



# CITY COUNCIL SUMMARY MINUTES

Special Meeting  
October 3, 2022

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 5:33 P.M.

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

Present Virtually: Kou

Absent: None

## Special Order of the Day

### 2. Adoption of Resolution for Heather Souza Upon Her Retirement

Mayor Patrick Burt read aloud the resolution.

Police Chief Andrew Binder stated his gratefulness for Heather Souza's service to the community, friendship, and professionalism.

Heather Souza stated her appreciation for opportunities and her career.

Council Member Tom DuBois thanked Ms. Souza for her service.

Mayor Burt presented the proclamation to Ms. Souza who was accompanied by her husband, mother, and brother.

## Public Comment

1. Aram James thanked Ms. Souza for her work with the Palo Alto Police Department and wished her well in her retirement.

**MOTION:** Council Member Alison Cormack moved, seconded by Vice Mayor Lydia Kou to adopt a Resolution for Heather Souza upon her retirement.

**MOTION PASSED:** 7-0

## Agenda Changes, Additions and Deletions

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Items 1, the labor session, and 8, the TEFRA hearing, were removed from the agenda.

## Public Comment

1. Terry Holzemer said the public was not informed about the DEIR for the 200 Portage project and the scoping session. He asked the Council to inform all interested parties. He asked that the DEIR deadline of October 31 be extended so more citizens could participate.
2. Aram James spoke against weaponized canines.
3. Roberta Ahlquist stated the Low-Income Senior Housing Committee is circulating a rent stabilization and just cause eviction petition and asked for serious consideration. She asked for a vacancy tax on the approximately 500 vacant houses in Palo Alto and stated seniors could use that housing. Seniors desire rent stabilization due to recent rent increases up to \$300.
4. Pete Bennett spoke on a lawsuit he is involved in and asked for help in finding out who killed members of his family.
5. Matt Schlegel encouraged people to stop burning fossil fuel.
6. Elizabeth Gardner stated her support of the rent stabilization petition and asked the Council to reduce petroleum products and toxins in home construction.

## Consent Calendar

Council Member Cormack registered a no vote on Agenda Item Number 6.

Council Members Tom DuBois, Greer Stone, and Greg Tanaka requested to pull Item 4.

Council Member Tanaka registered a no vote on Agenda Item Number 7.

City Manager Ed Shikada suggested Agenda Item 4 and Action Item 9 be heard concurrently.

**MOTION:** Council Member DuBois moved, seconded by Mayor Burt to approve Agenda Item Numbers 3 and 5-7 and pull Item 4 for discussion.

3. Approve Minutes from the September 19, 2022 City Council Meetings

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4. Approval of a Professional Services Agreement With Eagle Systems (dba Synergy Companies) for Development and Administration of Heat Pump Water Heater Pilot Program, Energy and Water Efficiency, and Electrification Programs for the City's Utility Customers in a Total Not-to-Exceed Amount of \$7.705M for a 3-Year Term Through October 2025 **(Pulled for discussion)**
5. Approval of Construction Contract Number C23184924 with Ron Paris Construction Company, Inc. in the Amount of \$990,733; Authorization for the City Manager to Negotiate and Execute Change Orders up to a Not-to-Exceed Amount of \$99,073 for the Water, Gas, Wastewater Office Remodel Project, Capital Improvement Program Project PE-19001; and Approval of Budget Amendments in the Capital Improvement Fund, Water Fund, Gas Fund and Wastewater Collection Fund
6. Adoption of **Resolution 10073** Authorizing Use of Teleconferencing for Council Meetings During Covid-19 State of Emergency
7. Adopt **Resolution 10074** Authorizing the City Manager to Purchase a Portion of the City's Natural Gas Requirements From Certain Prequalified Natural Gas Suppliers Under Specified Terms and Conditions for Delivery During Calendar Years 2023 Through 2028, Inclusive, With a \$150 Million Maximum Aggregate Transaction Limit

## MOTION SPLIT FOR THE PURPOSE OF VOTING

### MOTION PASSED ITEMS 3,5: 7-0

### MOTION PASSED ITEMS 6: 6-1, Cormack no

### MOTION PASSED ITEMS 7: 6-1, Tanaka no

Council Member Cormack spoke in opposition of Item 6 and stated she has not found it unsafe for the Council to meet in person.

