



# CITY COUNCIL SUMMARY MINUTES

Regular Meeting  
January 22, 2024

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 In Person:      Burt, Kou, Lauing, Lythcott-Haims, Stone, Tanaka, Veenker

Present Remotely:

Absent:

## CALL TO ORDER

Mayor Stone called the meeting to order, and role was taken with all members present.

## AGENDA CHANGES, ADDITIONS AND DELETIONS

Kiely Nose, Assistant City Manager, noted there were none.

## PUBLIC COMMENT

1. Julia Zeitlin, of PASCC and the 350 Palo Alto Climate Action Team, spoke on behalf of Avroh Shah, Toni Minion, Caitlin Hopkins, Olivia Stinson, Phoebe Mota-Judges, Emily Linder, Talya Schube, and Floyd Neeson, urging the Council to create a comprehensive timeline to phase out natural gas in Palo Alto by December 31, 2030. In order to achieve this goal, nearly all single-family households and commercial rooftop HVAC systems need to be electrified. She noted it was necessary to ensure incentives and support systems in place to subsidize the electric transition as this will help ensure that the City reaches its goal and also that low-income residents are not stuck on gas appliances years after those with the means have electrified. She stated the transition was inevitable and that if the City acts swiftly, efficiently, and smartly today, the climate and financial benefits would be enormous. She felt that setting a sunset date for gas would

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allow the City to create a pathway that builds off S/CAP with realistic deadlines to get to 80/30 and beyond.

2. Susan Chamberlain, speaking on behalf of Amanda Zeitlin, Charlie Zeitlin, Han Li, Vince Wu, Andrea Gara, Katrina Huang, Annie Kasanin, and Analiesse Schoenen, noted the City had done a lot to move toward the 80/30 goal, including this year's heat pump water heater program, the whole-home electrification pilot program, grid readiness, and the S/CAP approval. She noted the 350 Palo Alto Climate Action Team has been out in the community talking to people about electrification for the last 9 months, helping people make the connection between their personal choices of appliances and effectively combatting climate change. She gave examples of interactions with the community and numbers regarding the amount of conversations held, materials distributed, electric home tour visitors, and presentations by PASCC over the last 9 months, including 783 signatures on a petition asking for a sunset date to end gas flow in Palo Alto. She explained there was much public support in the community for this step and asked the Council to take this step in the transition to a greener future.
3. Herb B. noted the public toilet at the corner of Hamilton and Waverly was removed with no indication of whether it would be replaced or paved over. He stated this site was being considered for a parking structure and felt that removing a public toilet without discussion on whether to replace it belonged in the discussion of the parking structure.
4. Christina G. spoke against Israeli genocidal intent and acts against Palestinians. She condemned the acts by Hamas on October 7 but also felt what Israel has done since was not justified.
5. Giora Tarnopolsky thanked the Council for striving to maintain a peaceful coexistence in Palo Alto.
6. Jessica K. was saddened that community comments had not prompted the City to call for a ceasefire resolution. She explained the difference between anti-Semitism, which she felt should be rooted out, and anti-Zionism, the ideology that supports the State of Israel.
7. Carol B. asked the City to endorse a resolution for a ceasefire against the Israeli genocide in Gaza. She urged the Council to use their voices and speak out in the name of human rights.

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8. Janine B. reiterated the request for a resolution supporting a ceasefire between Hamas and Israel.
9. Donna supported the resolution for a ceasefire and felt there was a holocaust on Palestinians.
10. Omar stated he is a Palestinian originally from Gaza and that more than 70 of his relatives have been killed recently, all innocent civilians. He felt this was a humanitarian crisis that needed to be addressed and that the bare minimum was to call for a ceasefire.
11. Avivit felt the City Council had no real influence on the conflict in Gaza and a resolution regarding this would have a negative impact on the local community and increase hate, extremism, and violence. She thanked the Council for keeping the war in Gaza out of the city agenda and continuing to build inclusion and unity in the community.
12. Zaineb O. urged the City to advance a ceasefire resolution to unite against hate and violence. She stated the Arab American community has been facing increasing hate crimes and incidents.
13. Mora O. expressed gratitude to the community for coming together to celebrate Dr. Martin Luther King, Jr., on January 15. She also thanked the sponsors of the event.
14. Anu Ramamurty, founder of Kat Kid Adventure, an eco-educational initiative based in Palo Alto that goes into schools to talk to kids about climate change. She recently spoke to kids about global action and shared thank you cards written to the City Council by the children.
15. Hanoch R. thanked the City Council for not considering a resolution related to the ceasefire in the Middle East. He felt it was dividing and causing hate.
16. Deborahlise M. asked for a ceasefire resolution and shared her admiration for the Palestinian people. She also shared gratitude to the Jewish community demanding a ceasefire.
17. Makenzie H. discussed the conflict in Gaza. She was disturbed that the leaders of the City were unwilling to call for a ceasefire and asked this be agendized immediately.
18. Sabah I. felt that division already existed within the community and would not be caused by the resolution for a ceasefire.

