My prioritization is meaningless because the options you offer are inaccurate and vague. My top priority, mentioned above, is not even on the list. How does one prioritize without understanding current budget constraints and the cost of these items? Too little background information to understand trade-offs and make informed choices. So...what do you really mean? Are we talking about restoration of cut services or adding services above the levels we previously had? Be more clear. Additional Feedback: See above.	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
39	<p>The City of Palo Alto has been doing mayor improvements in certain areas, Loma Verde and Ferne, Charleston from Middlefield to El Camino and beyond but nothing has been done in the Circles, I had asked for a (ONE) STOP sign at the corner of Carlson Rd (coming from Charleston) and Redwood Circle, a very dangerous outlet from my Carlson Circle because of lack of view and speed on Redwood Circles and nothing has been done, while there are bumps on streets that don't really need them and gardens in crossroads that make them more dangerous for pedestrians and children on bikes.</p> <p>There is no police patrol near schools, example Fairmeadow. Very little patrol on Alma and around the dangerous railroad crossing on Churchill. Cars drive at 60 plus miles per hour on Alma.</p> <p>Also Alma is a shame with trash cans all week long. I have to remove my trash cans after they are serviced or somebody complains (I am 80 years old, by myself) and Alma has trash cans always by the street that looks terrible.</p>	<p>Why every neighborhood in Palo Alto does not get the same service? Louise, Ferne, Amarillo ( the road finish on Louise and Amarillo is a shame, already dirty, inadequate and I bet very expensive, it is confusing a total waste of money), Loma Verde and Professor Ville get all the improvements while the Circles get nothing, only high speed cars and even School Busses cut from Alma at full speed on Lindero and Redwood Circle. Why are there so much road construction on Charleston and Alma (almost daily) and Alma in South Palo Alto. This is just the beginning of my questions, I have gone to city meetings and I was never chosen to talk.</p> <p>I have to also say that the police department was great during my husband long illness, for about three years, they came to our house to lift him from the floor, they took him to the hospital, they were always helpful, and correct. Thanks to them.</p>
40		<p>I am concerned about the conflict between cars and bikes on the Bryant Street Bike Boulevard between Embarcadero and downtown. We have been promised a traffic circle and or other measures for slowing cars. What is the status of the traffic circle at Kingsley and Bryant Street?</p>
41	Add more police budget to make the residents feel safe.	
42	Decide what to do with Cubberley	
43	Public safety is by far the highest priority. Besides "police, fire and emergency medical", additional measures for improving public safety will also be important, e.g., community watch, using technology to improve automated surveillance...	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
44	Properly funding the trust funds for retiree pensions and medical benefits should be higher than all the priorities you've listed above. That's the most critical element in achieving fiscal sustainability. The fact that you left this off your list really worries me.	We're seeing a big uptick in crime, and many minor crimes are not followed up on by the police, leading citizens to stop reporting all of these incidents. Thus, I believe that the current crime statistics undercount the true problem. Job #1 for our local government should be maintaining order and taking actions that discourage crime. As I mentioned in suggestions above, I still can't believe cities like Palo Alto have made promises to retirees (pensions and medical benefits) that are not fully funded. This is a time bomb that will come back to bite us later on, causing a big decrease in non-essential services. I recommend we tackle this problem responsibly.
45	More funding for adult community classes	
46	Traffic enforcement. Improve tree program - natives	
47	Get a nighttime curfew for planes out/into SFO, like San Jose.	
48	You'll never be able to build enough new housing in our built-out city to even make a dent in housing costs, let alone make it 'affordable.' Don't further bankrupt the town in this futile endeavor. Every additional housing unit does not bring in the revenue to cover the cost of its increased services.	
49	Stop digging up the Charleston/Arastradero corridor every year! You keep working on it, wasting money, causing traffic jams - and make it harder to drive and bike (yes, I do both).	
50	Funding for task force to identify and eliminate local zoning regulations blocking dense housing development.  Increasing mass transit options.	What percentage of emergency services are for police vs other emergency departments?
51	I believe that all City of Palo Alto efforts related to climate change should be terminated. The existing programs will have no measurable impact on CO2 levels in the atmosphere, but will have measurable and adverse impact on the city's fiscal health. Those people who work in the programs can be re-directed to higher priorities, which I rank above.	
52	We also need to find funds to work on climate change	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
53		<p>I would like to understand how the city is measuring current program effectiveness and estimating cost effectiveness of new programs. For example, it's hard to know if we need to spend more on police/fire/medical unless we know how well those services are currently performing now and how much it would cost to make them better buy some increment.</p> <p>Also, many of these questions seem to assume the conclusion. For example, "Funding affordable housing and homeless services" is a solution, while, "increase housing affordability and reduce homelessness" is the goal. You can increase housing affordability by reducing building restrictions, no additional funding required. And are there any proven cost effective programs for reducing homelessness?</p> <p>What is the formal measurement process the city is using in evaluating service levels and cost effectiveness of potential improvements?</p>
54	<p>For the Lucie Stern Community Theater:</p> <p>Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades</p> <p>Restore a theatre facilities manager position for the Lucie Stern Community Theater</p>	
55	<p>City-owned facilities such as Lucie Stern Center are important assets and need to be maintained as much as libraries or fire stations. This is more valuable in my view than building a new police building.</p>	<p>Many of the above priorities are overlapping!</p>
56	<p>I specifically think Palo Alto should invest in our grid. It's a durable community asset, and it supports our sustainability goals through electrification.</p>	
57	<p>It's difficult for me to rank these needs, one over the other.....however I would put funding improvements to the Lucy Stern Theater near the top since it adds immeasurably to the quality of life in Palo Alto</p>	<p>Is it possible to sponsor a volunteer position for theater maintenance with cooperation from Avenidas who has a rooster of engaged, talented seniors?</p>



Written Comment #	Suggestions for additional service priorities:	I have the following questions:
58	Abilities United used to have a therapy pool that people with disabilities and seniors could use. They no longer have that and Palo Alto could really use a good hot therapy pool. It could be open to the public, and not just disabled and senior people. There is such a big senior population in this town and I don't understand why there's not more facilities for seniors. Why don't we have a functioning animal shelter? Why doesn't the city take better care of the streets and roads? Why doesn't the city take better care of the existing parks and facilities? We don't need another gym.	Why don't we have a functioning animal shelter? Why doesn't the city take better care of the streets and roads? Why doesn't the city take better care of the existing parks and facilities?
59	I am particularly concerned about Lucie Stern Theatre. It is in dire need of maintenance (e.g. seats, plumbing..), facilities upgrade (better ventilation), and personnel to oversee its operation.	
60		G
61	Lucie Stern Theatre1	
62	We have beautiful community areas (Lucie Stern) that desperately need funding. Please budget for maintaining the resources we have!	
63	Addressing traffic congestion and noise pollution. Establishing and Strictly enforcing noise controls from motorcycles and speeding cars at night. Having the Palo Alto police use their already extensive funds in patrolling at night and break-in prevention tactics. Maintenance of our public spaces and freeway corridors - our streets and freeways are embarrassingly broken and dirty These issues have become a major concern in the safety and quality of life for us residents.	How are the current taxes and funds being utilized? How much is going toward paying administrative overhead and city officials salaries vs actual community services? What is the effectiveness score of our police and city administrators enforcing and implementing safety, noise control, community services, infrastructure maintenance and clean streets?
64	Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades Restore a theatre facilities manager position for the Lucie Stern Community Theater	
65	I am a resident of Stanford, not Palo Alto. But I would like to urge you to adequately support the Lucie Stern Theater. Brian White, 881 Tolman Dr, Stanford.	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
66	<p>Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades</p> <p>Restore a theatre facilities manager position for the Lucie Stern Community Theater</p> <p>Add more funds to the Children's Theatre to keep a vibrant community treasure that helps our youth and builds self confidence</p>	
67	<p>Lucy Stern Community Center Theatre needs maintenance. Further a city employee needs to be assigned to oversee the theatre. This facility is 100 years old and is showing its age and lack of recent maintenance.</p>	
68	<p>Restore and repair the Lucie Stern theatre. It provides an important and necessary cultural center for this university town. It's a legacy that needs to be maintained and cared for.</p>	
69	<p>I suggest that city staff opportunities for training regarding interaction with citizens be made available. On two occasions, I attempted to get answers to questions: (1) regarding marking parking spaces so drivers would take up one instead of two spaces; and (2) repair of sidewalks. The responses from city staff were inadequate, in my opinion. On another occasion, when underground power was being installed in the residential area south of University Avenue, communication from the individual coordinating the operation was adequate. I think the quality of communication should be less varied.</p>	<p>When will the overhead power lines be taken down, now that power is delivered underground?</p>
70	<p>Refurbish Lucie Stern Theater</p> <p>Move ahead on rebuilding Cubberley Community Center</p>	
71	<p>Lucy Stern Theater is a vital resource for our well-respected, top-quality community opera and theater companies, West Bay Opera and Palo Alto Players, but it has been sadly neglected for many years, and is in desperate need of plumbing, heating, and lighting upgrades, as well as both basic maintenance and ongoing care.</p>	
72	<p>Lucie Stern facility is in particular need of upgrade, having been around for a century.</p> <p>Seems that #1 and #3 in my choices have some overlap.</p> <p>Affordable housing needs developer and probably city tax incentives/subsidies. Might be a different type of investment than other items</p>	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
73	<p>Allocate funding through the Capital Improvement Project for Lucie Stern Community Theater facility upgrades.</p> <p>Restore a theatre facilities manager position for the Lucie Stern Community Theatre.</p>	
74	<p>Palo Alto should invest in either a major remodel of Lucie Stern Theater or build a new theater. The theater is worn out, its technology is obsolete making it difficult for our wonderful theater companies to work there, and it is too small. TheatreWorks won a Tony and many of their performances are in Mountain View where they built a wonderful new theater some years ago. We must invest in Palo Alto's wonderful theater talent!</p>	
75	<p>Attend to the need of maintenance of the Lucy Stern Theater and Community Center. This is a gem and must be preserved. Many people are affected by the opportunities presented here.</p> <p>Put it in the budget.</p>	
76	<p>Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades</p> <p>Restore a theatre facilities manager position for the Lucie Stern Community Theater</p> <p>Arts are important to this - any! - community, and the 100 year old Lucie Stern Theater is a landmark that deserves more respectful treatment than it's currently getting. Those of us who produce those arts - plays and operas for example - need your help.</p>	
77	<p>Some of these categories appear to overlap. This means that answers won't be accurate.</p>	
78	<p>Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades and restore a theatre facilities manager position for the Lucie Stern Community Theater.</p>	
79	<p>Upgrading the Palo Alto electrical grid so that Electric cars, Electric space heating and water heating can be adequately served. Perhaps even finishing the promise to underground utilities while upgrading them.</p> <p>Let's NOT build a Gym.</p>	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
80	Please keep in mind the needs of older citizens who no longer can get around easily. The Downtown Library, for just one example, is one thing that needs to be kept available to us.	
81	Magical Bridge Playground maintenance, Lucie Stern Theater sets and infrastructure, summer music concerts	
82	Provide funding to maintain and upgrade the Lucy Stern complex. Wiring and plumbing does age and wear out and no longer comply with code. That can place its very existence in jeopardy.	
83	Lucie Stern Theater and Community Center are most definitely in need of upgrades. Please put funds toward these very valuable community assets.	
84	The school programs through Explore Online are not convenient for double working parents from a timing perspective. Can we check how population mix for parents have changed and adapt to it?	Are there reports on current state of infrastructure, crime rates etc. which help understand current investment in defensive/maintenance activities and what's the right mix?
85		Who is benefitted by the after-school and summer youth programs? Are lower income families appropriately subsidized for these programs? Is the city working on solutions to the problem of people living in RVs around the city? Why do I never see traffic law enforcement any more - speeding and red light running with impunity, creating dangerous situations for kids and adults?
86	Community assets such as the Lucie Stern Theatre have been allowed to atrophy through lack of maintenance & cutting necessary staffing like the theatre facilities manager. It should be much more of a priority to preserve the city's heritage and existing facilities and services than to constantly be on looking for new ways to spend tax revenue on splashy & politically trendy new programs.	
87	Repair & improve Lucie Stern theater & the Children's Theater.	
88	Repairs and improvements to Lucie Steen Community Theater are much needed	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
89	<p>The city needs to spend money rehabing Lucie Stern, rather than spend money on street striping and building concrete barriers in middle of streets.</p> <p>There are a number of items that I consider VERY VERY low priority. Hard to make them all a 10. Comments: city services - do not need any more, think about reducing them. Long library hours - is this needed? Funding homeless services - look how great the city did with the Opportunity center. People were to stay there for a max of 2 years. Residents do not want to/ do not plan to move. Maintaining after school programs - is this a role for city or for PAUSD</p>	
90	3.5 Fiber internet	<p>Seeing an increasing number of homeless roaming around our residential streets. What are we doing about it? Not sure why that's happening, but feel like there should be more planning and action around that on a local, state and national level. More specifically I worry about the mentally ill roaming my neighborhood where my kids are. We spend so much \$\$ (mortgage and taxes) to live here that it boggles the mind that the homeless can too and I can't figure out 1. why this is happening more so in the last few months, 2. There seems to be no plan and 3. Why should we just accept all homeless people who come? Does anyone have any good actionable ideas and the ability to execute on those ideas?</p>
91	<p>Repair/Upgrade existing buildings especially: Build New Animal Shelter Maintain and upgrade Lucy Stern Theatre</p>	<p>Why are talking about new initiatives when we haven't taken care of existing buildings and programs? We have no need of a new gym until the Animal Shelter is improved and Lucy Stern Theatre Repairs and Maintenance is insured. Why aren't the bathrooms at Lucy Evans Interpretive Center open to hikers? Mt. View has bathrooms available in the Baylands. We have them - we just don't want to maintain them.</p>
92	<p>Repairing, renovating city buildings, parks. Lucie Stern Center should be made more friendly for its demographic -- over 60.</p>	<p>Why aren't we pushing back more on ABAG for its over the top housing requirements for our City?</p>
93	<p>Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades Restore a theatre facilities manager position for the Lucie Stern Community Theater</p>	<p>Why are you pursuing a city gym facility over upgrading a community jewel like the Lucie Stern Community Theater?</p>

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
94	<p>Lucie Stern theatre is in wretched condition. As a volunteer crew chief for both Palo Alto Players and West Bay Opera I'm aware of the many problems we face trying to put on a production. Broken seats, insufficient lighting and electrical. Also rodent problems and filthy catwalks for the follow spot operators.</p>	<p>If Palo Alto can fund a bike bridge that serves 100s, can't they fund a theatre that serves thousands?</p>
95	<p>I believe that public safety services are the most important. If the city is not safe, people actually move out instead of moving into Palo Alto. The reason why Palo Alto is such a desirable place is that it's safe for families. Thank you so much for all the work that the police have been doing.</p>	
96	<p>The Lucie Stern Community Theater is in need of repair. For example, the seats don't stay up, which is a hazard for people with less mobility. There are also problems with the plumbing, heating, and lighting systems.</p> <p>Please allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades.</p> <p>In addition, please restore a theatre facilities manager position for the Lucie Stern Community Theater.</p>	
97	<p>We would like more affordable options for renting space to conduct non profit events such as bonsai shows. We'd like to be able to sell bonsai to help fund the rental but the City of Palo Alto's interpretation of the ruling regarding non profits and fundraising has made it quite expensive.</p> <p>I also like the idea I've heard of a city recreation center. I've been to rec centers in other states that are really fantastic facilities with large lap pools, climbing walls, racket ball facilities, etc. Wish we had something like that here and affordable.</p>	
98	<p>Improve Lucie Stern Auditorium.</p>	
99	<p>Finish intended improvements to Park-Wilkie Bike Boulevard</p>	<p>When will we learn what citizens cared most about?</p>

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
100	With the important things above, it seems like the City has enough on its plate. I have not done any home renovations, but neighbors who have say the process is very inefficient.	Does the City consider reducing/modifying programs that do not work well; make decisions based on some sort of representative user feedback;? Thanks for trying
101	Funding for adaptation to climate change	
102	With pressure from the state to expand the population the city will need to focus on maintaining service levels.	
103		Why don't City workers work five days a week? Why were they recently given more holidays? Why is the City Council seemingly more concerned about accommodating City employees than looking after the interests and needs of Palo Alto residents? City Council members need to recognize that they owe a fiduciary duty not to City employees, or their unions, but City residents.
104	Businesses have significant responsibility to fund housing. The jobs they create causes the demand for new housing (which is always more expensive than depreciated housing) and infrastructure to support population growth (transportation, resources, schools, etc.,) Parks and recreational spaces need to be supported.	How can we get the very wealthy businesses, including Stanford University to pay for the value of the benefits they receive by being here?
105	While local efforts to reduce carbon emissions and sustainability are to be commended, I would NOT invest more in this area. Palo Alto is not responsible for the environment alone, and the effort needs to be more widespread to be effective. As a city, Palo Alto needs to focus on itself first and foremost.	

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
106	<p>Lucie Stern facilities especially the Theatre needs total do-over. The toilets are ridiculously too small for a capacity theatre. The pavement is dangerous to walk on when it is raining There is no inside access to handicapped readily available without going outside to go down to the lower door (ripe for being sued). There needs to be brick framework near the front door built up as I watched an 80 year old stumble but fortunately agile so able to stop from a serious fall. For a city with the wealth of PA it is disgracefully maintained. Gorgeous though it may be from the outside, the inside is tatty and downright rundown. Need expertise to have a first rate theatre and children's theatre plus the other rooms.... Do retain its charm but have a contest of architects and do it now. I will gladly work to achieve this.</p>	<p>Why can't Theatreworks or the Players use the toilets int he Children's theatre when they are open as well as all the other toilets, whether there is a wedding or not.</p>
107	<p>Lucie Stern Theatre is in great need of upgrading. One major problem is the need for additional bathrooms at this Community Center. When the theatre is in full attendance and there is a wedding or other event there are only 2 bathrooms for about 400 people to use at a 15 minute intermission. We need more bathrooms here and in particular we need to add gender neutral bathrooms so that women have equal access.</p>	
108	<p>Improve Lucie Stern theatre.</p>	
109	<p>The libraries should be consolidated into two locations, Mitchell Park and Rinconada. Although controversial, this would free up money to improve service at the two locations. Building a new gym should not be given any priority. It was not being considered until John Arrillaga offered a large donation. Now that his gift is no longer available, and he won't be managing the project, the idea should be postponed indefinitely.</p>	
110	<p>Repairing, renovating city buildings, parks. Lucie Stern Center should be made more friendly for its demographic -- over 60.</p>	<p>Why aren't we pushing back more on ABAG for its over the top housing requirements for our City?</p>
111	<p>Allocate funding through the Capital Improvement Project (CIP) for Lucie Stern Community Theater facility upgrades Restore a theatre facilities manager position for the Lucie Stern Community Theater</p>	<p>Why are you pursuing a city gym facility over upgrading a community jewel like the Lucie Stern Community Theater?</p>



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116	<p>Improve Lucie Stern Auditorium.</p>	
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121		Why don't City workers work five days a week? Why were they recently given more holidays? Why is the City Council seemingly more concerned about accommodating City employees than looking after the interests and needs of Palo Alto residents? City Council members need to recognize that they owe a fiduciary duty not to City employees, or their unions, but City residents.
122	Businesses have significant responsibility to fund housing. The jobs they create causes the demand for new housing (which is always more expensive than depreciated housing) and infrastructure to support population growth (transportation, resources, schools, etc.) Parks and recreational spaces need to be supported.	How can we get the very wealthy businesses, including Stanford University to pay for the value of the benefits they receive by being here?
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128	<p>: El Camino Real and certain intersections need to be upgraded. : It can take a LONG time to get through Palo Alto at times on El Camnino and lights need to be better coordinated or in sync.</p>	<p>1) When will road repair be done around Palo Alto in 2022/23? 2) Fiber - this is being discussed, but when will it be rolled out? And have we thought of coordinating with other cities around us? Why go piecemeal when working with adjoining cities on a larger scale can cut costs.</p>
129		<p>Expenditures and scope of each of the above priorities as well as duration of time to achieve goals.</p>

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
130	<p>Continuing to reduce our carbon footprint should be a high priority. Completing (the initiatives we've undertaken to reduce the risk of flooding along San Francisquito Creek should be a high priority. My sense is that there's friction between the city's Development office and homeowners / contractors which I think is unfortunate and should be addressed; I wonder if we're being "over regulated." Water conservation will be increasingly important. Balancing growth vs traffic congestion and citizen quality of life is an ongoing challenge, my sense is that we over prioritize growth. Ensuring that our recyclables are actually recycled and not simply shipped to low income locations around the world is a responsibility we all share; "zero waste" only works if the outcome of recycling is truly zero on the broadest / global scale.</p>	
131	<p>Fix the building permit issuance process. I am only hearing how awful it is from everyone</p>	
132	<p>Of course the effectiveness of our basic services, street repairs, and public services (especially fire/polce/emergency) are extremely important and should be supported as needed. Once those are reasonably sound, street repairsI would like to see Palo Alto learn from the Los Altos downtown model which seems to prioritize a healthier, more balanced, flexible business model that offers its citizens a richer interaction and connection with the community. I often shop in Los Altos for the fabric store, knitting shop, bakery, bookstore, pet store, skate shop, etc. It is difficult that PA is larger and has several shopping areas--T&amp;C, Midtown, downtown, and Cal Ave, but looking at these resources from a comprehensive perspective--which perhaps you have done--would be a useful embedded/ongoing process. Expanding resources for our high school teens is a rich area to explore--a space where teens can play games, eat, make music, study, take classes, etc. would be a tremendous addition. The MP teen space might be successful for younger ones but it doesn't capture the needs of our older teens. Perhaps we need to find someone who is interested in being a benefactor in the vein of Anne Wojcicki (<a href="https://www.bizjournals.com/sanjose/news/2014/07/16/anne-wojcicki-makes-it-official-im-behind-los.html">https://www.bizjournals.com/sanjose/news/2014/07/16/anne-wojcicki-makes-it-official-im-behind-los.html</a>)? I am afraid if we leave the market to dictate the business offerings--especially on California Ave--we will see a continued decline in utility of, connection with, and income from our downtown businesses.</p> <p>What are the basic services? How does the distribution of our funds compare with other comparable and vibrant cities--eg, what percentage of the budget goes to youth programs, safety, road repairs, etc.?</p>	
133		<p>What is the city's growth plan</p>

Written Comment #	Suggestions for additional service priorities:	I have the following questions:
134	Palo alto and the county, state and country need to disallow foreign realestate investment. It is not acceptable that non US citizens determine what gets developed. This leads to homelessness and barren cities without amenities citizens need.	The entire basis of the cities revenues is built on hotel taxes and no one uses hotels but AirBnB. We need to restructure the finances so that sound reliable income streams can fund basic services reliably. The pandemic taught us that travel and tourism is completely optional. Something more stable such as sales tax or property tax is required. Energy taxes may also be required.
135	Stop water fluoridation. It's a toxin and proved to lower baby's IQ. Please repair the gap of side walks. I tripped and took a fall and injured.	
136	gigabit municipal fiber to every house	
137	Improve electrical infrastructure Don't spend money on fiber services	
138	Recognize that the Palo Alto demographic is heavily older toward the north, younger toward the south. concentrate services accordingly. Make sure services needed by the older folk are easily accessible to them in the north (like a downtown library, senior center, retail, etc.	
139	The Palo Alto Children's Theatre used to do plays with large casts, frequently with musicians playing, and no member of the cast or crew or musicians paid 1 cent to take part. They all worked together to enrich the community with the entertainment they provided. And our theaters need some repair, updating.	
140	Increase city density, walkability and public transportation, deprioritizing cars and prioritizing people.	
141	Congratulations on adding an employee to deal with gas leaf blower violators and the people that hire them. This will give us the most bang for the buck and greatly benefit our community. Next up are all of the wonderful programs the city provides for youths. Extending library services is part of this. Kids (and adults too) need a quiet place to go to. Keep up the good focus on mask-wearing!	
142	Investing into sustainability programs. It's going to be all the matters in a decade or so.	