Council Member Tanaka spoke in opposition of Item 7 and said there were no boundaries on pricing and compared it to a blank check. He added there were no boundaries on quantity and no recent gas quantity usage was provided. Since 2000, the City has reduced natural gas use by about 3 percent per year. He stated the budget approval for Item 7 is 173 percent higher than actual usage.

## City Manager Comments

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City Manager Shikada shared information on COVID-19 exposure risks and dates for regular PCR testing in the county. The next Artist-in-Residence event will be October 8. There will be pop-up circus performances October 7 to October 9 at 3 different locations. There will be a virtual community meeting on October 13 in regard to environmental review of the proposed Housing Element which is expected to be released around November 7 followed by a 30-day public comment period. A follow-up joint study session with the Council and the Planning & Transportation Commission is tentatively scheduled for November 28. A Making Better Choices in Your Home workshop is scheduled for October 15 and will offer options and resources for residential electrification. A town hall meeting will occur on October 12. The next Council meeting will be on October 17 where the Creekside Inn site will be prescreened and updates will be given on the Green Building and Reach Code. At the Council meeting on October 24, the North Ventura Coordinated Area Plan will be discussed as well as the next steps on the Parklet program. There is no Council meeting on October 31. Items discussed at the November 7 Council meeting and beyond will include the Economic Development Study Session, the Housing Element, the Biannual Study Session with the City's independent police auditor, and the joint meeting with the Planning & Transportation Committee with regard to the Housing Element.

## Action Items

9. Acceptance of Sustainability and Climate Action Plan (S/CAP) Goals and Key Actions; Review of Proposed Reach Code Changes; Adoption of Resolutions Adopting Advanced Heat Pump Water Heater Program Guidelines, Creating and Funding Electrification Reserves, Amending the City's Policy on the Use of Cap and Trade Allowance Revenues, and Adopting a Carbon Neutrality Goal; Approval of Budget Amendments in the Electric Fund, Gas Fund, and General Fund; and Direction to Staff to Amend the 2022 Utilities Legislative Guidelines

Consent Calendar Item 4 was included in the discussion.

Assistant Director Abendschein stated the contract with Synergy has 3 parts, 2 that extend existing programs plus the advanced Heat Pump Water Heater Program with the turnkey installation feature. In turnkey installation, a contractor does the installation but the customer pays a portion of the cost. The 2 programs being extended are the Multifamily Residential Program and the Income-Qualified Program and they focus on energy and water efficiency. The programs could be expanded later to include some level of electrification but they would need a budget amendment. No amendment is needed to continue the existing programs but the advanced Heat Pump Water Heater

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Program requires a budget change and other approvals. No-cost direct installation is offered to income-qualified residents as part of the Income-Qualified Program. He stated the total not-to-exceed budget is \$7.7M over a 3-year term.

The term income qualified was discussed and defined as people who qualify for a less costly level of service based on their income level and is based on a percentage of the Santa Clara median income. People do not have to be homeowners but cooperation with the property owner is needed. There is a Rate Assistance Program (RAP) for low-income residents. Qualifications are the same as at the state and federal level.

Mayor Pat Burt asked if the program allows for the addition of other installation providers who may be available and more cost effective. Assistant Director Abendschein said there is nothing in the contract to prevent this.

Director Brad Eggleston reviewed what was discussed the previous week regarding Action Item 9 and Consent Calendar Item 4.

Mayor Burt presented on lessons learned by the Ad Hoc Climate Action Committee regarding electrification and reducing carbon use. Availability of transformers and adequate personnel is a problem. The Utilities Department thought this was triggered by home electrification but the Committee found this was due to electric vehicle (EV) chargers. High amplification chargers suggested by vehicle manufacturers are larger than what most people need. PGE makes it difficult for the City and other public utilities to compete with their wages and the salary structure needs to be competitive for hiring and electrification overall. City power can be supplemented with the purchase of solar energy. Solar costs have fallen 80 to 90 percent in the last 10 years and are projected to continue decreasing. PG&E is significantly increasing their rates and it is estimated the City's residential utility rates will be 50 percent lower. This will allow the City to invest in the system upgrade and still have competitive rates versus other utilities in the region.