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## COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Council Member Veenker reported on her recent trip to Sacramento as Palo Alto's representative for the Northern California Power Agency. She noted there was a presentation on Palo Alto's grid modernization and it was the third time that she has been present at a meeting where Palo Alto's programs on climate action have praised as being so far ahead. She felt there was still a lot to do but acknowledged the progress and how Palo Alto is a model for others. She also reminded fellow council members that on Friday at 5:30 is the Cal Cities Legislators' Address.

Mayor Stone stated he had represented Palo Alto at the U.S. Mayor's Conference in Washington, DC, last week. He felt it was incredible to speak to many individuals who all knew about Palo Alto and held the City in high regard. He also believed it was a blessing to have residents so willing to stand behind the City on issues of climate change and help drive those missions forward. He explained that he learned about good funding opportunities and also met with Secretary of Transportation Pete Buttigieg, discussing grade separation along the Peninsula. He was encouraged to follow up and continue that conversation to see whether there are additional funds to take advantage of.

Council Member Lythcott-Haims described that Stanford University women's basketball coach Tara VanDerveer broke a record to become the winningest coach in NCAA basketball history with her 1203rd win. She noted it was an extraordinary achievement for any coach, especially for a female coach in women's sports.

## CONSENT CALENDAR

1. Approval of Minutes from January 8, 2024, Meeting
2. Approval of Purchase Order With Siemens Inc. in the Amount of \$489,527 for FY 2024 to Purchase Sixteen (16) 12KV Circuit Breakers for Hanover and Hansen Way Substations. CEQA Status: Exempt under CEQA Guidelines Section 15302 (Replacement of Existing Structures)
3. Adopt a Park Dedication Ordinance for the Tower Well site, 0.19 acres of land (8,437 square feet) at 201 Alma Street and approve the proposed name "Tower Well Park" as Recommended by the Parks and Recreation Commission. CEQA status - not a project.

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4. Adoption of an Urgency Ordinance and an Ordinance Amending Palo Alto Municipal Code Title 18 (Zoning) Chapters 18.14 (Housing Incentives), 18.76 (Permits and Approvals), and 18.77 (Processing of Permits and Approvals) to Implement Housing Element Program 1.3 Creating By-Right Zoning Approval for Specific Housing Element Inventory Sites. CEQA Status: An Addendum to the City's Comprehensive Plan Environmental Impact Report was Prepared for the 2023-2031 Housing Element.
5. Adoption of an Ordinance Authorizing the Improvements to the Palo Alto Baylands as Part of the Horizontal Levee Pilot Project and Approval of a Cooperative Agreement with the Association of Bay Area Governments to Construct the Horizontal Levee Pilot Project (WQ-22001); CEQA – exempt under Section 15133
6. QUASI-JUDICIAL. 949 Scott Street [22PLN-00410]: Request for City Council Hearing on the Director's Decision to Approve a Variance application to Allow a New Single-Story, Single-Family Home with a Basement to Encroach into the Front, Side, and Rear Setbacks and Deviate from Standards for Below Grade Patio Side and Rear Setbacks, and Number of Parking Spaces. Zoning District: R-2. Environmental Assessment: Exempt from the California Environmental Quality Act per Section 15303.
7. QUASI-JUDICIAL. 420 Acacia [23PLN-00059]: Request for Approval of a Vesting Tentative Map to Allow for a Condominium Subdivision to Create 16 Units on a Single 35,573 Square Foot Parcel. The Subdivision map Would Facilitate Construction of the Previously Approved 33,833 Square Foot Mixed-use Development Project (23PLN-00058). Environmental Assessment: Exempt from the Provisions of the California Environmental Quality Act in Accordance with CEQA Guidelines Section 15332 (In-fill Development) and 15315 (Minor land Divisions). Zoning District: Split Zoning Designation of RM-30 and R-1 (Multi-Family and Single-Family Residential).
8. Approval of the Office of the City Auditor's Wastewater Treatment Plant Agreement Audit Report as Recommended by Policy & Services Committee (CEQA Status - Not a Project)
9. Approval of Office of City Auditor Risk Assessment and Audit Plan (CEQA Status - Not a Project)

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## PUBLIC COMMENT:

1. Michael Q. (Zoom) encouraged the Council to move forward with Item Number 4 and to do everything possible to expedite development at the locations identified in the housing element inventory. It would be a good faith step to show HCD that Palo Alto is serious and thereby maintain local control.

Council Member Kou registered a no vote on Agenda Item Numbers 4, 6.

Council Members Burt, Lythcott-Haims, and Veenker requested to Pull Agenda Item Number 3.

Kiely Nose, Assistant City Manager, noted that Item Number 3 would be re-agendized in March.

**MOTION:** Vice Mayor Lauing moved, seconded by Council Member Veenker, to approve Agenda Item Numbers 1-9, and pull Agenda Item Number 3 off of Consent.