## Comments from Feedback Mailer

The following comments were submitted in response to the comments section of the mailed version of the survey with a perforated tear-off postcard to mail back to the City.

Written Comment #	Comment
1	Continue working on Airplane noise solutions
2	Traffic safety: Too many drivers ignore stop signs.
3	1 - Dramatically reduce pollution footprint
4	Just tarmacing street doesn't clear bumps under it. Bad for backs! S.P. Alto, Middlefield
5	The one about "community-owned assets" is very confusing.
6	More street lights in neighborhood
7	Finish putting utility wires underground across all Palo Alto
8	Build trash-to-energy converter @ Baylands
9	My granddaughter is a TEACHER and can't afford to live here most important teacher housing is no the very unacceptable answer
10	What about sustainability. 0.5) What about green initiatives & sustainability
11	The condition of many roads in Palo Alto is terrible
12	What about code enforcement?
13	The rest are so nebulous, it's impossible to make a intelligent choice
14	We need CITY-FUNDED TREE service!
15	We should allow Castilleja to build & grow
16	Top city priorities should be: police/paramedics (emergency response), utilities (public works)
17	Animal shelter/spaying
18	What does our #6 above really mean?
19	More pickleball courts!
20	Sustainability, climate change plans etc.
21	We live in a safe community, housing is a crisis. Allow more housing!
22	On the supply side by greater public ownership, i.e. public banking, ISP etc. Comment on services: ALL DEMAND SIDE!!!
23	Fix the police! Fire the violent officers who cause the City to be sued!!! No pensions. Comments on Services: Expanding City Services - More mental health services Adding public safety... - improve training and better screening of the police recruits
24	Foothill Park - take it back!
25	1 - Create more parks & open areas in this crowded city
26	We need to invest in making Palo Alto a more quitable place to live for everyone.
27	I am concerned about the judge who said utilities profits to general fund is a tax!
28	1 - prep for/mitigate/reduce climate change
29	Repair all non-working street intersection cameras
30	Stop leaf blowers (noise pollution)
31	Bike friendly improvement and good tree health/canopy
32	Remove overhead utility lines
33	PLEASE SUPPORT THE AIRPORT. THANK YOU.
34	There are far more important city services than fiber-in-the-home! Comments on Services: Expanding City Services - How is this different from all that follow? Investing in comm..., funding homeless..., improving services..., repairing streets - how are these different?
35	REAPIRA STREETS – POLICE
36	POLICE LEAF BLOWERS!!!! Bring down sound pollution

Written Comment #	Comment
37	Especially, longer hours @ Children's Library. Whose expansion was supported thru PALF!
38	We are very disappointed w/ these questions. They are so vague. For example what does expanding services mean? What's the difference between #7 and #4 for roads?
39	Issues like crime + roads - which you ignore for libraries. Who uses a library?
40	Lucie Stern Community Center needs attention please.
41	Investing in community owned assets like community centers - particularly Lucie Stern
42	Why to roads appear twice on the list? Please define basic services versus city services.
43	Add speedbumps, reduce speeding cars. What does expanding City services mean? Community owned assets are already great. City has already great work in affordable housing and homeless service area. Put up speed limit signs. Reduce residential and personal safety crimes (for police)
44	No to expanding City services and funding affordable housing and homeless services. Stop police radio encryption (Number 1 - more transparency)
45	Fix Churchill bike lanes at Alma
46	Install smart meters and help with solar installs If you want to know "improvement needed?" why "maintain?"
47	The City needs to address excessive noise from airplanes. Fun this! Top priority!
48	More active policing. Less value futurism
49	Expanding project safety net to include mental health services for adults + youth
50	1 - Fiber to the home from City Muni Internet
51	Please preserve Cal Ave as a No-Car area
52	#1 Priority: Traffic safety kids/teen bike safety - much more police vigilance needed. Comments on services: Cut down semis + tractor trailers off our streets!!! Road safety standards have decreased appallingly in 3-5 years
53	1 - Fix the railroad level crossings!
54	NOT "defund" but "redesign" w/ social services
55	Maintain tree + flower beds on corners (like the 70's + 80's)
56	These streets are the worse/El Camino need ASAP atten
57	Resolve/improve traffic problem on El Camino & Embarcadero - Alma, etc.
58	Resume shuttle
59	Emergency vehicles are very noisy on Middlefield. Cut back on sirens - only use when absolutely necessary. Residences are affected by noise level.
60	I value & appreciate services that are currently provided. Thank you.
61	Please less construction! It obstructs traffic
62	WORK ON OPPOSING THE NEW IDEA OF ALLOWING 4 HOUSES ON A 50x100 Sq.ft.std LOT
63	Comments on Services: Maintaining basic services - roads
64	Stop the stack & pack housing, you only get so many people. Get homeless off the street rehab programs
65	Lack of P.A. employees & using contractors has lead to lack of a or terrible service. Are the plans to hire people instead.
66	Stop racism - no firmament action
67	Cubberley
68	How many existing City positions are currently unfilled?
69	Castilleja? Why? Palo Alto takes too long to make decisions on everything.

Written Comment #	Comment
70	Don't add new things, first improve existing services. Reduce costs, simplify. Programs like Citywide yard sale are excellent.
71	Please maintain service at College Terrace Library.
72	Removing the entrance fee to Foothills Park!
73	Invest in prepaid questionnaire returns
74	Public safety number 1 always; streets and roads number 2
75	Keep libraries open 7 days a week (down arrow) police support
76	Getting rid of gas powered leaf blowers - priority for climate change, pollution, and public health. Specifically repair and preservation at Lucy Stern
77	Please please improve the dumping of things in streets/yards, especially El Camino
78	Don't we already have public safety? How about "improve" Funding - esp homeless services
79	Should not group public safety services together - need more police not fire.
80	The liquid amber trees are dangerous. They need to be trimmed or replaced. Esp. dangerous for people on the street walking
81	3 - More concerts in the park
82	#1 Priority - Airplane noise needs to go!! Quality of life has suffered!!  Comments on Services Tree maintenance-city trees
83	Please do what you can to stop the release of feral cats in any community  Comments on Services Maintaining basic service - unnecessary waste of water for lawns is of great concern. Runoff is noticeable on a daily basis. Expanding City services - such as processing permits and timely inspections.
84	The roundabouts and islands built, e.g. along Ross Rd., are incompetently designed and constitute a danger to the public, cyclists especially.  Comments on Services Maintaining basic services - sewage, utilities, street sweeping
85	All of the above are important!
86	Pay attention to traffice airplane over the city. Residents should be informed and have input in projects like Rinconada park that seems to a big budget and not aesthically fitting in the park.
87	El Camino is in terrible condition south of Stanford! Please fix.
88	Enforce codes with fines. Need more housing. Crack down on short-term (<30 day) rental of homes (400+ AirB+B homes)
89	Skip the BS about airplane noise or close PA Airport
90	When it rains, the sewers/drains get backed up and flood sidewalks, it has been happening for years - when will this get fixed?? Unclog street drains! Downtown South Forest Ave odd #s side of street
91	Diverse training in case of earthquakes for elders in different languages
92	Midtown trees removed; not replaced Restore basic services first improving services - tree services tree planting and maintenance in midtown



Written Comment #	Comment
93	Please do not continue to increase utility rates. Do not start charging for electricity based on time of day usage.
94	Mental health programs. Make a natural swimming place in Foothill Park or Arastradero - instead of only concrete swimming pools.
95	Please crack down on crime.
96	PAPD and City often unresponsive and inefficient
97	City people need to answer the phones
98	What are basic services and how are these different than city services?? This survey can help you better if you explained "basic" and "city" services, thank you
99	Support Cal Ave & Downtown businesses. Bring them back to life!
100	Please subsidize and make utilities rates lower
101	Maintain the City, beautiful look and keep it clean.
102	As a downtown business owner, I see the homeless
103	I realize this is not under city jurisdiction, but something needs to be done! It seems there is nothing more dire than repairing El Camino Real!
104	Invest in smart traffic sensors to reduce idling and cut emissions by 20% or more.
105	Ensure drinking water (tap water) quality.

## ATTACHMENT F



May 27, 2022

To: Ed Shikada, City Manager

Fr: Public Dialogue Consortium

Re: Business and Community Stakeholder Focus Group Report – Update

On March 18, 2022 we submitted a report on the five focus groups that were conducted to date, noting that two additional community engagement events were in the “next steps” planning stage. This report provides a summary and analysis of those two events.

### **Outreach and Recruitment**

Similar to the initial focus groups, staff compiled a comprehensive list of Palo Alto stakeholders consisting of business groups, employers, and community groups and organizations, and conducted outreach utilizing multiple platforms to invite participants to the two events. For the Public Listening Session, invitations were sent via email to community groups and organizations throughout Palo Alto, with efforts to be as inclusive as possible. For the final Focus Group, invitations were targeted to the business community, specifically the Chamber of Commerce, Palo Alto Research Park and Shopping Center, and the Silicon Valley Leadership Group. Note: an additional Focus Group was scheduled for the business community, but was cancelled due to lack of attendance.

A list of the participants for these two events is included at the end of this report.

### **Public Listening Session/Focus Group 6 (March 29, 2022)**

Eight people participated in this session. Instead of treating it as a public listening session, as originally planned, we chose to facilitate it as a focus group discussion, essentially making this event the sixth focus group in a series of seven. Six of the participants self-identified as a “resident” or “community member;” two participants self-identified as representatives of the business community.

The purposes of this session mirrored the purposes of the prior focus groups. Part one established the context for the focus group, including introductions, the agenda, and outcomes. Part two consisted of a staff presentation on the City’s Fiscal Sustainability Strategy, including revenue trends and services, and the two ballot measures under consideration. In addition, staff presented the following recommendations made by the Finance Committee at their March 28 meeting:

1. Placement of affirmation of current Gas Utility Transfer at 18% of gross receipts to be used on current uses
2. Placement of a Business License Tax (BLT) with the following characteristics:
  - a) Exemption for Hotels, groceries (requires % of sq. ft. of food sales),

## ATTACHMENT F

- seasonal businesses operating less than 90 days
- b) Exemption for first 5,000 sq. ft., requiring registration for all in the BRC program
  - c) Propose escalating rate over 3 years (begin 2024) at \$0.12 / sq. ft./mo., at \$0.15, and \$0.20, then CPI capped at 6% per annum with excess CPI carrying over to future years
3. Recommend the City Council direct staff to proceed with a third round of polling based on Finance Committee and Council feedback

Results

- BLT: Participants expressed mostly support for the BLT, with the consensus being that the “tax is a good idea” given “the needs of the community” and the fact that “most other communities have one.” Participants did request a forecast of the projected revenue from the BLT and the Gas Funds Transfer. Two concerns were expressed about the BLT: (1) The proposed CPI adjustment and the lack of a sunset or end date will be an onerous burden on businesses, and (2) This is not the right time for a new tax given the recovery from COVID and the uncertain economic environment.
- Gas Funds Transfer: Participants expressed unanimous support for this measure, noting that passing the measure will not impact rates while failure to pass it would result in service cuts.
- Essential City Services: Participants identified transportation infrastructure, affordable housing, and climate change as priority services.
- Finance Committee Recommendations: The only comment made in response to the recommendations was that basing the BLT on square footage would likely lead some businesses to seek out “creative” ways to avoid paying it.

**Focus Group 7 (May 19, 2022)**

This focus group was composed of 16 participants who self identified as members or representatives of the business community.

The focus of this session was markedly different from the prior focus groups. Specifically, the purpose was to elicit input and feedback on the administrative design of the potential BLT measure based on the direction that the City Council provided at their meetings on April 18 and 25. A key component of the staff presentation was a draft BLT implementation ordinance, which documented and codified Council’s direction (copy attached here). The draft was distributed to the participants prior to the meeting and was the primary focus of the session. Following staff’s presentation of the draft ordinance, participants were asked to respond to the following questions:

- What clarifying questions, if any, do you have for staff?
- What City aspects of implementation are important to you, your company, or your organization?
- What feedback do you have on the draft implementation ordinance language for the business license tax?

## Results

Participants and staff had a robust and detailed discussion of the draft ordinance. Based on our professional judgment, we would characterize the discussion as a healthy give-and-take of mutual learning and clarification. The focus group was focused on administration of a potential business tax if it is put on the ballot and passed. As a result, while participants did not express any of the concerns about the BLT that we heard in the prior focus groups (i.e. CPI cap, no sunset, not the right time for a new tax, and the need for a funding plan), it was understood they still held these concerns. The discussion focused on the following questions and answers.

*Participant question: Would square footage not being utilized be included in the calculation of the business tax?*

Staff response: Council is still considering how to tax space that is not leased or rented.

*Participant question: Are there any specifics regarding the use of the funds for "general government purposes"?*

Staff response: Proceeds would go to the general fund. Council plans to adopt a resolution to identify specific uses of a BLT, although this is nonbinding. Priorities identified for a resolution include new and enhanced services for public safety, affordable housing and unhoused services, investment in downtown corridors, and investment in safe rail crossings.

*Participant question: How is commercial real estate property taxed? Would the owner of buildings and spaces who lease to other businesses be taxed in addition to the businesses that lease space? This seems like it would lead to double taxation.*

Staff response: The intent needs to be clarified when the ordinance is adopted.

*Participant question: Some businesses in the research park do not have leases but they sublease. They have a city permit to build a building, and then sublease to another entity. When subleased, the sublease tenant would then pay the BLT. But what happens/who pays during the time the space is available for sublease? Who pays the BLT? It is unclear who pays if the owner/builder of the building is waiting to find a tenant.*

Staff response: If the owner is defined as a business, the business owner would be liable for the BLT until it is leased. Council is still considering how to tax space that is listed for lease.

*Participant comment: For those who own a building are reducing the amount of space they use, and are looking for a tenant to lease the rest this could make a difference on the acceptability/ viability of the BLT to the business community. We need to know this*

## ATTACHMENT F

*right away. We would be in favor of exempting space that is listed for lease and is vacant.*

*Participant question: There are multiple ways to measure square footage. Who determines what measurement type to use?*

Staff response: The ordinance will reference a few fundamental guidelines for measurement and potential standards that could be used. Policies and procedures will refine this definition as measurement types continue to evolve.

*Participant question: Does the taxpayer self-define the standard used to define square footage?*

Staff response: Yes, as long as it meets minimum standards.

Participant: Is underground parking included?

Staff response: I do not think so; we will look into this.

*Participant question: How would hotels be treated in the BLT?*

Staff response: TOT receipts would offset what they would otherwise owe for the BLT. The business owner would pay the difference.

*Participant comment: Paying prospectively would be more difficult on a new business. The new business should have at least 90 days before they first need to pay the tax. A prospective payment approach would also create challenges for calculation of offsets. It would be easier to pay the tax on a previous period rather than a future period.*

*Participant question: If taxation is prospective rather than retrospective, is there a refund if you close business during the year you have already paid for?*

Staff response: Yes, you can apply for a refund.

*Participant question: What about an apartment owner? The language as it reads seems like it would include apartment buildings and I do not see a specific exemption.*

Staff response: Council has not yet determined how the tax applies to leased residential space.

*Participant question: How are businesses with multiple locations taxed?*

Staff response: Suppose there is one corporate entity with one business license that has multiple locations in the city. When calculating square footage, the calculation would include the square footage of all locations. Only the first 5000 square feet would be exempted. This is a policy call for council.

*Participant question: If I have a 25K square foot building and have five businesses occupying the space, all would be exempt due to the 5000 square feet exemption?*

Staff response: Yes.

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*Participant question: Would we have to disclose our entire lease to the City? I would hope the City would accept a redacted lease with the essential information*

Staff response: Possibly during an audit the full lease would need to be shared. We might be able to include a clause in the ordinance that the lease would stay confidential.

*Participant question: Would details about businesses and what BLT is paid be held confidential?*

Staff response: Yes.

*Participant question: We need an objective standard for defining "start of occupancy." Perhaps issuance by the City of the Certificate of Occupancy could be a milestone.*

Staff response: This is something for consideration. There are hurdles for those who may not have been issued this certificate yet but are paying rent during this time. It may not work in all scenarios.

**Participants - Listening Session/Focus Group 6: 3-29-22 (Community)**

1. John Petrilla, Palo Alto resident
2. Verdere Philpot, Palo Alto resident
3. Alison Stephens, Palo Alto Community Child Care
4. Penny Ellson, resident of Palo Alto
5. Neilson Buchanan, resident of downtown north
6. Joanne Wetzels, Palo Alto community member
7. Jeremy Hauser, consultant for stakeholders
8. Dan Kostenbauder, Silicon Valley Leadership Group

**Participants - Focus group 7: 5-19-22 (Business)**

1. Shweta Bhatnagar - Stanford University Government Affairs
2. Charlie Weidanz - Palo Alto Chamber of Commerce
3. Kari Martinez - GM, Bloomingdales Stanford Shopping Center
4. Luke Nixon - COO, SAP Labs
5. Nicholas Karellas - SAP, Government Relations
6. John Koselak - Executive Director, V. Living
7. Kent Leacock - VMware, Government Relations and Public Policy
8. Dan Kostenbauder - Silicon Valley Leadership Group
9. Tiffany Griego - Senior Managing Director, Stanford Research Park

## ATTACHMENT G

## Summary of Prior Work on Potential Revenue Generating Ballot Measures

The City of Palo Alto has been discussing its options for potential revenue-generating ballot measures through 2019 and 2020. This work was suspended at City Council direction in March 2020 in order to marshal available resources to manage through the COVID-19 pandemic. A timeline of the CMRs and discussions with the Finance Committee and the City Council since April of 2019, when staff was formally directed to begin working on this project by the City Council, is included below for additional context. The date, the forum of the meeting (Finance Committee or City Council), the summary title, and the CMR number are included for ease of reference.