The risks of methane in the home were discussed. Heat pump furnaces provide higher quality home heating and can cool homes as well. EV charging contributes to stress on transformers during peak loads in the evenings when renewables are not being generated. Variable rate pricing with the smart meter program means power will be cheapest when it is most plentiful and more expensive when there is higher demand. Vehicle charging should be done during the day when power is plentiful. Energy can be put into the power grid from vehicles with 2-way charging. The home hot water program will be able to be expanded to other home appliances on End-of-Life. The goal is to avoid new gas-powered appliances and transition to electric in the home as

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well as removing roof-mounted commercial heating and air conditioning systems.

The City is further along in the goal of 80-percent reduction in greenhouse gas emissions by 2030 than almost any other city but still behind schedule. An additional goal is carbon neutrality in the form of carbon reductions, carbon sequestration, and carbon offsets. The City is already paying for carbon offsets for natural gas. The Committee wants more carbon sequestration and reduction. Palo Alto is on the path to carbon neutrality by 2030.

The Ad Hoc Climate Action Committee recommended that the Council give direction to Staff to work on the EV strategic plan and the HVAC commercial plan this year. Resources need to be identified to not add workload to existing staff. The electric utility rates allow for additional investments while remaining competitive. The Council will need to consider if the current Ad Hoc will be continued, have a different focus, be a permanent committee, or become a green ribbon task force of community members. The goal is to retain the focus and momentum established over the last year.

## Public Comment

1. Mel Kronick, Palo Alto resident and member of 350 Palo Alto, encouraged the Council to pass the heat pump initiative.
2. Bret Andersen with Carbon Free Palo Alto thanked Staff, the Ad Hoc Committee, and Mayor Burt on carbon reduction proposals and extending it beyond heat pump water heaters. He hoped for investment in marketing and communication for the program.
3. Bruce Hodge with Carbon Free Palo Alto said there are no good reasons for voting against the proposal. He recognized Assistant Director Abendschein and Staff in the fruition of the program and Mayor Burt for kickstarting the effort. He hoped necessary policies and programs can be established to attain the 80 by 30 goal and said citizen expertise remains a key aspect of the process. He asked the Council to vote yes.
4. Debbie Mytels of 2824 Louis Road is a 45-year resident of Palo Alto. She is a member of 350 Palo Alto who is eager to help make the proposed heat pump water heater program a success. The group has received a \$10,000 grant from the county of Santa Clara to educate Palo Alto homeowners about planning ahead to purchase a new heat pump water heater before failure of their old one. Survey responses surmised 82 percent of homeowners are interested in ordering a water heater installation from CPAU and negative comments indicated a need

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for community education. She encouraged the Council vote for approval.

5. Matt Schlegel agreed with Council Member Tanaka's desire for a sensitivity analysis to determine how much emissions can be reduced per dollar spent. Additionally, he suggested a focus on time with prioritizing short-term emission reduction and avoiding negative human emotional reactions to actions taken.
6. Pete Bennett talked about his issues with PG&E. He said he learned a lot at the current meeting.
7. Sasha, a 1<sup>st</sup> grader at Fairmeadow Elementary, helps pick up trash around her school. She talked about trash and wasted food, germs, and animals eating plastic. She asked for help making the world a better place.
8. Elizabeth Gardner said her son's asthma is caused by air pollution. She lives in Mayfield Place where there are no EV charging stations. She asked for equity-based carbon neutrality and suggested it be divided equally between renters and homeowners.
9. Keith Bennett with Save Palo Alto's Groundwater said concrete used in underground construction contributes to greenhouse gas emissions.
10. Lynn Chiapella asked how many installations could be accomplished with the \$7.7M over 3 years as listed in Item 4. She asked if the smart meter program was dropped.
11. Antonia, a junior at Gunn and member of the Palo Alto Student Climate Coalition, advocated for the heat pump water heater initiative in meeting S/CAP goals. Household methane emissions from gas appliances are harmful for lungs. Heat pump water heaters can help with lung health. She stated 1000 heat pump water heaters will not overwhelm the electrical grid. Upgrading the electrical grid can be considered to accommodate future projects. She asked for allocation of resources to ensure future electrification projects. She asked the Council to vote yes.
12. Theo Waltuch, a junior and member of the Social Justice Pathway at Gunn High School and the Palo Alto Student Climate Coalition, urged the City to move forward with S/CAP goals and actions. The heat pump water heater program is a start to finding other ways to improve larger