**MOTION PASSED ITEMS 1-2, 5, 7-8: 7-0**

**MOTION PASSED ITEMS 4, 6: 6-1, Kou no**

Council Member Kou felt, regarding Item Number 4, that it was undemocratic to upzone and not have a public hearing. The amendment to the environmental report does not take a close look at the irreparable harm to the environment. On Item Number 6, she stated there are neighbors who have concerns and she felt there should be a public meeting, including neighbors' comments.

## CITY MANAGER COMMENTS

Kiely Nose, Assistant City Manager, explained the City is recruiting for open seats on 7 boards, commissions, and committees. Applications are due March 17 and can be found at [www.cityofpalo.org/BCRecruit](http://www.cityofpalo.org/BCRecruit). She provided an update on the gas leaf blower ban. Palo Alto Arts Center is holding a new exhibition on Friday, January 26. There is a survey available online for the Santa Clara County TRUST, which provides support for those in mental health crisis. She listed some notable upcoming Council items, including the Council's annual retreat on January 29 at the Mitchell Park Community Center.

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## ACTION ITEMS

10. Approval of an Employment Agreement and Approval of Resolution to Appoint Mahealani Ah Yun to the Position of City Clerk at an Annual Salary of \$165,000. CEQA Status – Not a Project

Kiely Nose, Assistant City Manager, explained this item was a reflection of Council's direction in selection and recruiting the new City Clerk. There was no presentation.

## PUBLIC COMMENT:

1. Aram J. (Zoom) stated he had talked to Ms. Ah Yun at the clerk's office prior to her being considered for the position. He found her extraordinarily professional and wished her all the best in this position.

**MOTION:** Council Member Burt moved, seconded by Council Member Lythcott-Haims, to approve of an employment agreement and adopt a resolution to appoint Mahealani Ah Yun to the position of City Clerk at an annual salary of \$165,000.

Council Member Burt felt the Council was enthused about Ms. Ah Yun moving into the permanent position of City Clerk, and he welcomed her.

Council Member Lythcott-Haims supported the motion because Ms. Ah Yun had demonstrated the capacity to step into this role on behalf of the City.

Vice Mayor Lauing believed internal promotions were excellent for the City but not automatic. He explained the ways in which this candidate and others were evaluated and stated the answer was clear.

Council Member Kou added that Ms. Ah Yun's team has also grown and that it is a pleasure working with all of them.

Council Member Veenker noted that Ms. Ah Yun presents a terrific public face for the City and will continue to represent the City well.

Mayor Stone stated Ms. Ah Yun has done an excellent job and has earned this position. He noted this was an incredibly competitive process and was grateful that Ms. Ah Yun would continue on in this role.

## **MOTION PASSED: 7-0**

Mahealani Ah Yun, City Clerk, thanked the Council for their support. She felt the role of City Clerk meant being a steward of transparency, democracy, and the values that make the City thrive. She acknowledged the hard work

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and dedication of those she has worked with in all departments who have showed her unwavering support. She was committed to building upon that foundation, working collaboratively with colleagues, the Council and residents. She recognized the importance of open communication and public engagement and was excited about the opportunities and challenges ahead.

11. Adoption of a Resolution and Approving an Easement Relocation Agreement Relocating and Vacating a 25 Foot Public Service Easement at the Castilleja School at 1263 Emerson Street and 220 Embarcadero Road (also commonly known as 1310 Bryant Street), Assessor Parcel Numbers 124-12-033 & 124-12-034; CEQA status – categorically exempt.

Sunny Tong, Real Property Manager, showed an aerial view of the Castilleja School and the public easement. He also demonstrated a plat map showing the location of the existing public easement and the relocated public utility easement.

Matt Zucca, Utilities Assistant Director, provided the Utilities' perspective on the easement and the utilities themselves. There are currently a water and a wastewater sewer collection pipeline in the easement. The water line is being relocated, which is fairly easy to do as it operates under pressure. The sewer line cannot be relocated without installing pumping, which is not a preferred alternative. He presented a map of the sewer main across the property. The purpose of moving the easement is to put the sewer line in the middle for much cleaner access to the actual infrastructure. He showed a section of the sewer main crossing tunnel.

## **PUBLIC COMMENT:**

1. Rob L., speaking on behalf of Mary S., Andie R., Hank S., Jim P., Neva Y., and Bruce M., felt the land given to Castilleja in 1992 was taken away from the neighborhood. He was not concerned about the shift in the easement but about the permanent encroachment of Melville public utility easement. He presented a model of the easement, demonstrating how students would travel through the tunnel to the school. He believed it was a bad idea because the sewer line runs above the tunnel and anything that happens with the sewer line could pierce the tunnel and fill it with sewage. He noted that the when the land was given to Castilleja, there was a condition that if the land was no longer being used as a school, it reverted to the City of Palo Alto. He suggested the same thing should apply to the giveaway of the easement. He stated that Castilleja claims the cost

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recovery is \$1842, but he suggested this was off by 2 orders of magnitude for what the City has spent helping Castilleja with their project. Items he felt were important to consider with this decision were cost recovery, indemnification for the sewer line, and reverting to the City if no longer used as a school.