### Timeline

4/22/2019 City Council, "2019 Fiscal Sustainability Workplan", [CMR 10267](#)

4/22/2019 City Council, "Approve Workplan for a Potential Revenue Generated Ballot Measure", [CMR 10261](#)

6/18/2019 Finance Committee, "Review, Comment, and Accept Preliminary Revenue Estimates for Consideration of a Ballot Measure", [CMR 10392](#)

8/20/2019 Finance Committee, "Evaluation and Discussion of Potential Revenue Generating Ballot Measures", [CMR 10445](#)

9/16/2019 City Council, "Evaluation and Discussion of Potential Revenue Generating Ballot Measures and Budget Amendment", [CMR 10615](#)

10/1/2019 Finance Committee, "Revised Workplan for Consideration of a Ballot Measure", [CMR 10712](#)

10/15/2019 Finance Committee, "Stakeholder Outreach, Initial Polling, and Discussion of a Potential Ballot Measure", [CMR 10743](#)

11/4/2019 City Council, "Potential Ballot Measure Polling/Outreach, Contract, Solicitation Exemption and Budget Amendment", [CMR 10792](#)

12/2/2019 City Council, "Structure and Scenarios of Initial Round of Polling for a Potential Local Tax Measure", [CMR 10891](#)

12/17/2019 Finance Committee, "Consideration, Evaluation, and Discussion of a Revenue Generating Local Tax Ballot Measure, Review of Refined Modeling, Analysis, Tax Structure and Recommendation to the City Council", [CMR 10655](#)

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1/27/2020 City Council, "Update, Consideration, and Potential Direction on Possible Local Tax Measure for 2020 Election", [CMR 11019](#)

3/23/20 City Council, "Consideration of Analysis, Public Outreach, and Refined Polling and Further Direction on a Potential Local Business Tax Ballot Measure for 2020 Election", [CMR 11161](#)

3/23/20 City Council, "Consideration of Analysis, Public Outreach, and Refined Polling and Further Direction on a Potential Local Business Tax Ballot Measure for 2020 Election", [At-Places Memorandum](#)

6/15/2021, Finance Committee Staff Report, "Recommend the City Council Approve the Workplan for Pursuit of a Revenue-Generating Local Ballot Measure for the November 2022 General Election; Review and Potential Guidance to Staff on Affordable Housing Funding as Referred by the Council", [CMR 12299](#)

8/16/2021 City Council, "Approve the Workplan for Development of a Revenue-Generating Local Ballot Measure for the November 2022 General Election; Review and Potential Guidance to Staff on Affordable Housing Funds as Referred by the City Council", [CMR 12381](#)

9/21/2021 Finance Committee, "Discuss Updates and a Recommended Further Refinement of Potential Revenue Generating Local Ballot Measures," [CMR 13514](#)

10/19/2021 Finance Committee, "Discuss Updates and Recommend Further Refinement of Potential Revenue Generating Local Ballot Measures, and Review Draft Initial Polling Outline", [CMR 13648](#)

11/8/2021 City Council, "Discuss Updates and Recommend Further Refinement of Potential Revenue Generating Local Ballot Measures, and Review Draft Initial Polling Outline", [CMR 13687](#)

12/7/2021 Finance Committee, "Discuss Updates and Recommend Further Refinement of Potential Revenue Generating Local Ballot Measures", [CMR 13728](#)

1/18/2022 Finance Committee, "Discuss Poll Results Regarding Potential 2022 Revenue Generating Ballot Measures and Recommend Further Refinement of Business License Tax and Utility Tax Proposals", [CMR 13875](#)

1/24/2022 City Council, "Discuss Polling Results, Analysis, and Community Stakeholder Engagement Plan; Recommend Further Refined Parameters for a Possible Local Tax Ballot Measure for November 2022 Election (Business License Tax and Utility Tax Proposals); and Direct Staff on Related Items such as Community and Stakeholder Engagement Plan," [CMR 13770, p. 385 and CMR 13963, p. 462](#)



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3/28/2022 Finance Committee, "Revenue Generating 2022 Ballot Measures: Review Feedback from the Ballot Measure Community and Stakeholder Engagement Plan and the Second Round of Polling; Review Draft Ballot Measure Language; and Recommend to Council Further Refinement of Potential Measures Adopting a Business License Tax and Confirming the Gas Utility General Fund Transfer," [CMR 13981](#)

4/18/2022 City Council, "Revenue-Generating Ballot Measures for Fall 2022: Discuss 2nd-Round Polling Results and Feedback from Community and Stakeholder Engagement Activities; Review and Provide Staff Direction on Finance Committee Recommended Refined Parameters for a Business License Tax and an Affirmation of the Gas General Fund Transfer; and Provide Direction to Staff on Next Steps Including Launch of Third Poll, and Council's Non-Binding Intentions for Allocation of Potential Proceeds", [CMR 13571, p. 162](#)

4/25/2022 City Council, " Revenue-Generating Ballot Measures for Fall 2022: Discuss 2nd-Round Polling Results and Feedback from Community and Stakeholder Engagement Activities; Review and Provide Staff Direction on Finance Committee Recommended Refined Parameters for a Business License Tax and an Affirmation of the Gas General Fund Transfer; and Provide Direction to Staff on Next Steps Including Launch of Third Poll, and Council's Non-Binding Intentions for Allocation of Potential Proceeds (Continued from April 18, 2022)", [CMR 14316 p. 62](#)

PLACEHOLDER

Attachment H:  
Summary of Third & Final Round of Polling Results

This attachment is expected to be released on June 9<sup>th</sup> in a supplemental report.



# City of Palo Alto

## City Council Staff Report

(ID # 13922)

Meeting Date: 6/13/2022

Report Type: Information Reports

### Title: Informational Report on the City of Palo Alto 2022 Water Gas and Wastewater Utility Standards

From: City Manager

Lead Department: Utilities

This is an informational report and no Council action is required.

#### Background

The City of Palo Alto Utilities (CPAU) Department's Water, Gas, and Wastewater (WGW) Engineering Division implements standard design and construction specifications for water, gas, and wastewater facilities in the public right-of-way and for CPAU-owned facilities on private property. These standards ensure that utility infrastructure is constructed and maintained in a safe, uniform, and reliable manner. The WGW Utility Standards include installation requirements, material specifications, and standardized configurations.

#### Discussion

CPAU Engineering staff updates the WGW Utility Standards periodically and last issued revisions in 2021. This 2022 edition reflects current construction material availability, and incorporates up to date field practices, contract management, as well as other non-substantial technical editing ([Linked Document](#)). A summary of the more significant revisions to the 2022 WGW Utility Standards is provided below, and all edits are shown in redline form ([Linked Document](#)):

- Reworded some phrasing and added new language to increase clarity of standards and requirements (in various Sections).
- Included additional language to clarify Contractor's responsibilities on construction projects to help City manage capital improvement project (CIP) contracts (in various Sections).
- Clarified those capitalized terms not defined in the Standards have the same meaning provided in the City's General Conditions (Section 800).
- Clarified contractor's submittal, pre-construction meeting, and scheduling requirements (Section 800).
- Rearranged a few sections to make the sequence flow better (Section 800).
- Updated the website link to City's Traffic Control Requirements (Section 800).
- Updated information on the City's Certificate of Liability Insurance requirement and the

permit expiration date for Recycle Water Use Permits (Section 870).

- Strengthened the requirements for contractors to investigate sewer lateral locations prior to boring gas pipe and to make multiple attempts when inspecting the sewer laterals for potential cross bores after the gas pipe is installed by trenchless methods (Section 2200).
- Clarified the shelf-life requirements for polyethylene pipe (Section 2300, 2400, and 2500).
- Added maximum allowable pull force for wastewater pipe-bursting operation (Section 2300).
- Updated the hardware and appurtenances for water mains based on current market availability (Sections 2660).
- Added the procedures to disconnect large diameter water services (Section 2660).
- Revised the gas pipe specification per current manufacturer's material index (Section 2685).
- Revised the operator qualification requirements for gas pipe operations (Section 2685).
- Clarified the requirements for temporary sewer lateral connections and flow bypass (Section 2730).
- Updated the sewer lateral connection requirements (Section 2735).
- Strengthened various requirements for sewer lateral cross bore inspections (Section 2741).

The [2022 City of Palo Alto Water Gas and Wastewater Utility Standards](#) are available on the City's Utility Engineering website at [www.cityofpaloalto.org/gov/depts/utl/eng/standards.asp](http://www.cityofpaloalto.org/gov/depts/utl/eng/standards.asp).



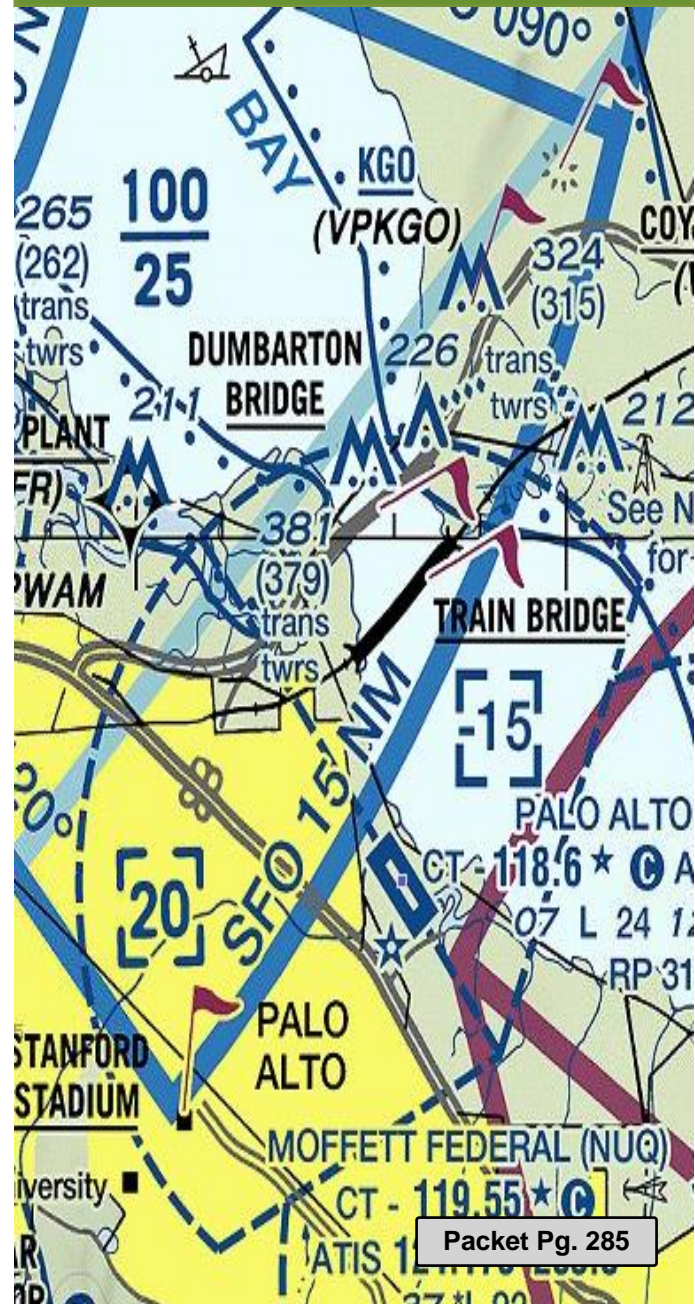
# PALO ALTO AIRPORT

PUBLIC WORKS DEPARTMENT

## 2021 ANNUAL NOISE REPORT

(January 2021 to  
December 2021)

**Vision:** Palo Alto Airport strives to balance the interests of pilots to fly with the interests of neighbors in a peaceful living environment. This document is a report of the noise complaints received by the airport in 2021. Airport staff uses this information to identify trends within Palo Alto and neighboring communities. These trends inform communications between airport staff and pilots on the issue of noise.



**Introduction:**

The following is a report on noise-related operations and complaints received by Palo Alto Airport (PAO) in 2021. The Federal Aviation Administration (FAA) defines air travel routes and procedures, including defining separation distances between aircraft, determining hazards to aviation and all other safety criteria for aircraft, and is responsible for directing and enforcing the movement of aircraft in flight. Although organizations can petition the FAA regarding flight procedures, the FAA has the final say in what is safe and acceptable. The Airport Noise and Capacity Act (ANCA) of 1990 federally prohibits public-use airports from restricting airspace.

The FAA measures noise based on the Yearly Day and Night Average Sound Level (DNL) and the Community Noise Equivalent Level (CNEL). While both are essentially the same, airports in California use the CNEL method to measure noise. CNEL is a method of averaging single event aircraft noise into a weighted 24-hour average. The system adds penalties to all events occurring during the evening (7pm – 10pm) and the night (10pm – 7am). The Santa Clara County Airport Land Use Commission (SCC ALUC) performed a noise study for the Palo Alto Airport using the CNEL to determine the noise contours for 55, 60, 65, and 70 decibels. The contour map is included as **Attachment A**.

Regarding safety and altitude, the FAA has in place Federal Aviation Regulations (FARs) that establish Minimum Safe Altitudes (MSAs) for aircraft. For fixed wing aircraft, the MSA is 1,000 feet above ground when over congested areas and 500 feet when not over congested areas. These MSAs apply to all fixed wing aircraft except when necessary for landing and takeoff operations. Helicopters are exempt from these altitude restrictions due to the nature of their flight. These minimum altitudes are enforced by the FAA Flight Standards District Office in San Jose, not by Palo Alto Airport. Palo Alto Airport cannot tell pilots when or where to fly; the Airport, however, does have voluntary noise abatement procedures that Palo Alto Airport recommends that pilots follow. (See the Noise Abatement Procedures section below.)

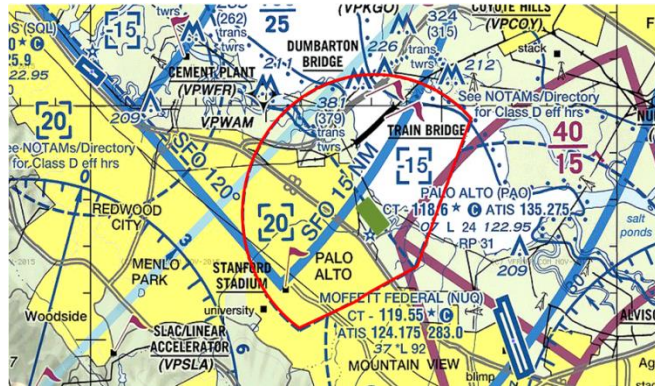
The Airport receives noise complaints via email at [pao@cityofpaloalto.org](mailto:pao@cityofpaloalto.org) and a noise complaint hotline 650-329-2405. Airport staff review and timely respond to all complaints, ascertaining information from complainants including contact information, date, time, and description of the occurrence. Various flight trackers can be used to help identify the aircraft involved and verify if FAA regulations or Palo Alto Airport procedures were violated. The Airport staff reviews and compiles all data to determine trends with flying activities.

**Purpose:**

The purpose of the Palo Alto Airport Annual Noise Report is to identify noise trends in the surrounding areas and determine compliance with established voluntary noise abatement procedures.

**Airspace:**

The Palo Alto Airport airspace is unique. The congested Bay Area airspace is dominated by SFO Class Bravo airspace, which encompasses a 30 nautical mile radius around SFO. Underneath the Class Bravo airspace lays the Class Charlie airspace of Oakland and San Jose international Airports. Finally, Moffett Airfield lies approximately 4 nautical miles to the southeast of Palo Alto Airport.



Palo Alto Airport Sectional Map  
Palo Alto Airport in Green  
PAO Airspace highlighted in Red

Source: <http://vfrmap.com/?type=vfrc&lat=37.461&lon=-122.115&zoom=10>

As a result, Palo Alto Airport airspace ends only 1.5 nautical miles southeast of the Palo Alto Airport's single runway (Runway 13/31). To land at Palo Alto Airport, aircraft must turn before entering Moffett's airspace, resulting in aircraft having to space themselves in traffic patterns over the peninsula when take-off/landing volumes peak. The FAA's Air Traffic Control Tower (ATCT) at Palo Alto Airport has a letter of agreement with Moffett's ATCT providing Palo Alto Airport aircraft with extensions into Moffett airspace when Moffett airfield is not in use. The additional airspace is a useful mitigation tool during busy times.

Further restrictions in Palo Alto Airport airspace come from San Jose Class C airspace, starting at 1,500 feet Mean Sea Level, just southeast of Palo Alto Airport and SFO Class B airspace, starting at 2,500 feet Mean Sea Level, just northeast of the Palo Alto Airport. Both are identified on the Palo Alto Airport Sectional Map: San Jose Class C is shown with thick magenta lines and SFO Class B is shown with thick blue lines. These restrictions play a vital role in aircraft departures, in turn influencing noise abatement procedures for the Palo Alto Airport.

**Noise Abatement Procedures:**

Noise abatement procedures are voluntary procedures that the Airport asks pilots to follow. The Airport is prohibited from restricting airspace. Palo Alto Airport staff will speak with individual pilots and educate them about the voluntary noise abatement procedures. The Palo Alto Airport cannot levy fines on pilots that violate the voluntary noise procedures. For illustrated noise abatement procedures reference Palo Alto Airport Pilots Handout included as **Attachment B**.

The noise abatement procedures depend on the runway that is in use at the time. Depending on weather patterns, aircraft can depart on Runway 31 to the northwest or Runway 13 to the southeast. Approximately 90% of the time, weather conditions require the use of Runway 31. Pilots are asked to not make a left crosswind departure from Runway 31, but instead make a "Left Dumbarton Departure" (fly to the Dumbarton Auto Bridge before making a left turn and flying over East Palo Alto) or a right 270 degree turn before departing to the south or west. When aircraft are using Runway 13, pilots are asked to make

a left 270-degree turn. In addition to these procedures, pilots are asked to climb to 1,500 feet or above ground before crossing Highway 101 and reduce power when safely able.

For arrivals, it is standard practice and necessary for pilots to descend to pattern altitude before entering the traffic pattern around PAO, sometimes requiring aircraft to descend below the 1,500 feet minimum of departing aircraft over Palo Alto. As these aircraft are descending to land the engines are generally powered back and quieter than ascending aircraft.

Airport staff continuously engages with tenants and pilots about the voluntary noise abatement procedures, always noting that safety always supersedes noise.

### Findings:

The Palo Alto Airport remains one of the busiest general aviation Airports in the Bay Area with an average of 158,280 operations per year since 2011. The year 2021 marks the second year of the Covid-19 Pandemic and during this time, operations increased by 45,856 which is a 34% increase during 2021 compared to the 2020 calendar year and it's the highest amount of operations since 2015. An operation is defined as either a takeoff or a landing and a touch-and-go procedure will account for two operations.

**Table 1. Airport Operations for Palo Alto Airport**

Year	Air Taxi	Military	Total	Year	Air Taxi	Military	Total
2002	62	1	208,755	2012	1,700	16	176,564
2003	17	1	212,981	2013	1,628	14	172,653
2004	619	12	199,453	2014	1,518	22	179,900
2005	2,397	28	184,821	2015	1,082	118	172,132
2006	1,932	17	176,570	2016	708	52	153,238
2007	1,440	318	181,883	2017	872	146	148,769
2008	1,697	280	174,332	2018	760	133	146,181
2009	1,650	301	155,556	2019	920	63	150,266
2010	2,077	6	158,217	2020	620	45	112,712
2011	1,572	8	170,389	2021	566	23	158,568
Avg	1346.3	97.2	182295.7	Avg	1037.4	63.2	157098.3

During the 2021 Calendar year, the Airport logged 253 total noise complaints from 27 households. **Table 2** shows the number of complaints by quarter and includes the totals from 2020.

**Table 2. Complaints Received**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total 2021	Total 2020
Complaints	143	60	36	14	253	514
Households	10	11	23	10	27	29

**Table 3** sorts the complaints logged into three sections. The first one is PAO which includes all complaints that involve aircraft that performed an operation at the Airport. The next section is General which includes complaints that did not include a specific aircraft or incident of noise. These complaints may or may not involve aircraft from PAO. The last section is Non-PAO, which include aircraft that are not based or did not operate at the Airport. These flights may include California Highway Patrol, Coast Guard, Air Taxis, Pipe



Surveys, Stanford Life Flight, Angel Flights, and or banner towing operations. Also included in Table 3 are the totals for 2020.

**Table 3. Aircraft Association**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total 2021	Total 2020
PAO	138	59	31	14	242	262
General	4	0	6	1	11	96
Non-PAO	1	1	6	13	21	104

**Table 4** below provides a detailed breakdown of the 253 complaints by City. Most complaints came from the City of Los Gatos, with 171 complaints logged from 1 household and most of the complaints on the first and second quarter of this year. The City of Palo Alto had a total of 39 complaints from 8 households.

**Table 4. Noise Complaints by City**

City	Q1		Q2		Q3		Q4		Total 2021		Total 2020	
	C	H	C	H	C	H	C	H	C	H	C	H
Palo Alto	4	2	10	4	19	9	6	3	39	8	38	4
Sunnyvale	1	1			1	1			2	1	85	1
Menlo Park			3	2	2	2			5	2	28	3
Saratoga									0	0	232	2
Los Gatos	129	1	42	1	1	1			171	1	77	1
Los Altos					1	1			1	1	37	3
Portola Valley	1	1			1	1			2	1	2	2
East Palo Alto	1	1	2	1	6	4	3	3	12	3	3	2
Santa Cruz					1	1			1	1	2	2
Santa Clara					1	1			2	1	1	1
Fremont	1	1	1	1					2	1	0	0
NA	1	1	1	1					2	1	9	8
San Jose	4	1					2	2	6	1	0	0
Woodside	1	1							1	1	0	0
Moutain View			1	1	2	1	2	1	5	2	0	0
Atherton					1	1			1	1	0	0
Pescadero							1	1	1	1	0	0
	143	10	60	11	36	23	14	10	253	27	514	29

**Table 5** below shows the general type of aircraft identified as causing noise complaints at the Airport. There are 2 types of engines for aircraft utilizing PAO. The first is reciprocating which is similar to an automobile engine, and the second is turboprop which is a turbine engine with a propeller that produces thrust. Aircraft are further differentiated by “multi” and “single” which denotes the number of engines for the aircraft. As Table 5, shows single reciprocating aircraft produced the largest portion of noise complaints. This class of aircraft represents most of the fleet at PAO and usually consists of Cessna, Piper and Cirrus aircraft.

**Table 5. Aircraft Type**

	Helicopter	Multi Reciprocating	Multi Turbo Prop	Single Reciprocating	Single Turbo Prop	Unknown
2020 Complaints	9	11	11	347	22	10
2021 Complaints	8	8	4	200	24	9

**Table 6** below shows the number of violations of the established noise abatement procedures. Airport staff makes every effort to talk to all pilots that violate these procedures, but it is difficult to talk to all transient pilots about noise abatement procedures. It is not the role of the FAA Air Traffic Control Tower to advise pilots of the noise abatement procedures, however, the City has developed a working relationship with the Air Traffic Control Tower (ATCT) and Air Controllers do advise pilots of the noise abatement procedures when they have the ability to do so.