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electrification initiatives down the road. He asked the Council to approve the key goals and actions in the S/CAP.

13. Maya Perkash, a junior on the Palo Alto Student Climate Coalition and class vice president at Gunn, reaffirmed the need for approval of the S/CAP key goals and actions particularly carbon neutrality, investments in electrification, and the heat pump water program. She encouraged the Council to pass the S/CAP and implement it quickly.
14. Anu Ramamurty, a Palo Alto resident who moved from New York City, said it is never too early to talk to kids about climate change. She compared the S/CAP to the Paris Climate Agreement in signalling that climate action is necessary.
15. Ian Irwin, a Palo Alto resident since 1978, commended all those involved in creating the S/CAP. He wanted the health issues of plastic to be addressed.
16. Cedric Pitot de la Beaujardiere supported Staff recommendations. He supported reducing pesticide use and using native and pollinator friendly plants in parks and encouraged this be expanded to homes and businesses. He asked that hurdles to expanded installation of photovoltaic systems be addressed. He asked for incentivization of heat pump HVAC for businesses and homes. His home heat pump HVAC system has reduced his natural gas use and improved ventilation, air purification, and quality of life.
17. Susan Stansbury, a Barron Park resident, thanked those involved in updating the City's Sustainability and Climate Action Plan. She urged the Council to approve the plan so it can be implemented as soon as possible. She urged the Council to approve the heat pump water heater program and suggested including heat pump furnaces that heat water. She urged the City to commit to a carbon neutrality goal.
18. Dashiell Leeds, conservation organizer for the Sierra Club Loma Prieta Chapter, fully supported the transition away from gas and toward electrification. He supported Staff's recommendations including the advanced heat pump water heater program and the goal of carbon neutrality by 2030. He wanted to see equitable electrification retrofit programs expanded. He asked the Council to design policies and programs with equity and biodiversity in mind. He asked the City to make available the vulnerability assessment regarding sea level rise and work on adaptation planning.



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19. Diane Bailey of the Menlo Spark community climate action group and Sustainability and Climate Action Plan Ad Hoc Committee voiced her support for the recommended actions. She said the heat pump water heater program demonstrates leadership on climate action. She said gas is a health and safety risk to residents. She was in support of S/CAP goals and actions.

Mayor Burt asked Staff about the status of the smart meter program and renter and multifamily programs that are part of the Synergy contract, and when they will be getting the update on the sea level rise portion of the climate adaptation plan.

Council Member Cormack gave credit to Staff who put the program together. She recognized members of the community and especially the high school students who have partnered in a very constructive way.

Council Member DuBois thanked Staff, colleagues, and volunteers. He clarified he was not against Consent Item 4.

Council Member Tanaka thanked everyone for their work. He questioned how the City could maximize carbon reduction while minimizing cost. Most carbon output is produced by cars. Rough calculations found 7.3 times more carbon for your dollar with incentives for E-bikes versus incentives for heat pumps.

Council Member Cormack asked Staff how the current plan will change when moving the Carbon Neutrality Goal to 2030 from 2035. Director Eggleston said current planned reductions and offsets will meet climate neutrality for 2030. The 2035 goal was the original goal set by the Ad Hoc.

Council Member DuBois suggested considering modifying Key Action EV1 from the previous week from saying raise awareness of micromobility to evaluating potential incentives.

Assistant Director Abendschein said clarification of EV4 might be helpful where incentives make sense but as stated, it directs Staff work.