2. Mindie Romanowsky of Jorgenson, Siegel, McClure, and Flegal explained that Castilleja has worked to obtain building permits in accordance with code requirements and over 100 conditions placed on the project. Condition of Approval Number 28 requires the school shift the existing PUE to allow their driveway from the below-grade parking to align with the Melville-Emerson intersection. The easement will shift its location but will remain the same width and same amount of acreage with no public rights altered. In Condition 28, the Council delegated approval of the PUE relocation to the Real Estate Division Staff. There was no language in the condition that requires Council consideration. Castilleja has carried out what Council and Staff have required and what is prescribed under the state law.
3. Matt Francois, Rutan and Tucker, described that the Council granted approval of the Castilleja project in 2022 as the culmination of a 6-year process with 20 public hearings and a full administrative record, including a thorough and comprehensive EIR. The easement is fully in conformance with Condition 28. He noted abundant evidence through the record to support the relocation. He stated that Staff has recommended approval and that approval is consistent with and required because of a condition the Council imposed on the project. He respectfully asked Council to act consistent with the previously imposed conditions, positive staff recommendations, and the law in approving the easement relocation agreement.
4. Rebecca E. (Zoom) stated that Castilleja is not required to build the underground garage, which is the only reason for moving the public easement, and is not required to expand. She noted Council's approval was always conditional on Castilleja's plans being accurate and not having negative environmental impacts. She felt the only reason Castilleja had to make these changes was because they insisted finding a second campus was impossible, but now they have found a second campus. She believed that given Castilleja's stance as represented in the EIR had changed, the City's stance should also change.

Council Member Burt wanted to ensure that by relocating the easement, nothing would change in regard to the obligation to revert the easement to

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the City if the use of land changed. He noted the sewer line passes over the tunnel that connects the school and asked if there was any liability to the City in the event of damage to the sewer line. He questioned having a hold harmless clause in this agreement.

Caio Arellano, Chief Assistant City Attorney, confirmed that approving the easement relocation does not result in a change in use of the property. In 1992, the City vacated the Melville Avenue street easement, also reserving a 25-foot wide section for utility and service access. The resolution contained a condition that if that former Melville Avenue street easement area was changed to a non-school use, it would be rededicated back to the City. The proposed easement relocation agreement does not trigger that condition.

Assistant Director Zucca stated the risk is never zero when doing construction below ground, but here the existing utility is known and the contractor would be at fault if there were any damages as a result of construction. The flows through the pipeline are not substantial. In terms of the future, he was stated he would be more concerned about future construction as there is not much risk to the City of the infrastructure failing. Regarding a request for additional indemnity, he did not believe it would mitigate much.

**MOTION:** Council Member Lythcott-Haims moved, seconded by Council Member Veenker, to:

1. Approve and authorize the City Manager or designee to execute the Easement Relocation Agreement relocating a public service easement on the Castilleja School located at 1263 Emerson Street and 220 Embarcadero Road (also commonly known as 1310 Bryant Street); and
2. Adopt a resolution summarily vacating a public service easement on the Castilleja School located at 1263 Emerson Street and 220 Embarcadero Road (also commonly known as 1310 Bryant Street) after the relocated easement has been recorded.

Council Member Lythcott-Haims felt it was a straightforward moving of an easement.

Council Member Veenker supported the motion, with the reversionary interest in the easement and the low risk of liability to the City.

Council Member Kou intended to be consistent with her previous no vote because she did not believe there were findings for the variance rule. She felt such a large excavation to be outside of the structure of the building

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itself was uncalled for and that there were huge issues with the environment when that happens, such as loss of soil and loss of trees.

Vice Mayor Lauing questioned the \$1832 for the easement. Since the City and Castilleja were not worried about it, he suggested having the school indemnify the City and pick up the cost if there was an issue.

Mr. Tong stated that number was based on the FY 2023 municipal fee schedule.

Assistant Director Zucca stated the risk of sanitary sewer overflow were fairly limited because the pipeline is watertight and there is limited contribution to it. He stated this was very typical and not worthy of something unusual other than standard practice.

Chief Assistant City Attorney Arellano explained the other risk was damage to the line. The City, as the owner of the sewer line, has the right to seek recovery from anyone who causes damage to it regardless of what the easement says. If the City were to cause damage to somebody else with the sewer line, they could ask Castilleja to hold them harmless for that damage. It is not generally required with a public utility easement across private property.

Mayor Stone asked if the location and clearance of the sewer line would make it more difficult to maintain, making it more likely the City would not be able to maintain it. He asked if the applicant was being treated as any other applicant would in a similar circumstance.

Assistant Director Zucca explained that maintenance typically involves cleaning and flushing. The main is accessed through the manholes. The clearance would only come in to play if sections of main needed to be replaced, but that was taken into account in the design. He felt this was a perfectly acceptable solution from a utilities standpoint.

## **MOTION PASSED: 6-1, Kou no**

The Council took a 10-minute break, returning at 7:35 P.M.