**Table 6. Observed violations of voluntary noise abatement procedures**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Tenant	4	3	3	1	11
Transient	0	1	3	0	4
Unknown	0	0	0	0	0
Total	4	4	6	1	15
Complaints	143	60	35	14	153
Operations	34,500	41,100	45314	30644	158568
% Compliance	99.90%	99.90%	99.90%	99.99	99.99

## Attachment A

### PAO Noise Contour Map

Following is a noise contour map for PAO, adopted by the Santa Clara County Airport Land Use Commission (SCC ALUC) in their 2008 Comprehensive Land Use Plan, reflecting the forecasted noise contours for Palo Alto Airport in 2022.

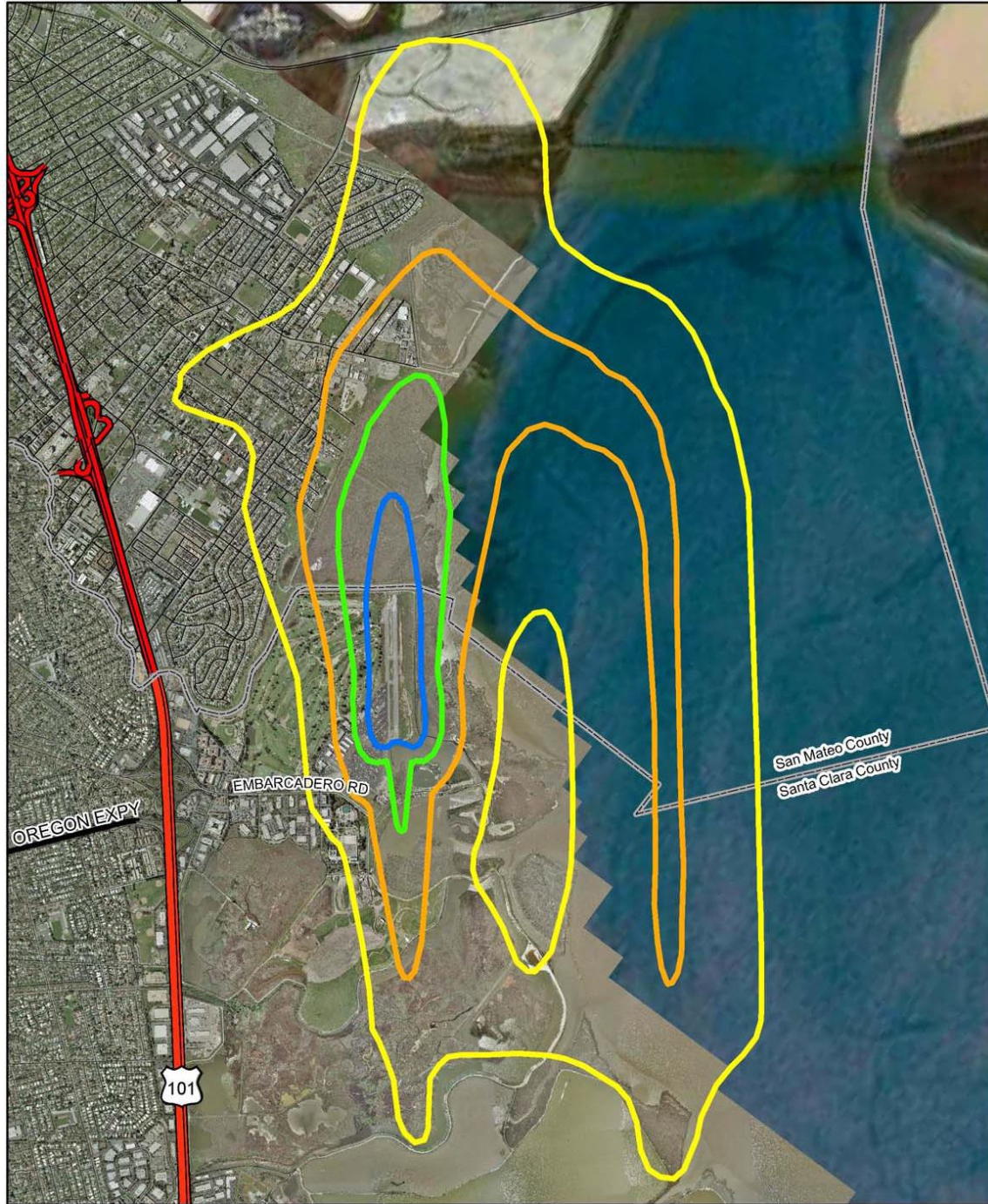
SCC ALUC used the Integrated Noise Model which considers airport altitude, mean temperature, runway configuration, aircraft flight track definition, aircraft departure and approach profiles, aircraft traffic volume and fleet mix, and flight track utilization by aircraft types. All data is entered into the CNEL formula to prepare the noise contours for Palo Alto Airport.

The 65 decibel (db) noise level of the Airport extends beyond the airport boundaries, but is only over Palo Alto Golf Course, Palo Alto Baylands Nature Preserve, and the salt marshes in San Mateo County.

Refer to [https://www.sccgov.org/sites/dpd/DocsForms/Documents/ALUC\\_20081119\\_PAO\\_CLUP.pdf](https://www.sccgov.org/sites/dpd/DocsForms/Documents/ALUC_20081119_PAO_CLUP.pdf), for a more detailed description of how the SCC ALUC prepared this map.

# 2022 Forecasted Palo Alto Airport Noise Contour Map

## Palo Alto Airport



Noise Contours (CNEL)  
55 60 65 70

2022 Aircraft Noise Contours  
Figure 5



This map created by Santa Clara County Planning Office. The GIS data was compiled from various sources. While deemed reliable, the Planning Office assumes no liability. 3/25/2022 - Y:\M&P\ALU\projects\PAAP\figure\_5\_v4.mxd

## **Attachment B**

### **PAO Pilot Handout**

Santa Clara County created a Pilot Handout for Palo Alto Airport that described the noise abatement procedures. When the City of Palo Alto assumed control of the Airport, the existing noise abatement procedures were adopted, with one exception, “pilots must maintain 1,500 feet or above across Highway 101” was replaced with “Aircraft are asked to climb to and maintain at least 1,500 feet before crossing Highway 101.” The change is consistent with the voluntary nature of noise abatement procedures as Airports are Federally prohibited from instructing pilots how to fly.



**Palo Alto Airport General Information**  
 Bayside Pattern Alt – 800 feet  
 Peninsula Side Pattern Alt – 1000 feet MSL  
 ATCT hours of operation – 0700 – 2100 hrs  
 ATC / CTA Frequency – 118.600  
 ATC Ground Frequency – 125.000  
 Fuel Frequencies – 122.85 or 122.95  
 Airport Office Phone # – (650) 329-2444

Palo Alto Airport asks for your cooperation in reducing the noise impact of aircraft on the neighboring communities.

**CAUTION**  
 The Palo Alto Baylands preserve is located immediately to the north of the Airport. Watch for birds on or near the Airport.  
 Be alert for bikes & pedestrians crossing a levee road 290' from departure end to Runway 31.

**Noise Abatement Procedures**  
 Please fly neighborly and be aware of the surrounding communities. There are noise sensitive areas to the west and south of the Airport. Aircraft are asked to climb and maintain at least 1500 feet before crossing Highway 101.  
 Fly over the bay whenever possible.  
 Please use reduced power setting whenever possible to reduce noise impacts. Even a reduction in a 200 RPM can significantly reduce noise.

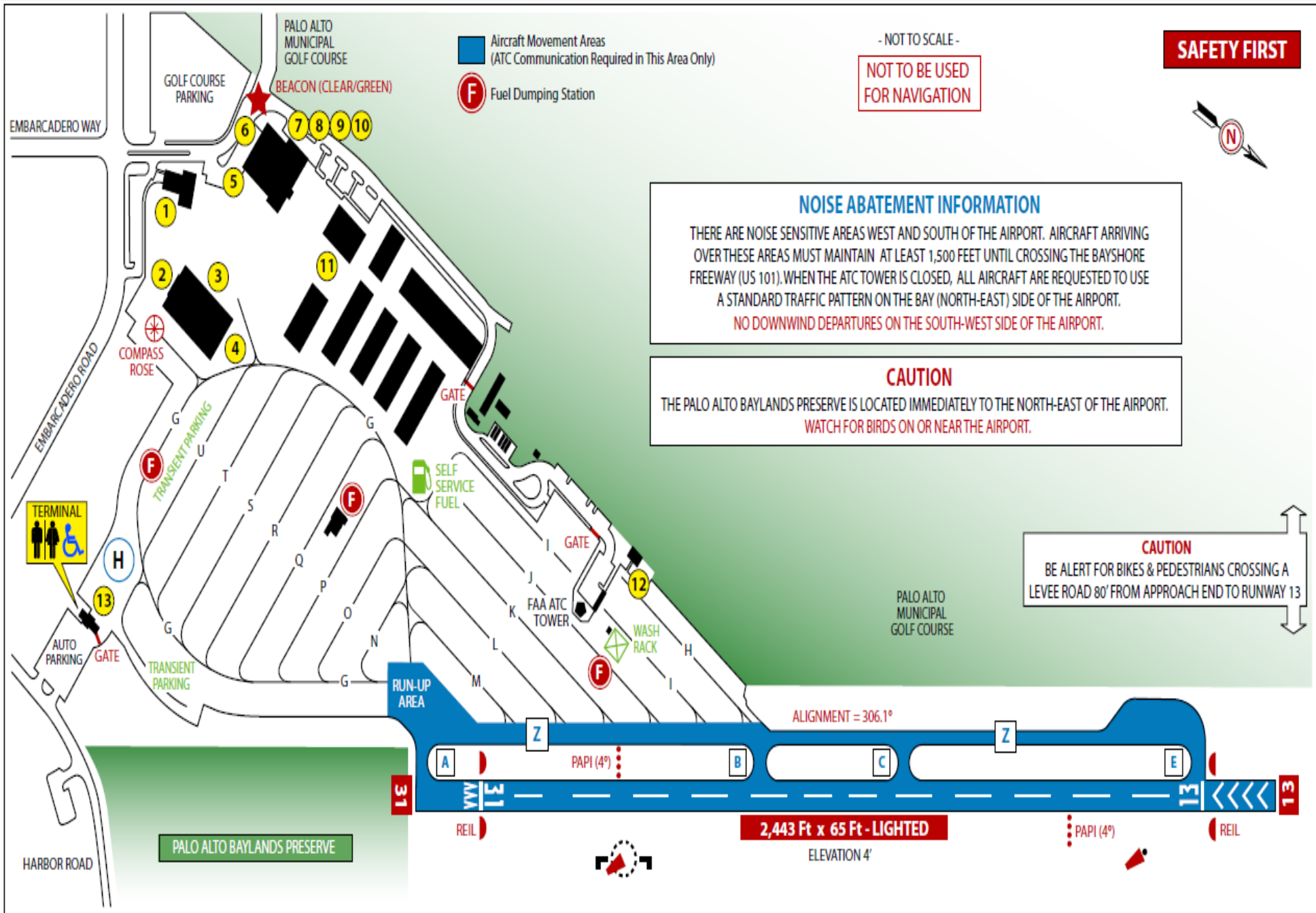
**Safety Always Supersedes Noise Abatement**

**Preferred West Bound Departures**

**Runway 31**  
**Left Dumbarton Departure**  
 When departing runway 31 turn right 10° on takeoff and climb over the bay. Fly straight to Dumbarton Auto Bridge before making a left turn to fly over the peninsula or to the south. Cross Highway 101 at or above 1500 feet.

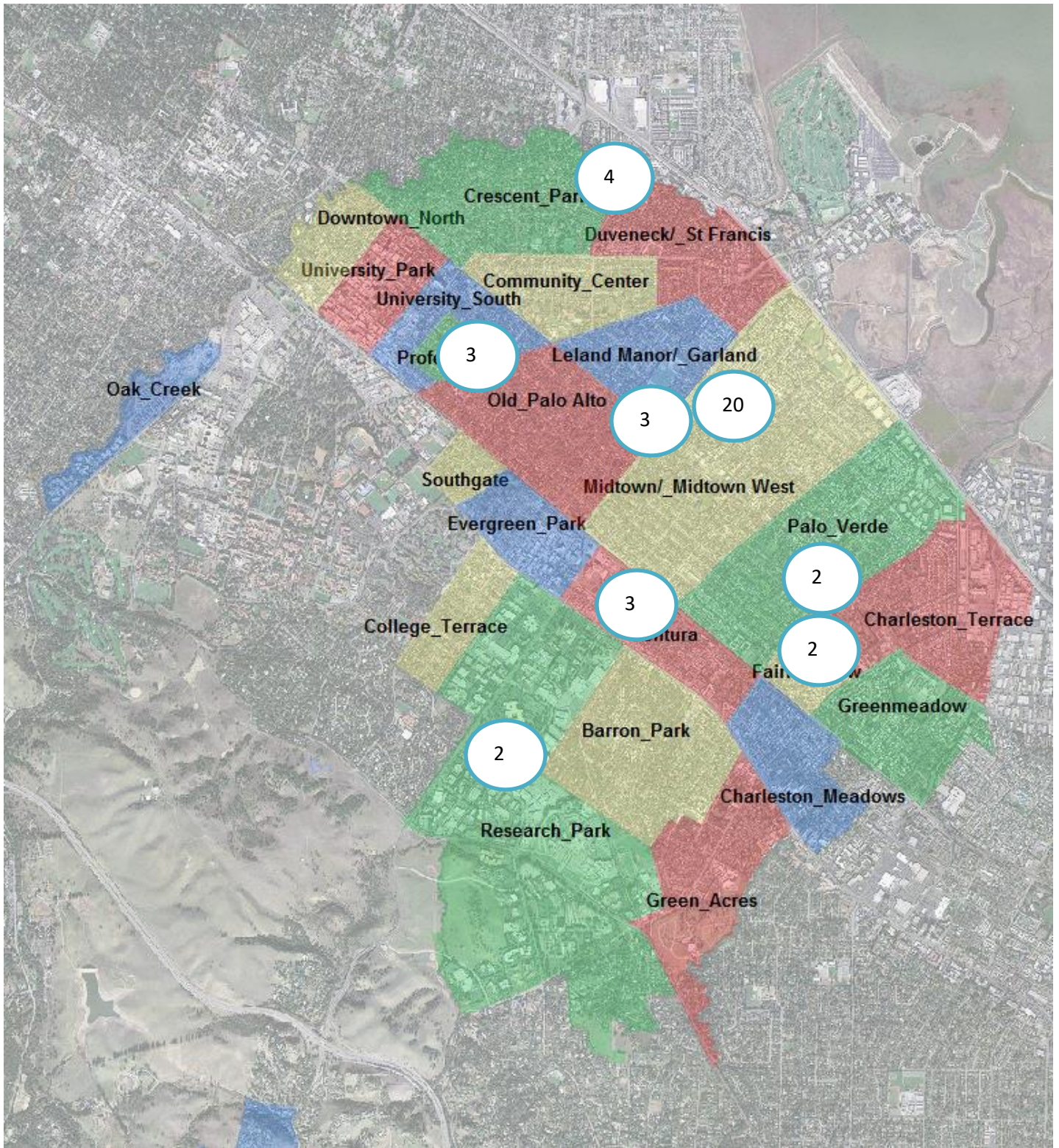
**Left 270 Departure**  
 After takeoff climb over the bay while making a 270° turn and heading west or south over the peninsula. Cross Highway 101 at or above 1500 feet.

**Runway 13**  
**Right 270 Departure**  
 After takeoff turn right over and climb over the bay while making a 270° turn and heading west or south over peninsula. Cross Highway 101 at or above 1500 feet.



# Attachment C

## Map of Palo Alto households



This map shows the approximate location and number of complaints from households within Palo Alto. This map was generated using GIS by Airport staff.



# Schedule of Meetings

Published June 2, 2022

This is a courtesy notice only. Meeting dates, times, and locations are subject to change. Almost all Palo Alto Council and some Standing Committee meetings are cablecast live on Channel 26. If there happens to be concurrent meetings, one meeting will be broadcast on Channel 29.

**Meetings are held in-person and by virtual teleconference.**

## **MONDAY, June 6**

Sp. City Council Meeting, 5:00 p.m.

## **TUESDAY, June 7**

Sp. Finance Committee Meeting, 5:30 p.m.

## **WEDNESDAY, June 8**

Planning & Transportation Commission Meeting, 6:00 p.m.

Sp. Utilities Advisory Committee Meeting, 6:00 p.m.

## **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**

Policy & Services Committee Meeting, 7:00 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.



# City of Palo Alto

## City Council Staff Report

(ID # 14501)

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Meeting Date: 6/13/2022

Report Type: Action Items

**Title: Supplemental Information: Revenue-Generating Ballot Measures (Affirmation of the Natural Gas Utility Transfer and New Business Tax): Direction to Staff on Key Policy Questions and Measure Characteristics, and Direction to Return with Final Documents for Placement of Ballot Measure(s) on the November 2022 Election and a Non-Binding Resolution for Intended Use of Business Tax Proceeds**

**From: City Manager**

**Lead Department: Administrative Services**

A staff report for this item was published as part of the City Council packet that was released on June 2, 2022 ([CMR 13983, packet p. 221](#)), which includes staff's recommendation that Council provide direction on key policy questions and ballot measure characteristics and direction to return with final documents for placement of ballot measure(s) on the November 2022 Election, including a resolution stating Council's intended uses for Business Tax proceeds.

This supplemental memorandum transmits additional exhibits:

1. A draft of the ballot question and ordinance for a Business Tax (**Attachment B**)
2. A draft resolution to inform the public of Council's intentions regarding use of Business Tax Proceeds (**Attachment C**)
3. Summary results of the 3<sup>rd</sup> round of polling (**Attachment H**)

**Attachments:**

- **Attachmenta:** Attachment B: Draft Business Tax Ordinance, Ballot Question
- **Attachmentb:** Attachment C: Business Tax Resolution
- **Attachmentc:** Attachment H: Palo Alto Ballot Measure Survey Analysis & Tracking

NOT YET APPROVED

**Ballot Measure Approving a Palo Alto Business Tax**

**Ballot Question**

Shall the measure to raise funds for improving public safety, affordable housing, rail crossing safety, homeless services, economic revitalization and general city services, by levying a tax on businesses in the City of Palo Alto at an annual rate of _____ 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 \$___ million annually until ended by voters, be adopted?	YES	
	NO	

DRAFT

NOT YET APPROVED

**Ordinance****Uncodified provisions**

1. The new tax imposed by this ordinance will go into effect on January 1, 2023.
2. Notwithstanding sections 090, 100, and 110 of the codified part of this ordinance, the tax imposed by this ordinance will initially be due on the following schedule:
  - (a) For businesses **[describe the category]** the initial tax payment for the tax that has accrued since January 1, 2023 will be due on \_\_\_\_\_ and will be delinquent 30 days later if not paid.
  - (b) For businesses **[describe the category]** the initial tax payment for the tax that has accrued since January 1, 2023 will be due on \_\_\_\_\_ and will be delinquent 30 days later if not paid.
  - (c) For businesses **[describe the category]** the initial tax payment for the tax that has accrued since January 1, 2023 will be due on \_\_\_\_\_ and will be delinquent 30 days later if not paid.
  - (d) 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 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.
  - (e) 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 090, whichever is later.

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**Codified Provisions****010 Title**

This chapter is the “City of Palo Alto Business Tax Ordinance.”

**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.
- (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.

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- (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.
  - (4) For the business of renting or leasing residential property, area used exclusively for residential purposes, areas solely for individual or family sleeping/living/cooking/hygiene are not part of the square footage, but areas used for the business operator’s offices, operational facilities, or to provide commercial services to residents including common areas such as lobbies, are part of the square footage.

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- (4) 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” has the meaning provided in section 2.33.010.
- (p) “Transient Occupancy Tax” means the tax imposed under section 2.33.020.
- (q) “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).
- (r) “Vacant” is to mean a severable portion of the physical location that a business is operating, such as an entire floor, a building, or a portion of a floor with independent entrance/exits, that is free from any use, fixtures, furniture, and equipment, and is available for immediate use by a new tenant.

**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.
- (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.

**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.

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- (b) Beginning January 1, 2025, 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.

**050 Annual CPI Adjustment of Tax Rate**

- (a) Beginning with the 2026-27 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.

**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.

**070 Exemptions from Tax**

- (a) The following businesses are exempt from the tax imposed by this chapter:
- (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



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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.

**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, \_\_\_% of the business's quarterly business tax.
- (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 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.
  - (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.

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- (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).

**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.

**100 Business Tax Filing for a New Business**

- (a) 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:
  - (1) The name of the business and the address or addresses at which it will be operating in the city;
  - (2) The date on which the business will begin operating;
  - (3) The nature of the business's activities;
  - (4) The square footage in which the business will be operating in the city; and
  - (5) Any other information required by the Tax Administrator; and

**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.

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- (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.

**120 Agreements for Installment Payments**

The Tax Collector 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.

**130 Businesses Operating in the Same Location**

- (a) All business operators operating businesses in the same square footage are obligated to pay business tax measured by that square footage..
- (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.
- (d) If two or more business operators are operating businesses in the same square footage and one of the business operators is exempt from paying business tax measured by that square footage then no business tax shall be owed on the square footage in which the exempt business is operating.

**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.

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- (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.