Council Member Tanaka asked if there was enough staffing to implement the scooter share program that was approved 3 years ago. Assistant Director Abendschein said more work needs to be done and staffing is limited.

**MOTION:** Council Member Cormack moved, seconded by Council Member DuBois to

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1. Direct staff to implement the Advanced Heat Pump Water Heater Program by:
  - A. Adopting **Resolution 10076** (Staff Report 14606, Attachment C) approving the Advanced Heat Pump Water Heater Program Design Guidelines;
  - B. Adopting **Resolution 10077** (Staff Report 14606, Attachment D) creating an Electrification Reserve, establishing reserve guidelines, and transferring \$4.5 million from the Electric Special Projects Reserve to the Electrification Reserve;
  - C. Adopting **Resolution 10078** (Staff Report 14606, Attachment E) amending the City's Policy on the Use of Freely Allocated Allowances Under the State's Cap-and-Trade Program and authorizing the City Manager to use \$1.25 million from the Gas Utility Cap and Trade Reserve for the Advanced Heat Pump Water Heater program; and
  - D. Amending the Fiscal Year 2023 Budget Appropriation by:
    - i. For the Electric Utility Funds:
      - a. Increase Electric Resource Management Operating Expenses for Contract Services by \$4,763,000
      - b. Decrease Electrification Reserve by \$4.5 million
      - c. Decrease Electric Supply Operations Reserve by \$150,000
      - d. Decrease Electric Distribution Operations Reserve by \$86,000
    - ii. For the Gas Utility Funds:
      - a. Increase Gas Resource Management Operating Expenses for Contract Services by \$1.25 million
      - b. Decrease Gas Cap & Trade Reserve by \$1.25 million
    - iii. For the General Fund:
      - a. Increase Planning & Development Operating Expenses for Contract Services by \$250,000
      - b. Increase Planning and Development Services Revenue for Inspection Fees by \$250,000
2. Approve and authorize the City Manager or their designee to execute professional services agreement C23181953A with Eagle Systems, LLC

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doing business as Synergy Companies (Staff Report 14542, Attachment A)

**MOTION PASSED:** 6-1, Tanaka no

**MOTION:** Council Member Cormack moved, seconded by Council Member DuBois to

1. Accept the proposed S/CAP Goals and Key Actions (Staff Report 14606, Attachment A) as a summary of the City's workplan under the S/CAP Framework;
2. Adopt **Resolution 10079** Adopting a Carbon Neutrality Goal in 2030 to Further the Climate Goals of the Sustainability and Climate Action Plan (Staff Report 14606, Attachment F)
3. Direct staff to amend the 2022 Utilities Legislative Guidelines (Staff Report 14606, Attachment G) to include an Electrification Workforce Development guideline

**MOTION PASSED:** 7-0

The Council discussed whether to continue the current Ad Hoc and if a Climate Action Commission that included community partners should be created.

Mayor Burt recommended 350.org, Carbon Free Palo Alto, and the Palo Alto Student Climate Coalition be among the community partners.

**MOTION:** Council Member Cormack moved, seconded by Council Member Stone to refer to staff the design of a Climate Action Commission that will include student members and to bring this referral back along with a workplan at the end of the year.

Council Member Cormack asked if the Council is able to direct the mayor to dissolve an Ad Hoc. City Attorney Stump said Ad Hocs are treated as 1-year bodies and a new mayor would endorse continuation or create new Ad Hoc committees if needed.

Council Member Stone wanted the Ad Hoc to continue while the new commission is being created and Mayor Burt agreed.

**MOTION PASSED:** 7-0

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**MOTION:** Mayor Burt moved, seconded by Council Member DuBois to refer to S/CAP ad hoc committee to begin work on the following and present to the Council by year end an outline:

1. Identify community partner organizations and how they can help support the S/CAP moving forward
2. Preliminary committee review of a prospective commercial HVAC electrification program (E2)
3. An EV strategic plan (EV1-10)

Council Member Eric Filseth felt rephrasing the things they are already working on may cause the Ad Hoc committee to give more work to Staff. Two-way charging with EVs is a decade away. He would vote against this.