12. Review and Accept the FY 2025 - FY 2034 Long Range Financial Forecast (LRFF) and FY 2025 Budget Development Guidelines as Recommended by the Finance Committee, CEQA Status – Not a Project

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Kiely Nose, Assistant City Manager, explained that this item had gone to the Finance Committee and received unanimous approval.

Paul Harper, Budget Manager, gave an overview of the LRFF, which projects deficits in the near term. Expense projections are based on current approved service levels. There is an estimated surplus of \$3.4M from Major Tax Revenue. He provided a chart showing the FY 2025-2034 base case forecast. At a high level, expenses exceed revenues through FY 2029; however, the gap shrinks each year through the forecast. He explained how cost for current service levels were assumed. Estimates will be replaced by actual budget requests from departments as part of the budget process. Assumptions that are not included are Capital Improvements, Cubberley Community Center Redevelopment, and limited-time programs that need additional resources to continue beyond what has been approved. He presented two alternative scenarios to the base case. Alternative A models the impact of a 1% loss of economically sensitive revenue. The scenario reduces overall revenues by about \$2.1M in FY 25 and increases the projected shortfalls through 2029. The forecast then begins to show a surplus in FY 30. Alternative B shows the impact of a 1% compensation adjustment in FY 26 following the sunset of the current labor agreements. Compared to the base case, the scenario increases overall expenses by \$1.2M in 2026 and increases the projected shortfalls through 2029. Again, it shows a surplus beginning in 2030.

Mr. Harper reviewed the FY 25 budget Development Guidelines. The Finance Committee report included a response to the City Council referral to consider pegging the HSRAP to a benchmark, such as a percentage of the General Fund budget. The Finance Committee's recommended continuing this item in February for consideration as part of the 2025 budget process. The Finance Committee also requested additional information on several items, which were listed in Attachment C of their memo, and included variability of long-range assumptions versus actual results, historical vacancy analysis, and historical funding from grants and other agencies. He concluded that revenue trends indicate near-term economic stagnation followed by return to growth; the LRFF is consistent with the FY 2024 adopted budget 2-year strategy; and the FY 2024 mid-year will include recommendations for the addition of key resources and appropriation of funds as directed by Council. He then reviewed the recommendation by the Finance Committee and Staff to accept the LRFF base case.

Council Member Burt explained that things like deliberately conservative budgeting and revenues coming in higher and expenses lower than projected mean that a long-range deficit may not actually occur. Any funds that would be a surplus are then put into underfunded categories. The notion that there

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are massive surpluses is not correct. He stated he felt pretty good about what is on the horizon.

## PUBLIC COMMENT:

1. Aram J. (Zoom) felt there should be a cap on staff salaries and a reduction in salaries of those who are overpaid in order to pay debt down.

Council Member Lythcott-Haims asked for clarification as there were more limited-term projects listed in the Finance Committee discussion than on tonight's slide. She had anticipated discussing HSRAP at this meeting and asked if it was not valuable to have that conversation tonight.

Assistant City Manager Nose clarified that there is a macro list of assumptions not included in the forecast and a subcomponent of that list is some of those limited-term items. The list has not changed from December. The Finance Committee's referral to Staff was to continue the HSRAP item with the Finance Committee in the new calendar year. The Council can provide feedback to colleagues as they consider the item, but the Finance Committee will review the item before recommending it to Council for approval.

Vice Mayor Lauing noted that affordable housing was not listed on the assumptions not included. He supported the 25 budget development guidelines, particularly numbers 3, 5, and 8. He wanted to be serious about prioritizing funding needs as it is not possible to fund everything. He wondered if it made sense to set up exploring alternative service delivery models as a specific objective and hoped to be very disciplined about offsetting augmentations.

Council Member Veenker questioned the size of the Uncertainty Reserve, which covers the \$6M projected shortfall in 2025. She noted that on the slide with information about grants and funding from other agencies, the funding jumped up substantially in 2022 and 2023, specifically for the General Fund, and asked why. She noted the chart with respect to the Capital Improvement Fund did not include reappropriations in the total \$50.5M over the 5 years shown and wondered why not. She also stated that while she supports this recommendation, it is also a presidential election year and things could look very different next year.

Mr. Harper explained that the Uncertainty Reserve started with \$14M, with about \$3.9M used to balance 2024. He anticipated setting aside about \$1.1M for items deferred from the 2024 budget to fund at mid-year, leaving about \$9M. Using that to cover the \$6M would leave about \$3M. The main funding

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source from 2022 and 2023 was the ARPA funding to offset the COVID deficits. He described that reappropriation was the movement of funding from one year to the next, which has to be approved each year by Council and was not included so as not to double count the money.

Council Member Kou stated that while the budget is balanced, revenues come in a little bit higher sometimes and asked if that is what is being used in order to fund the assumptions not in the forecast. She noted a concern about fire stations without water and wanted to reexamine this long range but also for next year.

Assistant City Manager Nose stated those items not included in the forecast will be funded in a variety of ways. Some are significant and funding will depend on the actual expense and how funds can be generated. This forecast is a plan and provides a static point in time. The forecast shows what it would look like if the Council did not make changes to revenues and expenses. It is used to inform policy decisions, especially in budget season, and the items not included list is a way of highlighting where the forecast falls short. There likely are not resources to fund everything on that list unless current investments are seriously reconsidered.