**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 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

## NOT YET APPROVED

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.

**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.

**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

## NOT YET APPROVED

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.

### **190 Constitutional Apportionment**

- (a) No tax imposed by this chapter shall be applied to a business operator so as to 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.

## NOT YET APPROVED

- (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.

**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.
- (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.

**210 Audits**

- (a) The Tax Administrator may conduct an audit of any business operator to ensure proper compliance with the requirements of this chapter.

## NOT YET APPROVED

- (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 reasonable estimate of the amount of tax due and the reasonable estimate shall be entitled to a rebuttable presumption of correctness.

**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.

**230 Confidentiality of Records**



## NOT YET APPROVED

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.

**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.
- (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 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.

**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.

**260 Dates**

## NOT YET APPROVED

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.

**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.

**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.

**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.

**300 Savings Clause**

NOT YET APPROVED

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.

DRAFT

NOT YET APPROVED

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Describing  
the Council's Intentions 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 many neighboring communities do. A business tax would ensure that organizations that benefit from doing business in Palo Alto do their part to support the City's work to meet 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. Each year, 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 as the community continues to develop. The following uses, in particular, would be supported by business tax revenues:

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.

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.

Enhanced Local Services. Rising costs and constrained revenues have limited the City’s ability to provide services—such as police, fire, emergency services, and rejuvenation of our two downtown districts—at the level desired by the community. Stable long-term revenues from a business tax will put highly-valued City services on sound footing for the future.

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








# Assessing Support for Potential Finance Ballot Measures

*Key Findings from a Survey of Palo Alto Voters  
Conducted May 22-26, 2022*



OPINION  
RESEARCH  
& STRATEGY

# Survey Methodology

<b>Dates</b>	May 22-26, 2022
<b>Survey Type</b>	Dual-mode Voter Survey
<b>Research Population</b>	Likely November 2022 Voters in Palo Alto
<b>Total Interviews</b>	463
<b>Margin of Sampling Error</b>	(Full Sample) $\pm 4.9\%$ at the 95% Confidence Level (Half Sample) $\pm 6.6\%$ at the 95% Confidence Level
<b>Contact Methods</b>	 Telephone Calls  Email Invitations  Text Invitations
<b>Data Collection Modes</b>	 Telephone Interviews  Online Interviews

*(Note: Not All Results Will Sum to 100% Due to Rounding)*

# Survey Goals and Approach

## *Business Tax and Utility Questions Rotated*

**Business Tax**

**Utility Fund Transfer Ratification**

**Vote on One, Both, Neither?**

**BLT Amounts and Exemptions**

**Uses of Funds**

## *Message Blocks Rotated*

**Pro-BT Messages and Re-Vote  
Anti-BT Message and Re-Vote**

**Demographics**

- Assess voter reactions to two potential ballot measures, with draft legal language: a business tax and a measure to ratify utility fund transfers.
  - ✓ Business tax and utility measure rotated to assess impact of ballot sequence.
- Evaluate voters' priorities for business tax structure.
- Gauge the impact of pro and con messaging on breadth and intensity of support for the businesses tax.

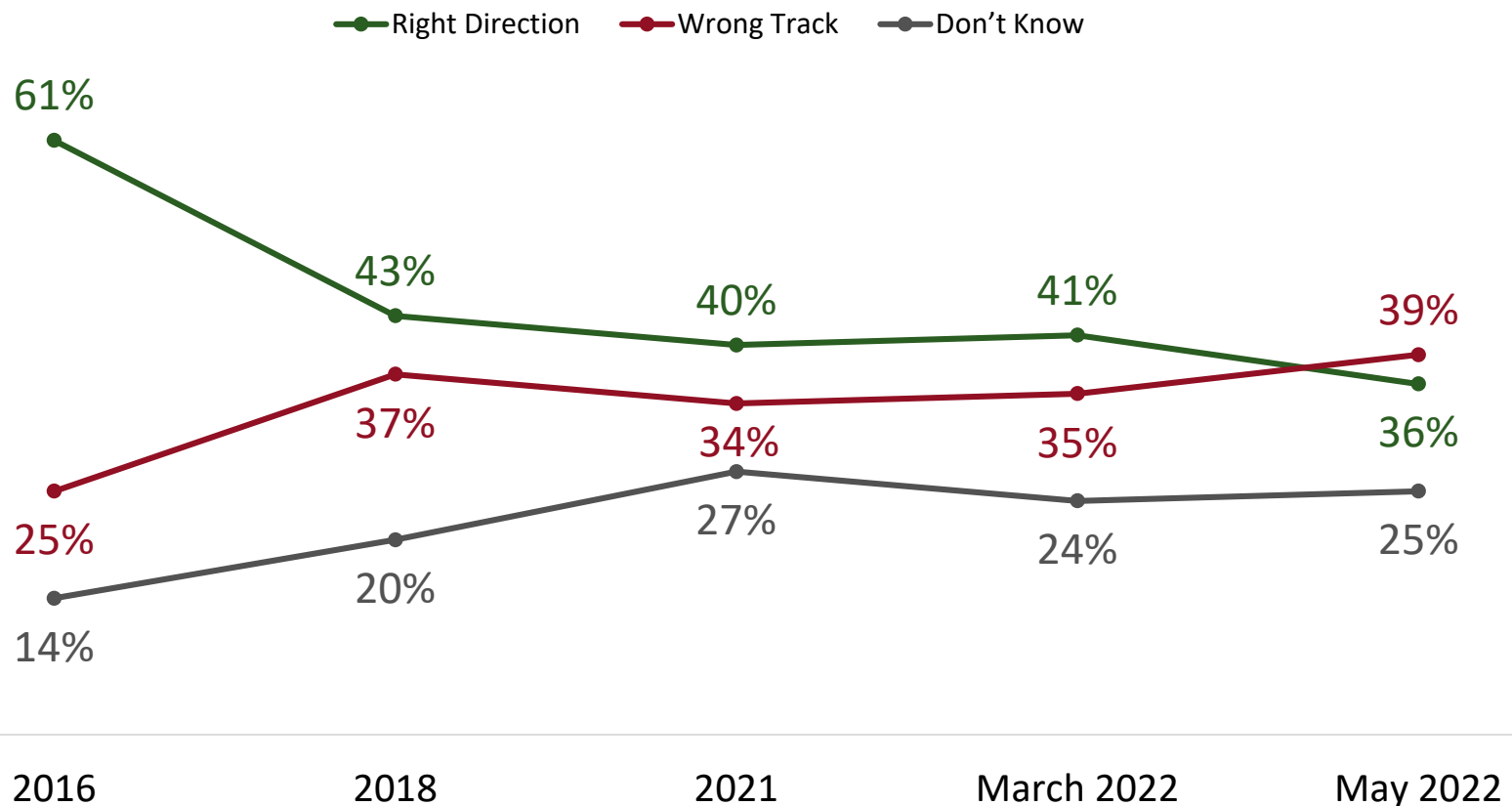




# Context

# Voters in the city are have become more pessimistic than optimistic about the city's direction.

*Would you say that things in Palo Alto are generally headed in the right direction, or do you feel that things are headed in the wrong direction?*





# Voter Views of a Business Tax

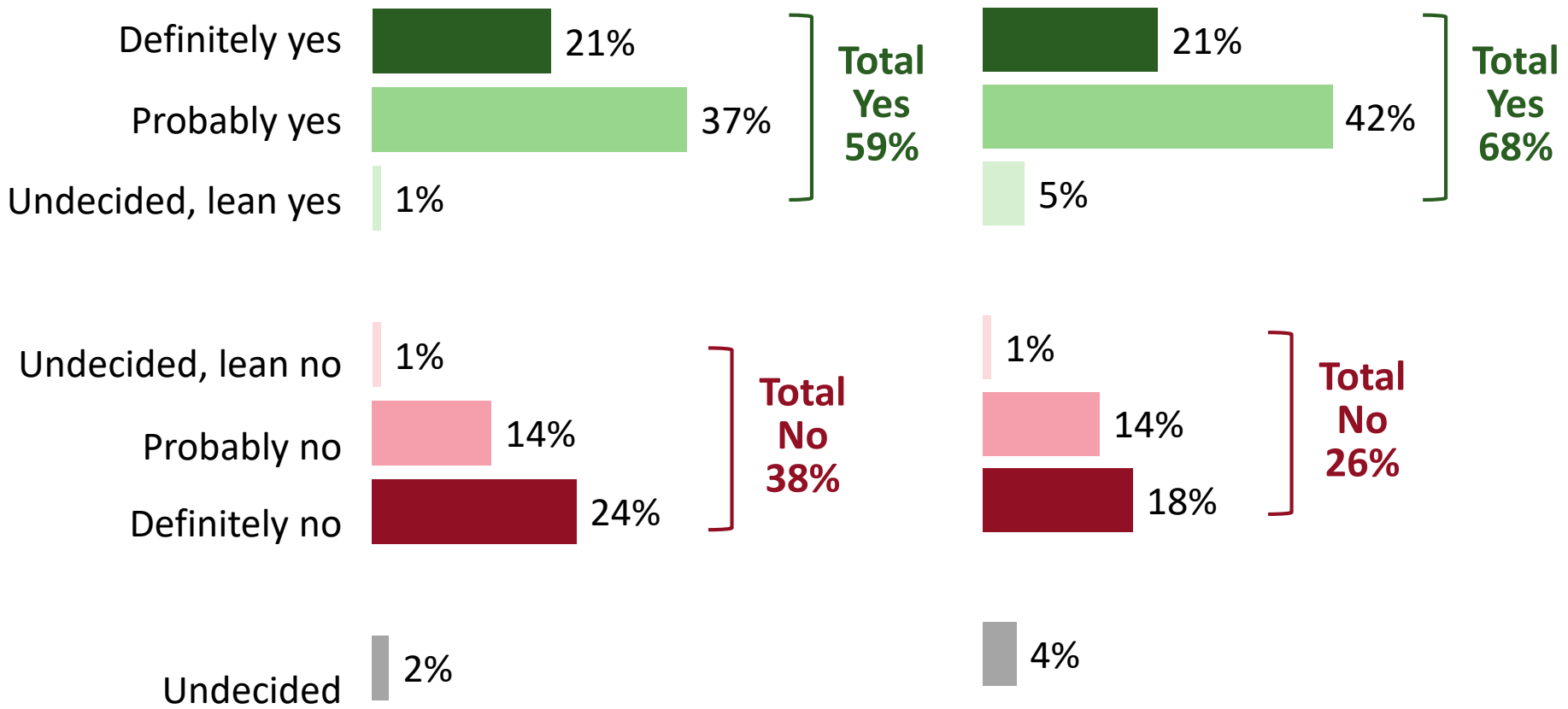
# Hypothetical Ballot Language Tested

*Shall the measure to raise funds for services such as improving public safety, affordable housing, rail crossing safety, homeless services, economic revitalization and general City services, by levying a tax on businesses in the City of Palo Alto at an annual rate of **(HALF SAMPLE: 10)** **(HALF SAMPLE: 12)** cents per square foot occupied by the business, with annual adjustments for inflation and exemptions for grocery stores, seasonal businesses and all businesses under 5,000 square feet, raising approximately **(HALF SAMPLE: \$22 million)** **(HALF SAMPLE: \$26 million)** per year until ended by voters, be adopted?*

# Support for the 12-cent version is no lower than the 10-cent version, but backing for both is very tentative.

## 10 cents

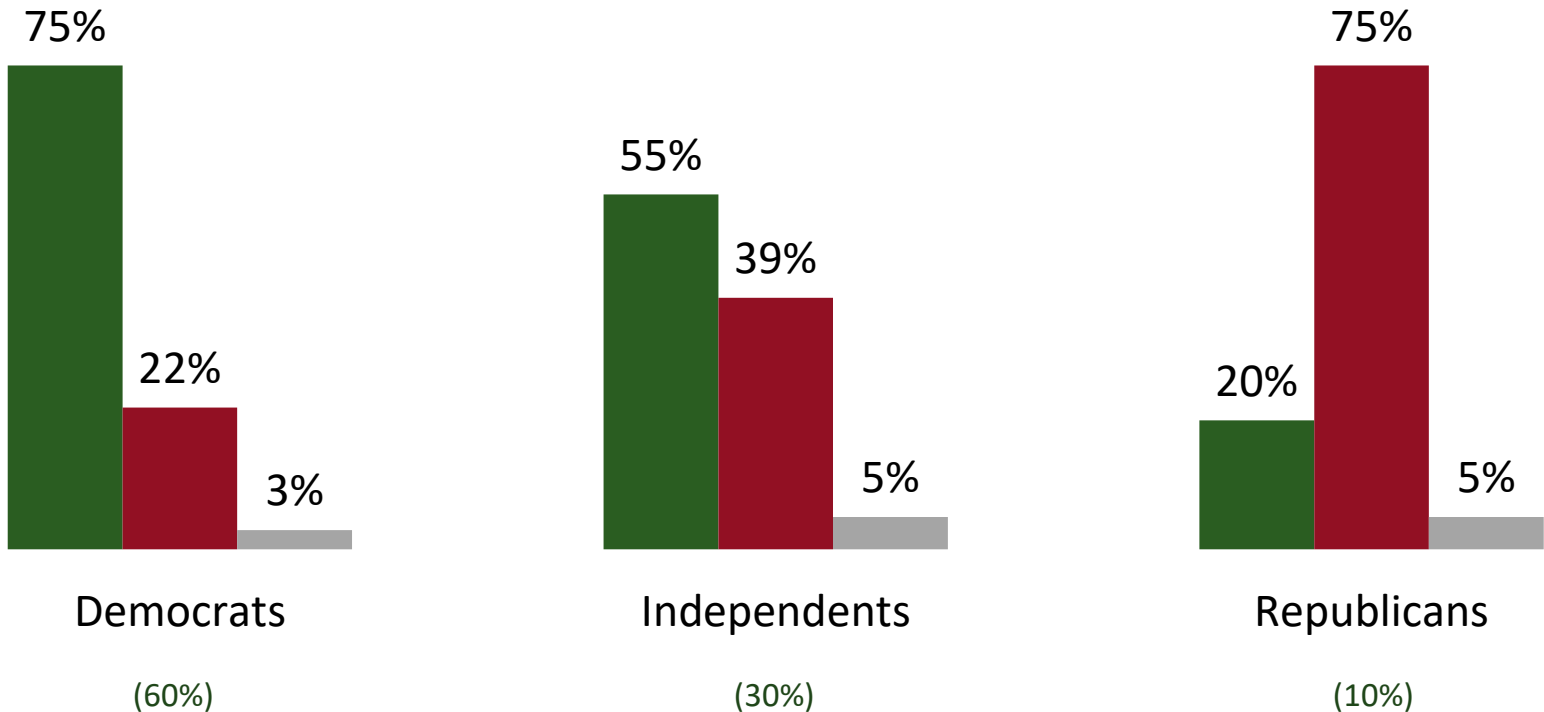
## 12 cents



# Three-quarters of Democrats support the measure; a majority of independents do.

Initial Business License Tax Vote (Rates Combined) by Party

■ Total Yes ■ Total No ■ Undecided

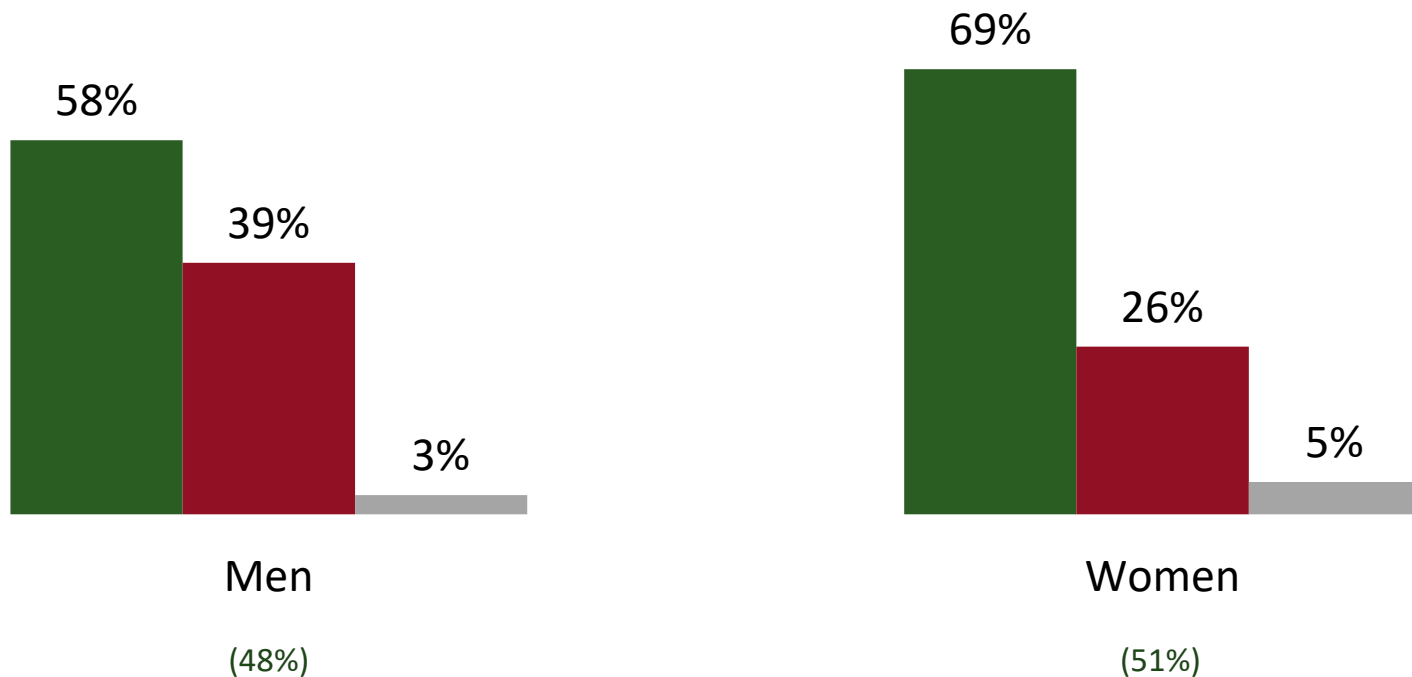


(% of Sample)

# Seven in ten women support the measure.

*Initial Business License Tax Vote (Rates Combined) by Gender*

■ Total Yes ■ Total No ■ Undecided

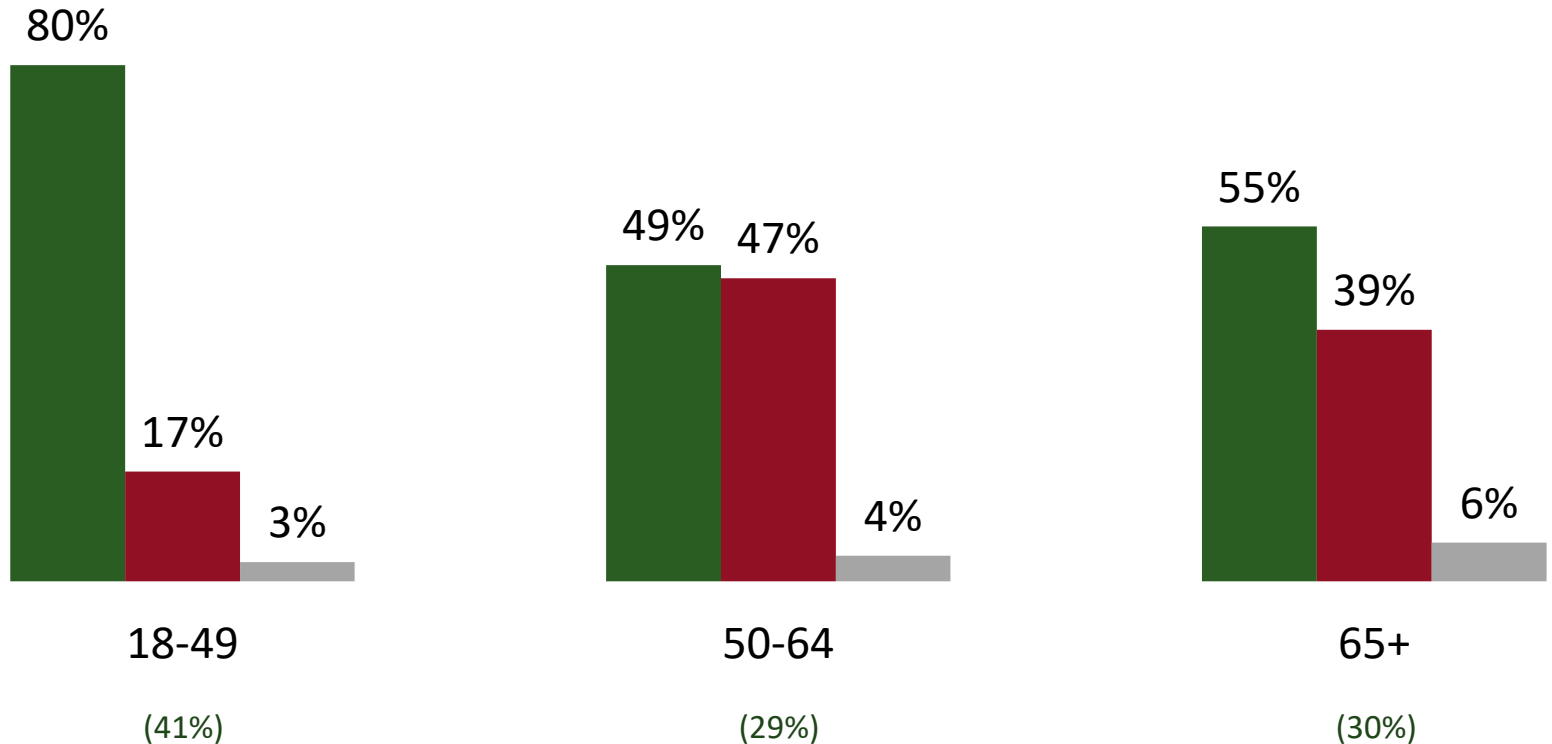


(% of  
Sample)