Council Member Cormack recognized the contributions of the Communications team.

**MOTION PASSED:** 5-2, Filseth, Tanaka no

Mayor Burt announced a 10-minute break.

## 10. Adoption of Support or Oppose Positions on State and Local Measures Presented to Palo Alto Voters on the November 8, 2022 Ballot

Items that will be on the November 8, 2022, ballot were presented. Deputy City Manager Chantal Cotton Gaines presented potential positions for the City Council to consider based off legislative guidelines. Surveys found that voters are concerned about rising consumer prices, higher interest rates, financial turbulence, and job growth uncertainty. Voters name the economy and inflation as a top issue followed by homelessness, housing costs and availability, and the environment.

Legislative Analyst Carly Shelby said the League of California Cities is opposed to Proposition 27 because it lacks enforcement mechanisms, creates an unlevel playing field between existing card rooms, and does not distribute homelessness funding evenly.

### Public Comment

1. Liz Gardner said there is a housing emergency and it must be confronted head on.

Council members voiced opinions on the Measures and Propositions.

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The dialysis measure was discussed. Supporters argue dialysis businesses should have increased transparency and additional licensed medical professionals should be required to oversee dialysis functions to improve patient outcomes. Those in opposition say additional staff are not necessary and the measure could result in additional cost and closure of clinics. Vice President De Luca stated \$86.3M has been invested in the measure.

Council Member Cormack asked why the governor was against Proposition 30. Vice President De Luca said the Mayor finds it a matter of one company attempting to benefit as opposed to something needed statewide. Prop 30 requires taxpayers to pay an additional tax of 1.75 percent on income above \$2M. The funds will go into the Clean Cars and Clean Air Trust Fund and will be invested in electric infrastructure, clean mobility, and to address fires.

Council Member Cormack asked about the funding source for Proposition 28. Legislative Analyst Shelby said it was new tax revenues from guidelines set forth by Proposition 98 and comes from taxes from various sources. There is an education allocation from the general funds for Proposition 98. Council Member Cormack was unable to support Proposition 28 without further information about impacts. She voiced support of Measures K and L.

Council Member Stone asked how much the State expects to receive from tax revenues for Proposition 27. Legislative Analyst Shelby said Proposition 27 is estimated to bring in \$400M to \$500M for the homelessness assistance and prevention fund.

Council Member Stone asked if the profits from the 10 percent tax on Proposition 26 have to be spent on mental health problems associated with gambling addiction. Legislative Analyst Shelby said she would look into that further.

Council Member Filseth said the City should avoid taking positions on bills that do not have a direct impact on the City. He asked how Lyft makes money on Prop 30 since they are footing the bill and if money is raised, does the City get any. Vice President De Luca said he could research how Lyft would make money and said the City could secure funds. Legislative Analyst Shelby said Lyft has a vested interest in transition to zero-emission vehicles due to California Air Resources Board regulations.

**MOTION:** Mayor Burt moved, seconded by Council Member Cormack to support Measure K and Measure L

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**MOTION PASSED: 6-1 Tanaka no**

**MOTION:** Mayor Burt moved, seconded by Council Member Cormack to support Proposition 1

**MOTION PASSED: 7-0**

**MOTION:** Mayor Burt moved, seconded by Council Member Stone to support Proposition 28

**MOTION PASSED: 4-3 Cormack, Filseth, Tanaka No**

**MOTION:** Mayor Burt moved, seconded by Council Member Filseth to support Proposition 31

**MOTION PASSED: 7-0**

**MOTION:** Council Member DuBois moved, seconded by Council Member Cormack to support Proposition 30

**MOTION FAILED: 3-4 Kou, Tanaka, Burt, Filseth No**

## Council Member Questions, Comments and Announcements

The Cantor Art museum opened a major exhibit of Asian Art and they hope to be one of the top Asian art museums in the country.

City Clerk Staff was recognized for doing an exceptional job in regard to the Board and Commission Recognition Event.

Deputy City Clerk Nguyen did a remarkable job filling in for a sick colleague at the current meeting.

Adjournment: The meeting was adjourned at 10:35 P.M.