Council Member Tanaka hoped that the layoffs in the tech sector had been factored in. Looking at year-over-year increases in total expenditures, he noted that 2025 was forecast at 0.8%. He stated the actual 2023 expenditures showed about a 13% increase, far higher than the projected. Looking at prior budgets, he described usually having double-digit increases and felt it was unrealistic that that would drop down to 0.8% with inflation and large raises for employee groups. He was concerned that even with what he felt were unrealistically low increases on expenditures, the budget still showed a deficit. He felt it was scary to have a long-range financial plan in the red for the next four or five years with a rosy expenditure forecast, especially given that a lot of people in tech in the community are tightening their belts. He was concerned about this forecast.

Council Member Burt offered a correction that there are not usually double-digit increases in revenue or expenses projected. The double-digit change last year was from applying the surpluses from the prior year to help restore the balance of the services cut during COVID. He asked Staff to review the graph on slide 3 showing net operating margin going from slightly negative to very positive after FY 30. He questioned whether that was because of the changes in PERS obligations. He asked whether grant funding that is not in hand was built into the budget.

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Assistant City Manager Nose explained there is a mortgage every year and sometimes it is bigger in one year based on investment earnings. When that is paid off, it sunsets and you no longer have that cost. That can be a contributing factor to expenses lowering in the forecast.

Mr. Harper responded that grant funding not in hand is not usually projected so as not to assume things that have not been received. On the capital side, sometimes funds are anticipated, like the Measure B and Measure K assumptions for some of the transportation-related projects.

Council Member Burt added that grant funding is often but not always tied to doing something not already in the budget and will mitigate expenses in the outlying years. He described that in comparing revenue forecasts versus what has occurred over the 5-year period from 2016 to 2020, there was a 9% difference. He wanted to be clear that projections were conservative at that time.

Assistant City Manager Nose noted that in 2029 to 2030, the cost of pension as a percentage of payroll starts to decline.

Council Member Burt added that is not fluctuating but is a structural change that can be planned for.

Council Member Lythcott-Haims asked for an explanation of the Budget Stabilization Reserve and the Uncertainty Reserve.

Mr. Harper explained that excess money at the end of the year is typically sent to Capital or the 115 Pension Trust Fund in order to pay down those longer-term liabilities. In 2023, some of that excess funding was used to create an Uncertainty Reserve because of several years of projected deficits. The Uncertainty Reserve is one time and once it is drawn down, unless the Council decides to add more money to it, it will go away. The BSR is the ending dollars in the General Fund and fluctuates every year based on the budget and trying to keep it at the 15% to 20% level.

**MOTION:** Vice Mayor Lauing moved, seconded by Council Member Kou, to accept the General Fund Long Range Financial Forecast (LRFF) for Fiscal Year 2025-2034 (Attachment I) and the FY 2025 annual Budget Development Guidelines (Attachment II) and direct staff to use this forecast as the starting point for the initiation of the FY 2025 budget process.

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

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13. Update regarding State and Federal Legislation and Approval of the Annual Legislative Guidelines and Legislative Platform as Recommended by the Policy & Service Committee. CEQA Status – Not a Project

Chantal Cotton-Gains, Deputy City Manager, explained the goal of this was twofold: to present the legislative guidelines for 2024 as well as to give an update of things in Sacramento and Washington, DC. The intention of the legislative guidelines is to capture the bulk of the Council's interest regarding legislative affairs in order to give Staff and legislative advocates enough guidance to be able to advocate on behalf of the City. She briefly reviewed the updates on the legislative guidelines at a high level.

Carly Shelby, Associate at Townsend Public Affairs, discussed the 2024 Legislative Session, which is still early in the process. Some anticipated issues included Bay Area transportation, theft prevention/Prop. 47 reform, artificial intelligence, and housing production and affordability, which she discussed in further detail. She reviewed the state budget outlook, with a \$37.9B deficit, and discussed the federal appropriations outlook.

Deputy City Manager Cotton-Gaines stated the recommendation is to adopt the 2024 Legislative Guidelines.

## **PUBLIC COMMENT:**

1. Aram J. (Zoom) asked if there is additional legislation pending that would take more local control away from cities that delay in putting together a housing element. He noted he had a request to get the body-worn camera footage from an incident on October 10, 2021, and wanted to see legislation that would punish those who refuse to release records. He was also interested in legislation that would expand the types of police misconduct required to be reported.

Council Member Veenker noted the budget outlook showed the governor projecting a \$38B deficit and LAO \$58B. She asked to confirm that they do not disagree on the premise of the budget but one is looking at likely actions in the legislation and the other is not. She was concerned about the taxpayer protection initiative affecting cities' ability to raise revenue and asked for a comment on the CBRT measure. She discussed that Item 3 talks about preserving cities' powers, duties, and discretion to enact and engage in local processes but to oppose efforts and legislation from state and regional bodies that preempt local authority and to advocate for longer lead times for implementation of new legislation that impacts Palo Alto. She wondered if it should be that definitive or instead react item by item. She

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suggested leaving the "preserve local control" but deleting "and oppose efforts and legislation..."