# Four in five voters under 50 support the business tax; older voters are more divided.

Initial Business License Tax Vote (Rates Combined) by Age

■ Total Yes ■ Total No ■ Undecided



(% of Sample)

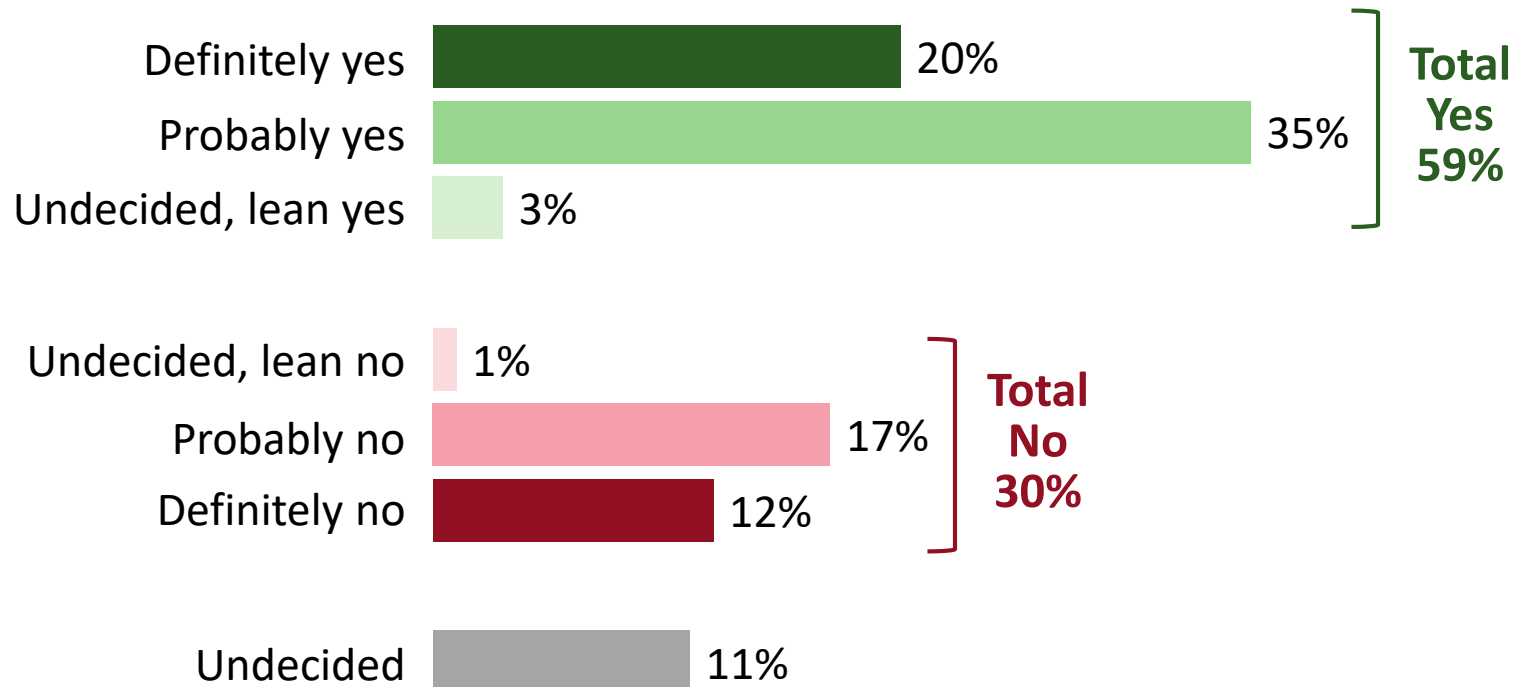




# Voter Views of a Utility Fund Measure

# The utility measure also has support from nearly three in five, and backing is also soft.

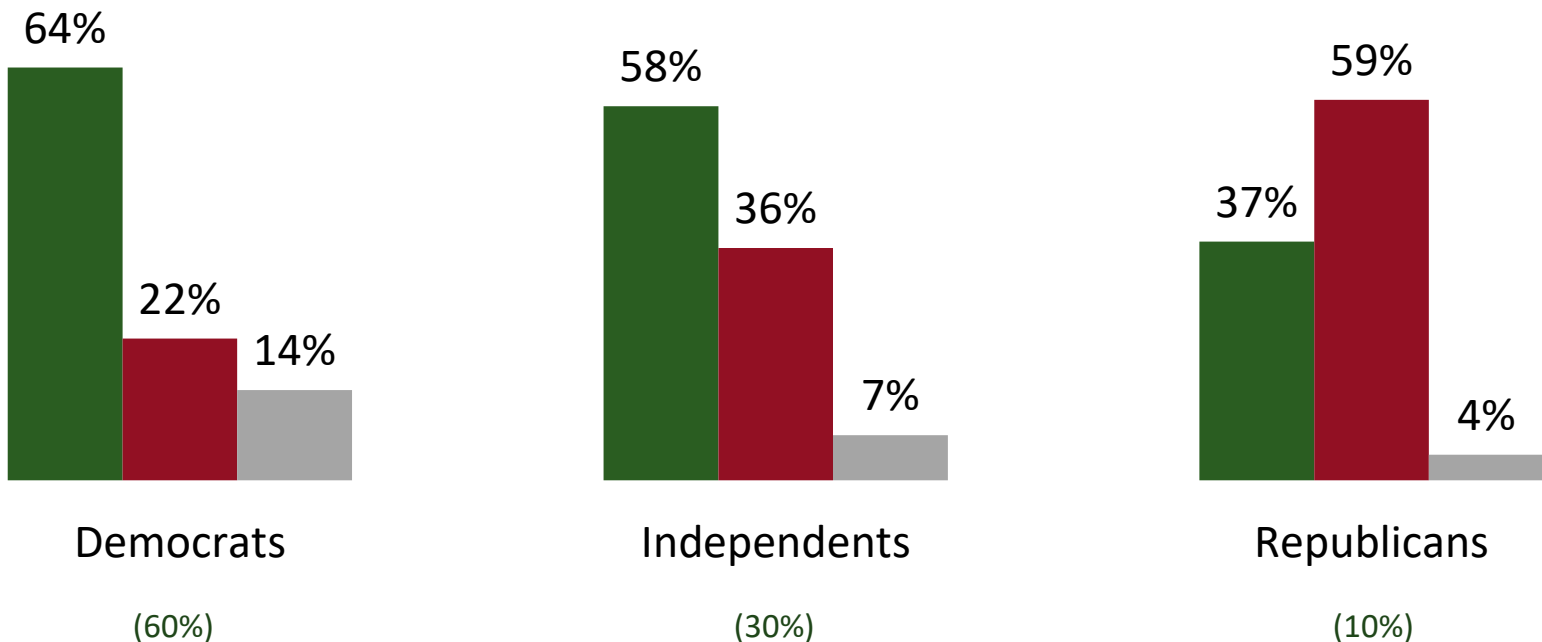
*Shall the measure affirming the City of Palo Alto's existing routine budget practice since 1950 of annually transferring no more than 18% of the gross revenues from the City's natural gas utility (generated by the City's retail natural gas rates) to its general fund to support general city services such as library services; climate change reduction; transportation; and police, fire, emergency medical, and 911 response; providing approximately \$7 million annually in existing revenues, be adopted?*



# Nearly two-thirds of Democrats back the measure, as do almost three in five independents.

*Initial Utility Measure Vote by Party*

■ Total Yes ■ Total No ■ Undecided

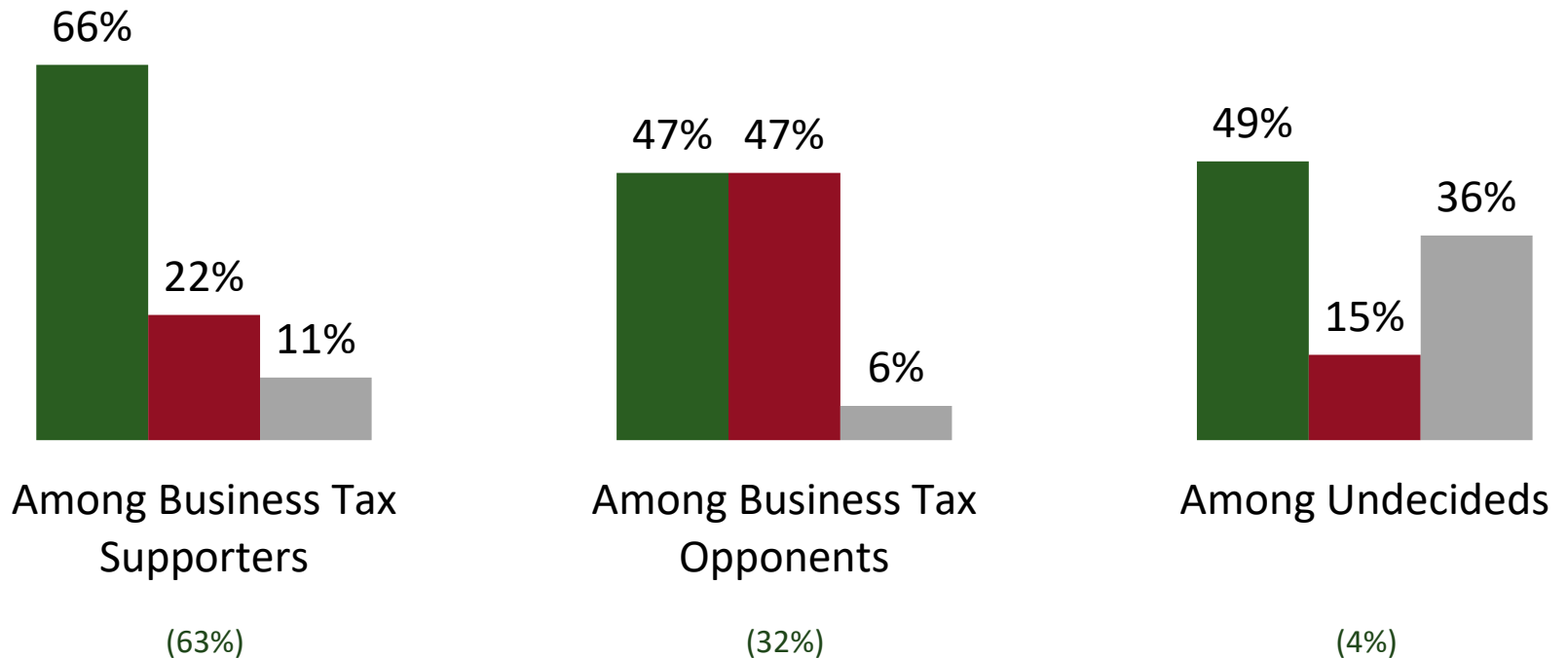


(% of Sample)

# Two-thirds of business tax supporters also back the utility measure.

*Initial Utility Measure Vote by Initial Business Tax Support*

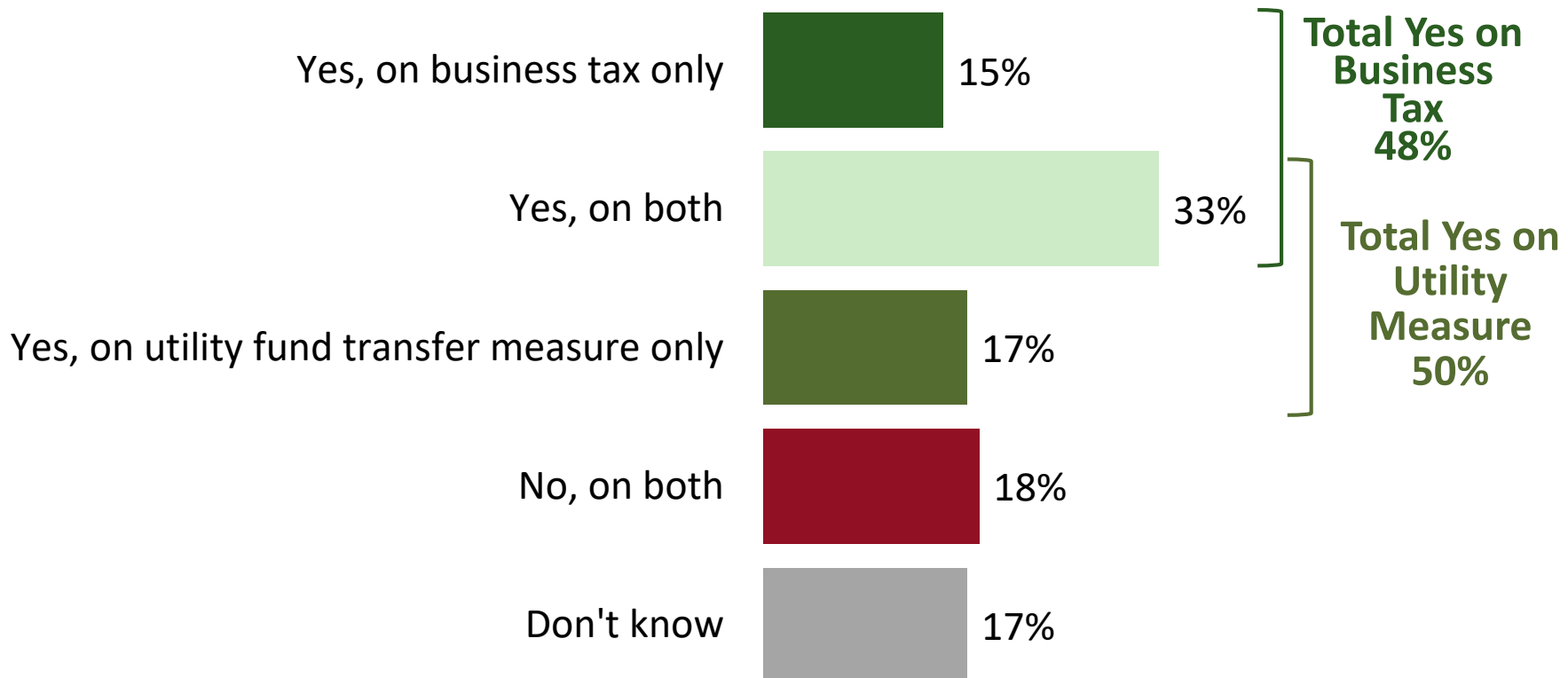
■ Total Yes ■ Total No ■ Undecided



(% of Sample)

# About half of voters back each measure when asked to consider them in tandem.

*If both of these measures were on the same ballot, would you vote "yes" on both, for just one, or for neither?*



*Note: the sequence in which the measures were presented did not yield any meaningful difference in support.*

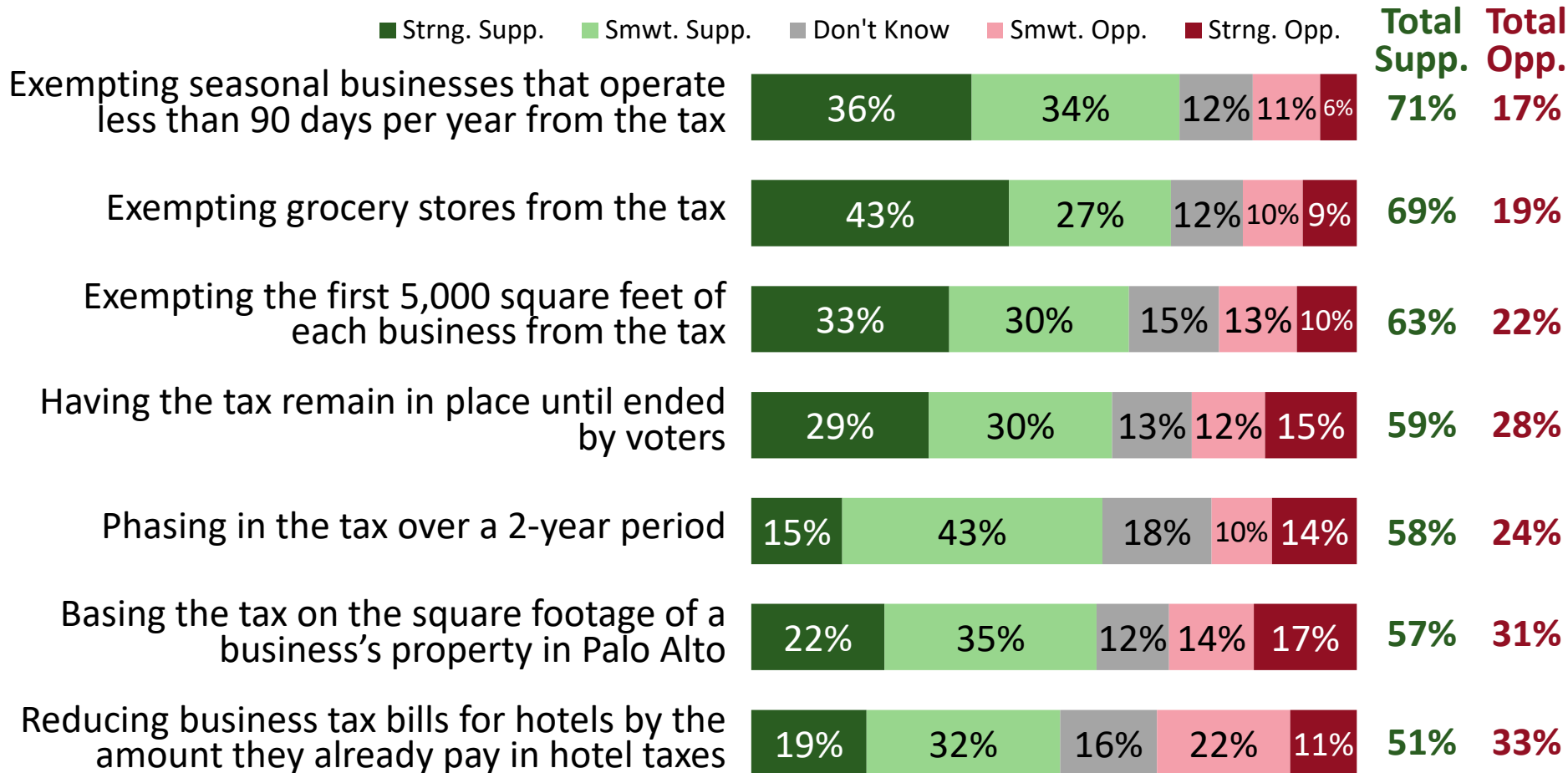
Q4.



# Structuring a Business Tax

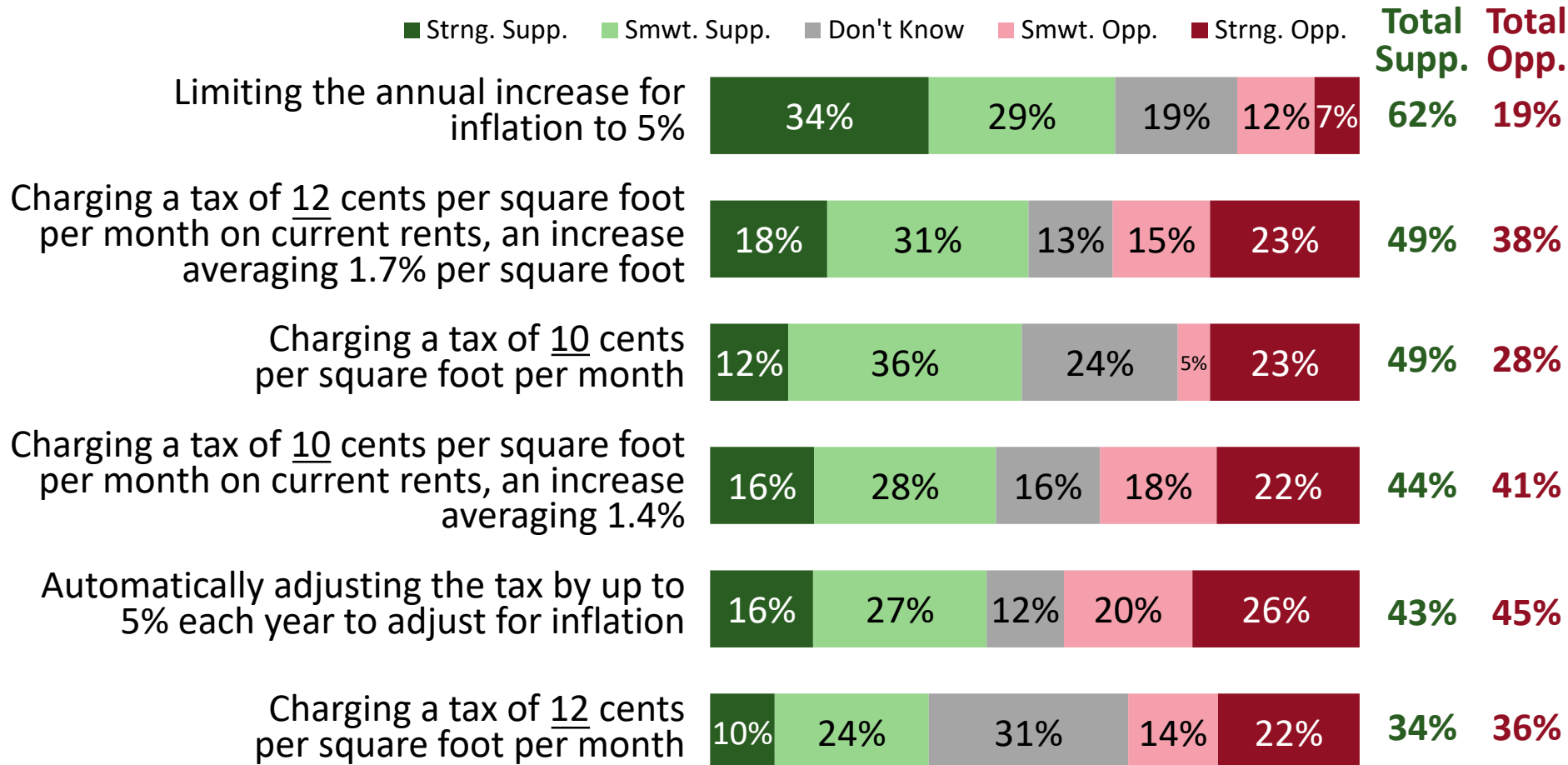
# Voters broadly support a variety of exemptions and phasing in the tax over two years.