Ms. Shelby stated the governor and LAO agree on the overall numbers and the basis for the difference in projections relies on the anticipated returns later this year. Governor has also proposed drawing down the Rainy Day Fund, which would offset a lot of the deficit. Regarding the CBRT measure, she noted it had been brought before the Council and a resolution was passed in opposition to the Taxpayer Protection Act. There is a possibility it could be ruled unconstitutional by the Supreme Court and pulled from the ballot.

Council Member Lythcott-Haims asked to what extent it was felt that the enormous deficit was partly due to tax returns being delayed by six months. She was also concerned about preserving local control and felt it was limiting to include the statement to advocate for longer lead times for implementation.

Ms. Shelby explained that the State passed its budget guessing what their ultimate tax receipts were. This created a very chaotic budget cycle and potentially partially contributed to the size of the deficit.

Council Member Burt suggested adding a phrase to the effect of "that preempt local authority and are not aligned with city priorities," regarding preserve local control.

Council Member Kou noted she would like to add the words "and expansion" in the last bullet point under Climate and Environment: "supports the protection and expansion of our natural environment, including open space, tree, tree canopy, and biodiversity."

Council Member Tanaka asked what is going on with artificial intelligence at the federal level.

Joseph Melo, Senior Associate at Townsend Public Affairs, noted there is a gap in the understanding and implications of AI with an effort to learn as much as possible. The EU passed an act regulating on risk of AI, and he felt state and federal government would be looking to that. Congress needs to figure out where their focus wants to be.

Council Member Tanaka did not agree with following the EU and wanted to push for more open source technology and encourage people to invest in this technology. He felt the best way to increase the productivity of civilization was through AI technology and felt the focus should be on the ill intention of using AI for direct harm.

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Vice Mayor Lauing was not troubled by the wording as this is just a guideline.

Deputy City Manager Cotton-Gaines added this is for Staff to work in between coming to City Council. The intention is to have regular discussions with the Council and Policy and Services Committee.

Mayor Stone noted he did not see an allocation in the state budget toward affordable housing funding.

Ms. Shelby noted state budget allocations toward housing have declined substantially since 2016. The focus has instead been on the homelessness crisis. That may shift in the coming years given potential future policies.

Council Member Veenker stressed interest in increasing flexibility for remote meeting attendance. Under Housing in the item "promoting funding and tax incentives for identification, acquisition, maintenance, and adaptive reuse and restoration of historic sites," she wanted to add "use" and not just "adaptive reuse." Related to her earlier comments, she felt that "advocate for longer lead times for implementation of new legislations that impacts Palo Alto" was absolute and longer lead times might not always be preferred. She was concerned about the last Housing bullet as it might signal to Sacramento desire not to comply with their timelines, and she did not want to sully the intent of getting the Housing Element through. Under funding fire services, she wanted to add clean air shelters.

Council Member Kou had concerns about AI replacing wage-earning jobs. She thought there was nothing wrong with EU's priority to ensure that AI systems are safe, transparent, traceable, nondiscriminatory, and environmentally friendly and that the systems should be overseen by people rather than automation. She provided examples of how longer lead times may allow time to get systems in place or ensure the law is interpreted correctly.

Deputy City Manager Cotton-Gaines confirmed that was the thought process, ensuring Staff had the means to do the analysis and correctly implement a new state mandate

Council Member Tanaka agreed with the speaker who requested body cam footage and felt that should be very open and transparent. He also agreed with remote flexibility.

Council Member Burt agreed with Council Member Kou's comments on AI and wanted to exercise caution. He suggested adding the word "adversely" to the item "Advocate for longer lead times for implementation of new

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legislation that impacts Palo Alto." In support of greater lead times, he mentioned that the number of changes enacted every Legislative Session overwhelm cities in general.

**MOTION:** Council Member Burt moved, seconded by Vice Mayor Lauing, to approve the 2024 Federal and State Legislative Guidelines / Legislative Platform (Attachment A) and accept a legislative update with the following changes (italics/bold are new text):

1. Update the foundational Principles #3 first sentence to be: "Preserve and Protect the City's Powers, duties, and discretion to enact and engage in local processes and policy making concerning local affairs and ***oppose efforts and legislation from the state and regional bodies that preempt local authority and do not align with City priorities.*** Advocate for longer lead times for implementation of new legislation that ***adversely*** impacts Palo Alto".

Council Member Lythcott-Haims raised concern that there are differences of opinion among the Council and did not want the guidelines to reflect an ideological viewpoint, specifically concerning bullet 7.

There was discussion about the wording and intention of the motion.

**AMENDMENT:** Council Member Tanaka, seconded by Council Member Lythcott-Haims, to update bullet #7 from Housing section to read as:

"Supports the provision of greater lead times for Palo Alto to implement state legislation when necessary to comply with new land use and housing requirements within the local context."