*I am going to read you a list of some of the major provisions of this measure. Please tell me whether you support or oppose that aspect of the measure.*



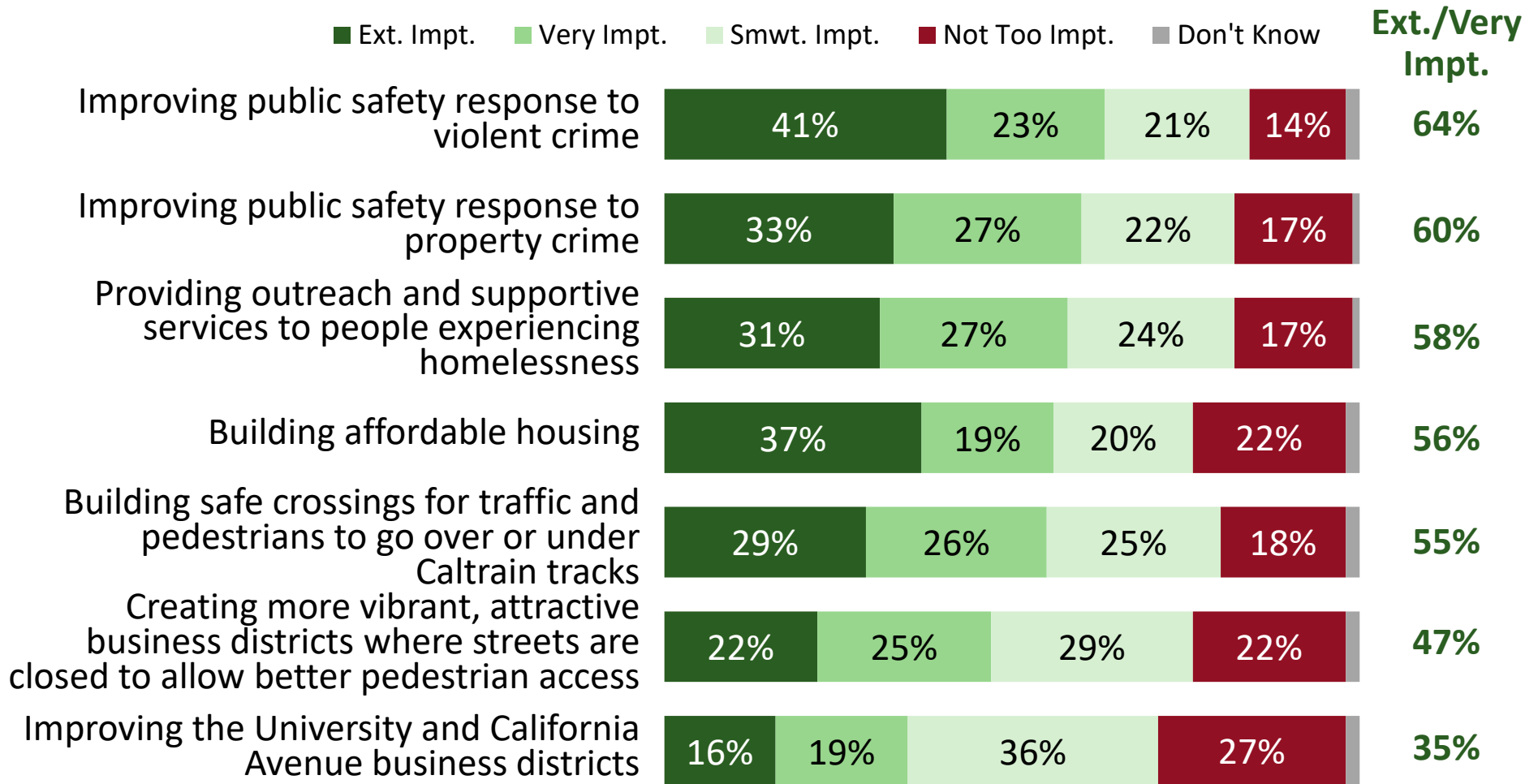
# Three in five support a cap on inflation increases; tax rates are divisive.

*I am going to read you a list of some of the major provisions of this measure. Please tell me whether you support or oppose that aspect of the measure.*





# Among potential uses of money, voters prioritize improving response to crime.

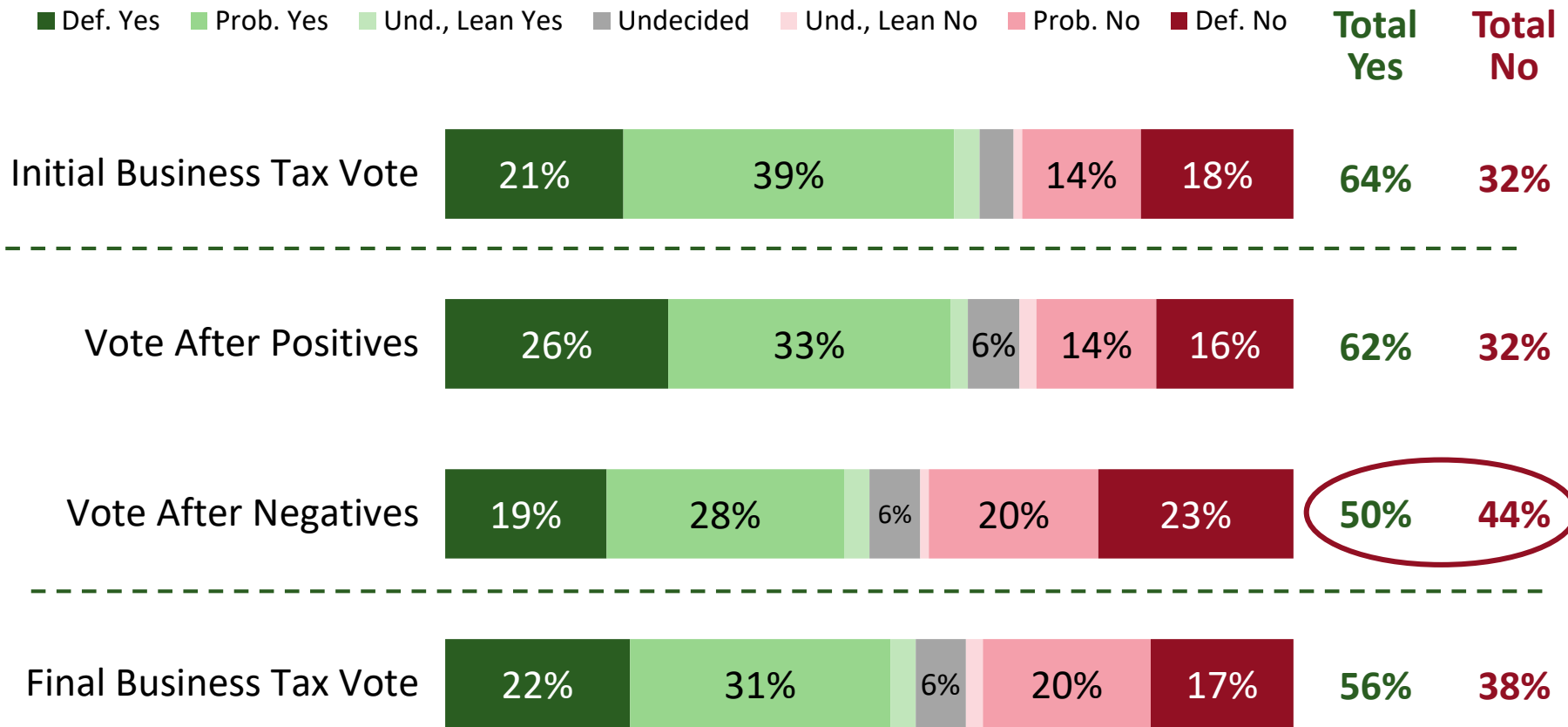




# Impact of Messaging on the Business Tax

# Negative messaging drives support for the measure down to 50%.

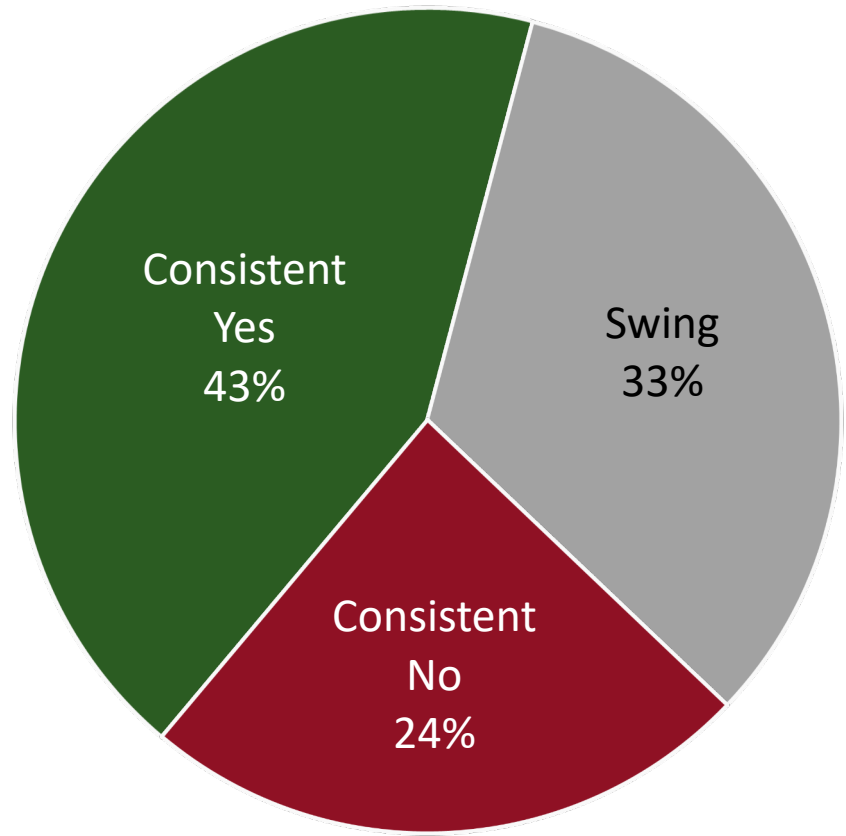
*Positives and Negatives Rotated  
Mid-Point Vote Margins of Error +/-6.9%*



# Segmenting the Electorate by Consistency of Support for a Business Tax

- ❖ **Consistent Yes:** Voters who consistently indicated they would vote “yes” on the measure
- ❖ **Consistent No:** Voters who consistently indicated they would vote “no” on the measure
- ❖ **Swing:** Voters who do not fall into any of the other categories – remaining consistently undecided or switching positions

The following slide shows demographic groups that *disproportionately* fall into one category or the other.



# Demographic Profile of the Segments

*Business License Tax Measure*

Consistent Yes	Swing	Consistent No
<b>43% of the Electorate</b>	<b>33% of the Electorate</b>	<b>24% of the Electorate</b>
Ages 18-29	Own Palo Alto Business	Republican Men
Democratic Women Ages 18-49	Independent Women	Republicans Ages 50+
Democrats Ages 18-49	Women Ages 50+	Republicans
Women Ages 18-49	Democratic Women Ages 50+	Men Ages 50+
Democratic Men Ages 18-49	Independents Ages 18-49	Independents Ages 50+
Non-College Educated Women	Ages 30-39	Independent Men
Renters	Ages 40-49	ZIP Code 94301
Ages 18-49	Women	Ages 75+
Some College or Less	Democrats Ages 50+	College-Educated Men
Democratic Women	Ages 65+	Ages 65+
Ages 30-39	Independents	Homeowners
Non-College Educated Men	Asians/Pacific Islanders	Ages 50+
Democrats	Ages 75+	Men
Men Ages 18-49	Ages 65-74	Ages 50-64
Whites		Ages 65-74

# Support Messages Tested

(Ranked by Very Convincing)

42%

**(FAIR SHARE)** Palo Alto currently registers businesses of all sizes for \$50. That means a mom-and-pop coffee shop pays the same as a tech company with thousands of employees. This measure is a sensible way to ensure large businesses pay their fair share for the services the City provides and that their employees enjoy, like affordable housing and police and fire protection.

31%

**(COMPARISON)** Palo Alto does not have a business tax, unlike most communities in California. Several nearby communities have significant taxes on business, such as East Palo Alto's tax of \$2.50 per square foot annually on commercial office space over 25,000 square feet and San Francisco's business tax of \$2.85 to \$5.60 per \$1,000 of gross receipts annually. This tax would align Palo Alto's tax system with those of other cities in the area.

30%

**(TAX BASE)** This measure is not a tax on homeowners or shoppers, but on the city's largest businesses. Sales taxes continue to decline in Palo Alto, and by diversifying the City's tax base with a thoughtfully designed business tax, we will be better able to weather future financial crises without having to raise taxes on everyday residents.

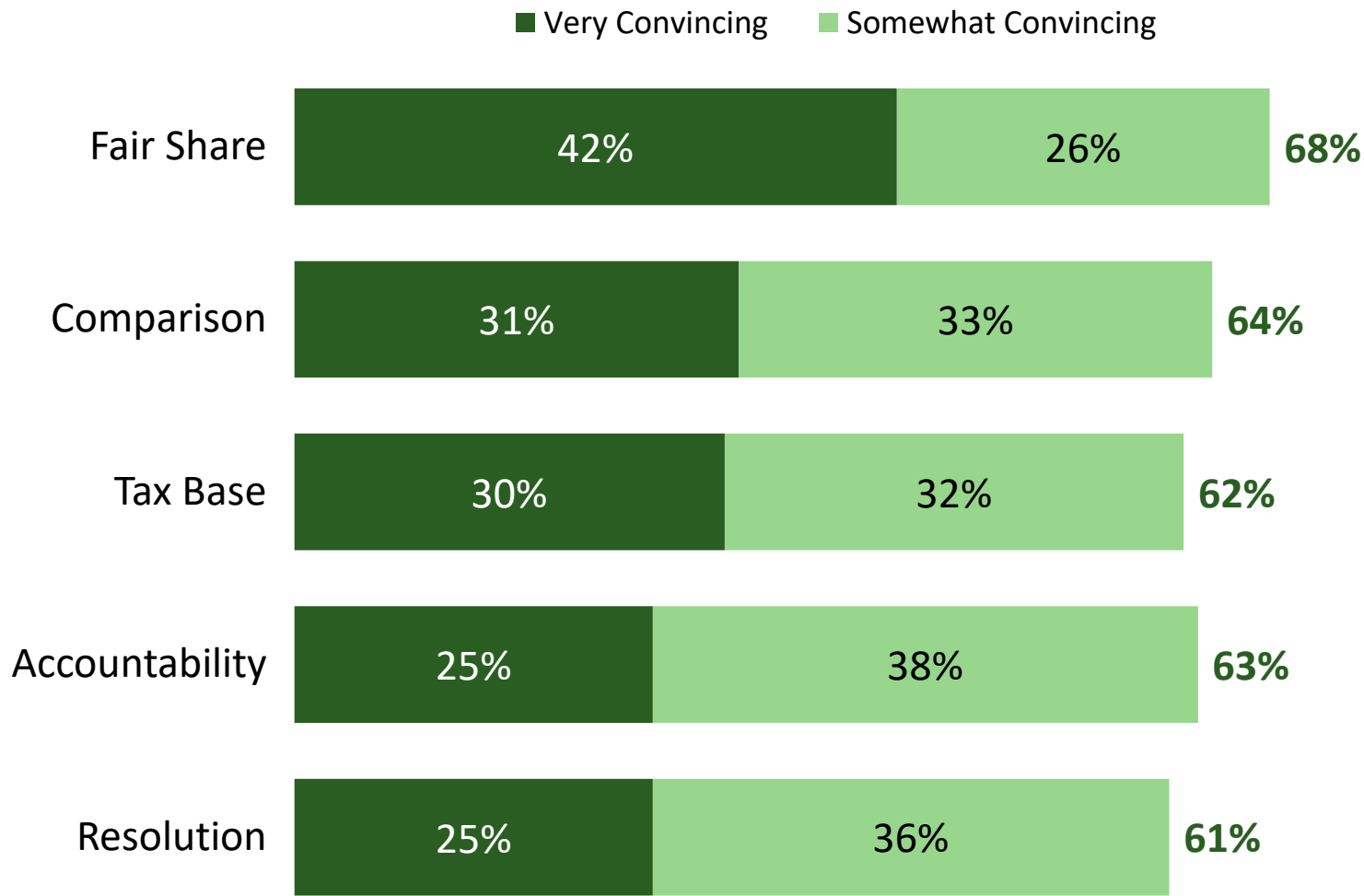
25%

**(ACCOUNTABILITY)** This measure will be subject to strict accountability provisions like annual financial audits; full public disclosure of all spending; and a requirement that all funds be spent locally in Palo Alto. This will ensure funds are used efficiently, effectively, and as promised.

25%

**(RESOLUTION)** Though this measure will be a general tax that can fund any city need, the City Council has committed to approving a plan before the election so that voters know exactly how it will spend the money: on public safety, affordable housing, homelessness, and improving the safety of rail crossings.

# Describing how the measure would make business taxes fairer is broadly compelling.

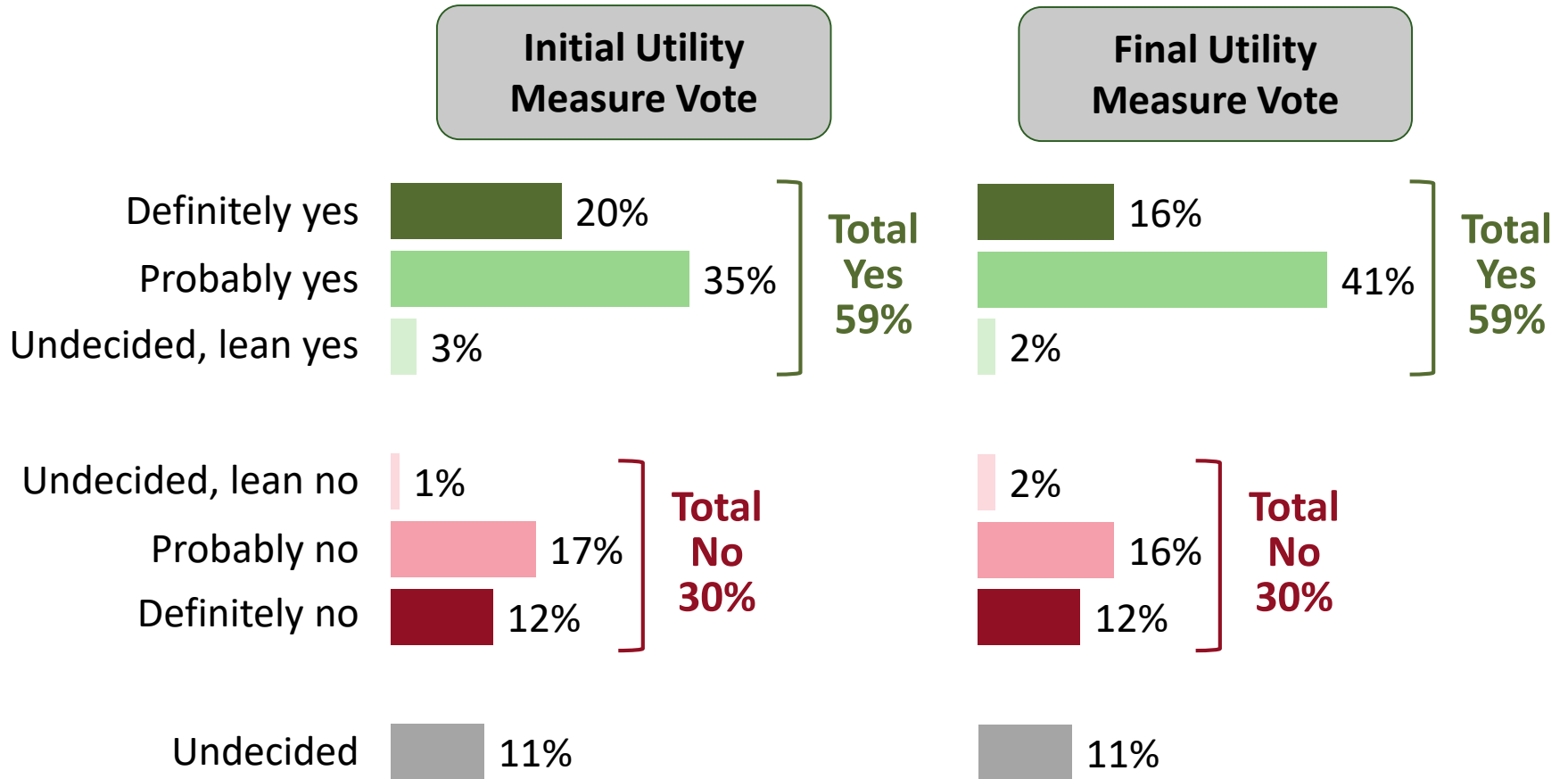


# Negative Message Provided

The cost of living is out of control and inflation is on the rise – now is not the time to be raising taxes. Local rents and taxes are already among the highest in the nation, and we can't afford another business tax this size. In addition, this tax has no expiration date on it – it's a forever tax that includes an automatic cost escalator, meaning that the tax will increase every year, giving the City a blank check for hundreds of millions of dollars.



# After pros and cons on the business tax measure, support for the utility measure is holds steady – broad, but soft.





# Conclusions

# Conclusions

- Skepticism of the electorate continues to grow, as it is in many cities around the region, with a plurality of voters saying the City is on the wrong track for the first time.
- With hypothetical measure language, a business tax measure has support from just under two-thirds (64% to 32%); after pros and cons, 56% support it.
- At the same time, the measure shows signs of soft support:
  - Only one in five say they would “definitely” vote for the measure, both before and after messaging.
  - After exposure to negative messaging, the measure leads by only a narrow 50% to 44% margin.
- Voters are comfortable with a measure that caps inflation adjustments at 5%. There is no consistent preference between a 10-cent and 12-cent per square foot rate.
- Voters are most enthusiastic about allocating new funding toward public safety, affordable housing, and outreach to the unhoused
- A measure ratifying utility fund transfers appears viable; it has support from three in five voters before and after messaging.

# For more information, contact:



OPINION  
RESEARCH  
& STRATEGY

1999 Harrison St., Suite 2020  
Oakland, CA 94612  
Phone (510) 451-9521  
Fax (510) 451-0384

**Dave Metz**

Dave@FM3research.com

**Miranda Everitt**

Miranda@FM3research.com

MAY 22-26, 2022



**CITY OF PALO ALTO BALLOT MEASURE SURVEY**  
**220-6398-WT**  
**N=463**  
**MARGIN OF SAMPLING ERROR  $\pm 4.9\%$  (95% CONFIDENCE INTERVAL)**  
**A/B & C/D & E/F SPLITS**

Hello, I'm \_\_\_\_\_ from \_\_\_\_\_, a public opinion research company. I am definitely not trying to sell you anything. We are conducting an opinion survey about issues that interest people living in the City of Palo Alto and we are only interested in your opinions. May I speak to \_\_\_\_\_? **(YOU MUST SPEAK TO THE VOTER LISTED. VERIFY THAT THE VOTER LIVES AT THE ADDRESS LISTED, OTHERWISE TERMINATE).**

- A. Before we begin, I need to know if I have reached you on a cell phone, and if so, are you in a place where you can talk safely without endangering yourself or others? **(IF NOT ON A CELL PHONE, ASK: "Do you own a cell phone?")**

Yes, cell and can talk safely ----- 82 %  
 Yes, cell but cannot talk safely ----- **TERMINATE**  
 No, not on cell ----- 18 %  
**(DON'T READ) DK/NA/REFUSED----- TERMINATE**

1. **(T\*)** First, would you say that things in Palo Alto are generally headed in the right direction, or do you feel that things are headed in the wrong direction?

Right direction ----- 36 %  
 Wrong direction----- 39 %  
**(DON'T READ) DK/NA ----- 25 %**

**NOW I WOULD LIKE TO ASK YOU A FEW QUESTIONS ABOUT TWO MEASURES THAT MAY APPEAR ON THE PALO ALTO BALLOT IN THE NOVEMBER ELECTION.**

**(SPLIT SAMPLE A ONLY: Q2 THEN Q3)**

**(SPLIT SAMPLE B ONLY: Q3 THEN Q2)**

2. The **FIRST/SECOND** measure might read as follows:

“Shall the measure to raise funds for services such as improving public safety, affordable housing, rail crossing safety, homeless services, economic revitalization and general City services, by levying a tax on businesses in the City of Palo Alto at an annual rate of **(SPLIT SAMPLE C: ten) (SPLIT SAMPLE D: twelve)** cents per square foot occupied by the business, with annual adjustments for inflation and exemptions for grocery stores, seasonal businesses and all businesses under 5 thousand square feet, raising approximately **(SPLIT SAMPLE C: 22 million dollars) (SPLIT SAMPLE D: 26 million dollars)** per year until ended by voters, be adopted?”

Do you think you would vote yes or no on such a measure? **(IF YES/NO, ASK: “Is that definitely or just probably?”) (IF UNDECIDED, ASK: Do you lean toward voting yes or no?)**

	<b>SPLIT A: ASKED FIRST</b>	<b>SPLIT B: ASKED SECOND</b>	<b>SPLIT C: 10¢/SQFT /\$22M</b>	<b>SPLIT D: 12¢/SQFT \$26M</b>	<b>TOTAL</b>
<b>TOTAL YES</b> -----	<b>64%</b>	<b>64%</b>	<b>59%</b>	<b>68%</b>	<b>64%</b>
Definitely yes -----	22%	20%	21%	21%	21%
Probably yes -----	40%	39%	37%	42%	39%
Undecided, lean yes -----	1%	4%	1%	5%	3%
<b>TOTAL NO</b> -----	<b>34%</b>	<b>30%</b>	<b>38%</b>	<b>26%</b>	<b>32%</b>
Undecided, lean no -----	1%	1%	1%	1%	1%
Probably no -----	12%	15%	14%	14%	14%
Definitely no -----	21%	15%	24%	12%	18%
<b>(DK/NA)</b> -----	<b>2%</b>	<b>6%</b>	<b>2%</b>	<b>6%</b>	<b>4%</b>

(SPLIT SAMPLE A ONLY: Q2 THEN Q3)  
 (SPLIT SAMPLE B ONLY: Q3 THEN Q2)

3. The **FIRST/SECOND** measure might read as follows:

“Shall the measure affirming the City of Palo Alto’s existing routine budget practice since 1950 of annually transferring no more than 18 percent 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 library services; climate change reduction; transportation; and police, fire, emergency medical, and 9-1-1 response; providing approximately 7 million dollars annually in existing revenues, be adopted?”

Do you think you would vote yes or no on such a measure? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, ASK: Do you lean toward voting yes or no?)**

	<b>SPLIT B: ASKED FIRST</b>	<b>SPLIT A: ASKED SECOND</b>	<b>TOTAL</b>
<b>TOTAL YES</b> -----	<b>59%</b>	<b>59%</b>	<b>59%</b>
Definitely yes -----	20%	20%	20%
Probably yes -----	34%	37%	35%
Undecided, lean yes -----	5%	1%	3%
 <b>TOTAL NO</b> -----	 <b>26%</b>	 <b>34%</b>	 <b>30%</b>
Undecided, lean no -----	1%	1%	1%
Probably no -----	16%	19%	17%
Definitely no -----	10%	14%	12%
 <b>(DK/NA)</b> -----	 15%	 7%	 11%

4. Next, if both of these measures were on the same ballot, would you vote “yes” on both, for just one, or for neither? **(IF YES ON ONE, ASK: “Which one would you vote “yes” on: the business license tax or the utility fund transfer measure?”)**

Yes, on both -----	33%
Yes, on business tax only -----	15%
Yes, on utility fund transfer measure only -----	17%
No on both -----	18%
<b>(DON'T READ) DK/NA</b> -----	17%

**THE REST OF MY QUESTIONS ARE ABOUT THE MEASURE THAT  
WOULD ESTABLISH A BUSINESS TAX IN PALO ALTO.**

5. First, I am going to read you a list of some of the major provisions of this measure. For each, please tell me whether you support or oppose that aspect of the measure. **(IF SUPPORT/OPPOSE, ASK: "Is that strongly SUPPORT/OPPOSE or just somewhat?") (READ RANDOMIZE)**

	<u>STR</u> <u>SUPP</u>	<u>SMWT</u> <u>SUPP</u>	<u>SMWT</u> <u>OPP</u>	<u>STR</u> <u>OPP</u>	<u>(DK/</u> <u>NA)</u>	<u>TOTAL</u> <u>SUPP</u>	<u>TOTAL</u> <u>OPP</u>
[ ]a. Basing the tax on the square footage of a business's property in Palo Alto -----	22%	35%	14%	17%	12%	57%	31%
[ ]b. Having the tax remain in place until ended by voters -----	29%	30%	12%	15%	13%	59%	28%
[ ]c. Phasing in the tax over a two- year period -----	15%	43%	10%	14%	18%	58%	24%
[ ]d. Exempting grocery stores from the tax -----	43%	27%	10%	9%	12%	69%	19%
[ ]e. Exempting seasonal businesses that operate less than 90 days per year from the tax -----	36%	34%	11%	6%	12%	71%	17%
[ ]f. Exempting the first five thousand square feet of each business from the tax -----	33%	30%	13%	10%	15%	63%	22%
[ ]g. Reducing business tax bills for hotels by the amount they already pay in hotel taxes -----	19%	32%	22%	11%	16%	51%	33%
<b>(SPLIT SAMPLE A ONLY)</b>							
[ ]h. Automatically adjusting the tax by up to five percent each year to adjust for inflation -----	16%	27%	20%	26%	12%	43%	45%
<b>(SPLIT SAMPLE AE ONLY)</b>							
[ ]i. Charging a tax of <u>ten</u> cents per square foot per month -----	12%	36%	5%	23%	24%	49%	28%
<b>(SPLIT SAMPLE AF ONLY)</b>							
[ ]j. Charging a tax of <u>ten</u> cents per square foot per month on current rents, an increase averaging one point four percent -----	16%	28%	18%	22%	16%	44%	41%
<b>(SPLIT SAMPLE B ONLY)</b>							
[ ]k. Limiting the annual increase for inflation to five percent -----	34%	29%	12%	7%	19%	62%	19%



**(SPLIT SAMPLE BE ONLY)**

[ ]l. Charging a tax of twelve cents per square foot per month -----10%-----24% ---- 14% -----22%-----31%

<u>TOTAL SUPP</u>	<u>TOTAL OPP</u>
34%	36%
49%	38%

**(SPLIT SAMPLE BF ONLY)**

[ ]m. Charging a tax of twelve cents per square foot per month on current rents, an increase averaging one point seven percent -----18%-----31% ---- 15% -----23%-----13%

**(RESUME ASKING ALL RESPONDENTS)**

6. Next, I am going to read you a list of more-specific ways in which funds generated by a tax could be spent. After I read each one, please tell me how important each item is to you personally: extremely important, very important, somewhat important, or not too important. **(RANDOMIZE)**

	<u>EXT IMP</u>	<u>VERY IMP</u>	<u>SMWT IMP</u>	<u>NOT TOO IMP</u>	<u>(DK/NA)</u>	<u>EXT/VERY</u>
[ ]a. Building safe crossings for traffic and pedestrians to go over or under Caltrain tracks-----	29%	26%	25%	18%	2%	55%
[ ]b. Building affordable housing-----	37%	19%	20%	22%	2%	56%
[ ]c. Providing outreach and supportive services to people experiencing homelessness -----	31%	27%	24%	17%	1%	58%
[ ]d. Improving the University and California Avenue business districts -----	16%	19%	36%	27%	2%	35%
[ ]e. Improving public safety response to violent crime -----	41%	23%	21%	14%	2%	64%
[ ]f. Improving public safety response to property crime -----	33%	27%	22%	17%	1%	60%
[ ]g. Creating more vibrant, attractive business districts where streets are closed to allow better pedestrian access -----	22%	25%	29%	22%	2%	47%

**NEXT, HERE ARE SOME STATEMENTS FROM SUPPORTERS AND OPPONENTS OF THE POTENTIAL BUSINESS TAX WE HAVE BEEN DISCUSSING.**

**(SPLIT SAMPLE E ONLY: READ Q7 THEN Q8 THEN Q9)**

**(SPLIT SAMPLE F ONLY: READ Q9 THEN Q7 THEN Q8)**

7. **FIRST/NEXT**, I am going to read you some statements from people who support the measure. After hearing each statement, please tell me whether you find it very convincing, somewhat convincing, or not convincing as a reason to support the measure. If you do not believe the statement, please tell me that too. **(RANDOMIZE)**

	<u>VERY CONV</u>	<u>SMWT CONV</u>	<u>NOT CONV</u>	<u>DON'T BEL</u>	<u>(DK/ NA)</u>	<u>VERY/ SMWT</u>
[ ]a. <b>(RESOLUTION)</b> Though this measure will be a general tax that can fund any city need, the City Council has committed to approving a plan <u>before</u> the election so that voters know exactly how it will spend the money: on public safety, affordable housing, homelessness, and improving the safety of rail crossings. -----	25%	36%	22%	13%	5%	61%
[ ]b. <b>(T-ACCOUNTABILITY)</b> This measure will be subject to strict accountability provisions like annual financial audits; full public disclosure of all spending; and a requirement that all funds be spent locally in Palo Alto. This will ensure funds are used efficiently, effectively, and as promised.-----	25%	38%	16%	17%	4%	63%
[ ]c. <b>(T-COMPARISON)</b> Palo Alto does not have a business tax, unlike most communities in California. Several nearby communities have significant taxes on business, such as East Palo Alto's tax of \$2.50 per square foot annually on commercial office space over 25,000 square feet and San Francisco's business tax of \$2.85 to \$5.60 per 1000 dollars of gross receipts annually. This tax would align Palo Alto's tax system with those of other cities in the area.-----	31%	33%	22%	9%	5%	64%
[ ]d. <b>(T-FAIR SHARE)</b> Palo Alto currently registers businesses of all sizes for 50 dollars. That means a mom-and-pop coffee shop pays the same as a tech company with thousands of employees. This measure is a sensible way to ensure large businesses pay their fair share for the services the City provides and that their employees enjoy, like affordable housing and police and fire protection. -----	42%	26%	18%	10%	4%	68%
[ ]e. <b>(T-TAX BASE)</b> This measure is <u>not</u> a tax on homeowners or shoppers, but on the city's largest businesses. Sales taxes continue to decline in Palo Alto, and by diversifying the City's tax base with a thoughtfully designed business tax, we will be better able to weather future financial crises without having to raise taxes on everyday residents. -----	30%	32%	20%	14%	4%	62%

**(SPLIT SAMPLE E ONLY: READ Q7 THEN Q8 THEN Q9)**

**(SPLIT SAMPLE F ONLY: READ Q9 THEN Q7 THEN Q8)**

8. Now that you've learned more about it, would you vote yes or no on a measure to raise funds for services such as improving public safety, affordable housing, rail crossing safety, homeless services, economic revitalization and for general city services, by levying a tax on businesses in the City of Palo Alto at an annual rate of **(SPLIT SAMPLE C: ten) (SPLIT SAMPLE D: twelve)** cents per square foot occupied by the business? **(IF YES/NO, ASK: "Is that definitely or just probably?") (IF UNDECIDED, ASK: "Do you lean toward voting yes or no?")**

	<b>SPLIT E: ASKED FIRST</b>	<b>SPLIT F: ASKED SECOND</b>	<b>SPLIT C: 10¢/SQFT /\$22M</b>	<b>SPLIT D: 12¢/SQFT \$26M</b>	<b>TOTAL</b>
<b>TOTAL YES</b> -----	<b>61%</b>	<b>63%</b>	<b>61%</b>	<b>64%</b>	<b>62%</b>
Definitely yes -----	25%	28%	29%	24%	27%
Probably yes -----	34%	33%	30%	37%	33%
Undecided, lean yes -----	3%	2%	1%	3%	2%
<b>TOTAL NO</b> -----	<b>32%</b>	<b>32%</b>	<b>34%</b>	<b>30%</b>	<b>32%</b>
Undecided, lean no -----	2%	2%	2%	2%	2%
Probably no -----	15%	14%	13%	16%	14%
Definitely no -----	15%	17%	20%	12%	16%
<b>(DK/NA)</b> -----	<b>7%</b>	<b>5%</b>	<b>5%</b>	<b>7%</b>	<b>6%</b>

**(SPLIT SAMPLE E ONLY: READ Q7 THEN Q8 THEN Q9)**

**(SPLIT SAMPLE F ONLY: READ Q9 THEN Q7 THEN Q8)**

9. **FIRST/NEXT**, let me read you a brief statement from opponents.

The cost of living is out of control and inflation is on the rise – now is not the time to be raising taxes. Local rents and taxes are already among the highest in the nation, and we can't afford another business tax this size. In addition, this tax has no expiration date on it – it's a forever tax that includes an automatic cost escalator, meaning that the tax will increase every year, giving the City a blank check for hundreds of millions of dollars.

Having heard this, would you vote yes or no on the measure? **(IF YES/NO, ASK: "Is that definitely or just probably?") (IF UNDECIDED, ASK: "Do you lean toward voting yes or no?")**

	<b>SPLIT F: ASKED FIRST</b>	<b>SPLIT E: ASKED SECOND</b>	<b>TOTAL</b>
<b>TOTAL YES</b> -----	<b>52%</b> -----	<b>48%</b> -----	<b>50%</b> -----
Definitely yes -----	21% -----	16% -----	19% -----
Probably yes -----	28% -----	28% -----	28% -----
Undecided, lean yes -----	3% -----	4% -----	3% -----
<b>TOTAL NO</b> -----	<b>44%</b> -----	<b>44%</b> -----	<b>44%</b> -----
Undecided, lean no -----	0% -----	2% -----	1% -----
Probably no -----	14% -----	25% -----	20% -----
Definitely no -----	29% -----	17% -----	23% -----
<b>(DK/NA)</b> -----	<b>4%</b> -----	<b>8%</b> -----	<b>6%</b> -----

#### Q8/Q9 COMBINED FINAL VOTE AFTER PROS AND CONS

<b>TOTAL YES</b> -----	<b>56%</b> -----
Definitely yes -----	22% -----
Probably yes -----	31% -----
Undecided, lean yes -----	3% -----
<b>TOTAL NO</b> -----	<b>38%</b> -----
Undecided, lean no -----	2% -----
Probably no -----	20% -----
Definitely no -----	17% -----
<b>(DON'T READ) DK/NA</b> -----	<b>6%</b> -----

10. And let me ask you one last time about the second measure I mentioned earlier, which would affirm the City of Palo Alto's existing budget practice of annually transferring no more than 18 percent of the gross revenues from the City's natural gas utility to its general fund to support City services such as homeless services; climate change reduction; transportation; and police, fire, emergency medical, and 911 response. Do you think you would vote yes or no on such a measure? **(IF YES/NO, ASK: "Is that definitely or just probably?") (IF UNDECIDED, ASK: "Do you lean toward voting yes or no?")**

**TOTAL YES ----- 59%**

Definitely yes----- 16%

Probably yes----- 41%

Undecided, lean yes-----2%

**TOTAL NO----- 30%**

Undecided, lean no-----2%

Probably no----- 16%

Definitely no----- 12%

**(DON'T READ) DK/NA ----- 11%**

**HERE ARE MY LAST QUESTIONS, AND THEY ARE FOR STATISTICAL PURPOSES ONLY.**

11. **(T)** Do you own a business in Palo Alto?

Yes -----7%

No -----86%

**(DON'T READ) DK/NA -----7%**

12. Do you own or rent your place of residence?

Own----- 61%

Rent -----28%

**(DON'T READ) DK/NA ----- 12%**

13. What was the last level of school you completed?

High school graduate or less-----4%

Some college/vocational school -----8%

College graduate (4 years) ----- 41%

Post graduate work/

Professional school ----- 44%

**(DON'T READ) DK/NA -----4%**

14. With which racial or ethnic group do you identify yourself: Latino or Hispanic, African American or Black, White or Caucasian, Asian or Pacific Islander, multiracial, or some other ethnic or racial background? **(IF ASIAN OR PACIFIC ISLANDER, ASK: "Are you Vietnamese, Chinese, South Asian or East Indian, or of some other Asian background?")**

Latino/Hispanic	-----4 %
African American/Black	-----2 %
Caucasian/White	-----47 %
Vietnamese	-----1 %
Chinese	-----9 %
South Asian/East Indian	-----3 %
Other Non-Asian/Pacific Islander	-----1 %
Other Asian/Pacific Islander	-----7 %
Multiracial	-----7 %
<b>(DON'T READ) DK/NA</b>	-----20 %

<b>THANK AND TERMINATE</b>
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**GENDER:**

Male	-----48 %
Female	-----51 %
Nonbinary	-----1 %

**PARTY REGISTRATION:**

Democrat	-----60 %
Republican	-----10 %
No Party Preference	-----27 %
Other	-----3 %

**FLAGS**

P16	-----56 %
G16	-----73 %
P18	-----54 %
G18	-----74 %
P20	-----65 %
G20	-----85 %
R21	-----88 %
BLANK	-----5 %

**AGE**

18-24	-----8 %
25-29	-----8 %
30-34	-----6 %
35-39	-----5 %
40-44	-----5 %
45-49	-----9 %
50-54	-----9 %
55-59	-----11 %
60-64	-----9 %
65-74	-----15 %
75+	-----15 %

**PERMANENT ABSENTEE**

Yes	-----93 %
No	-----7 %

**HSEHLD. PARTY TYPE**

Dem 1	-----35 %
Dem 2+	-----18 %
Rep 1	-----5 %
Rep 2+	-----2 %
Ind 1+	-----22 %
Mix	-----18 %

**MODE**

Phone	-----33 %
Online	-----67 %

**CONTACT METHOD**

Phone	-----33 %
E-mail	-----55 %
Text	-----12 %