There was discussion on the wording of the amendment.

**AMENDMENT PASSED: 5-2, Kou, Lauing no**

**ORIGINAL MOTION PASSED: 6-1, Kou no**

Council Member Kou asked for further analysis in the future on Proposition 1 due to concerns of money being taken away from mental health and on SB 937, which defers or delays impact fees for the City to collect.

## PUBLIC COMMENT:

19. [Inaudible] speaking on behalf of Sarith H. thanked the City for not doing a ceasefire resolution. He felt there was no utility as it would

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not influence anything in a positive or negative way and does not create unity.

20. Hai D. noted there are many local challenges and thanked the Mayor and Council for focusing on the local issues that matter for this community.
21. Pamela Martinez, a graduate student from Stanford, stated that all universities and hospitals in Gaza have been bombed. She asked the Council to acknowledge that Palestinian lives matter.
22. Uzma wanted to focus on the positives of community and diversity that have come out of this conflict.
23. Sarah B. described abuses committed against Israelis on October 7. She was appalled at people in the community spreading hatred and lies.
24. Tita K. called for putting a ceasefire on the agenda. She noted the carbon emissions generated from the first 2 months in the war in Gaza were greater than the annual carbon footprint of more than 20 of the world's most climate vulnerable nations.
25. Poojit H. urged council members to agendize a ceasefire resolution. Many community members are deeply affected by this, and he felt neutrality in this context was cowardice.
26. Tom T. noted it was better to solve problems by dialogue and not violence and asked the Council to take the side of peace
27. Nourhan spoke about violence committed by Israeli soldiers. She stated a call for a ceasefire was the barest of minimums.
28. Michelle H. stated that movements that challenge oppression and call out injustice are always labeled divisive in the moment. She called for a ceasefire.
29. Talha B. (Zoom) noted the mental health of the students in Palo Alto as well as Gaza was atrocious right now. He stated it is not a divisive issue, simply an issue stating the Council, as representatives of individuals in Palo Alto, do not support the slaughtering of children. He asked the Council to be on the side of peace.
30. Yigal Blum opposed any attempt to pass a city resolution that deals with international affairs.

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31. Shlomit Blum felt these resolutions only serve to create division and unsafe environments. She called upon the City Council not to decide on foreign affairs.
32. Esty B. thanked the Council for concentrating on local issues and refraining from deviating into the complexities of international conflicts beyond the purview of city governments.
33. Anna Maria felt that Israel's recent actions were a textbook case of genocide. She urged the Council to agendize a resolution calling for an immediate ceasefire.
34. Jenny stated it was a betrayal of the Council's duty to the community not to put their full weight behind an immediate ceasefire resolution.
35. Rupini K. demanded a ceasefire resolution now. She stated the Council will not be remembered kindly by history if they continue to remain silent on this genocide.
36. Brian L. stated there is no neutral side in genocide.
37. Lori M. felt ceasefire resolutions make things worse. They are not about bringing people together but about choosing a side.
38. Draper Dayton stated that failure to pass a ceasefire resolution is to deny Palestinians their humanity and basic right to life and that failure to agendize a resolution is cowardice.
39. Imene S. Has been participating in a sit-in at Stanford University for the past 90 days and has encountered many Islamophobic, anti-Arab, and anti-Semitic comments. She stated she felt targeted each day.
40. Farah T. noted that 28.5 Palo Alto's worth of people have been displaced and nearly 50% of them have been slaughtered. She urged a ceasefire resolution.
41. Hamilton H. (Zoom) suggested a project to upgrade the Hamilton Avenue storm drain to prevent the flooding of homes next time San Francisquito Creek floods. He requested this project be prioritized.
42. Jessie H. (Zoom) demanded a ceasefire resolution be added to the agenda. She urged the Council to ensure that history does not show Palo Alto stood for genocide.

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43. Aram J. (Zoom) encouraged supporters of Palestine to continue to speak up for a ceasefire until the Council makes it their number one priority.
44. Rebecca E. (Zoom) stated that Israel has made an offer of ceasefire, asking that the 150 hostages be returned.
45. Maya B. (Zoom) felt that a ceasefire would shatter the collaboration and respect that exists in Palo Alto.
46. Zoom user (Zoom) asked everyone to put themselves in the shoes of a parent whose child is trapped in Gaza. He urged ceasefire now.
47. Lfq (Zoom) felt those who claim that a ceasefire will divide the City want the genocide to continue. She described incidents of violence.
48. SA (Zoom) thanked Council for the steps taken thus far to unite the community in this time of division. She felt the ceasefire resolutions in surrounding cities had ignited hatred.
49. Sarit S. (Zoom) thanked the Council for not dividing the community with any action related to a ceasefire. She felt it was important the Council focus on healing and safety for everyone.
50. Heba (Zoom) urged Council to call for a ceasefire as this is a textbook case of genocide.
51. Michal L. (Zoom) asked Council not to consider a ceasefire resolution, which will not end the war, motivate the release of the hostages, or bring back to life those murdered.
52. Sarit P. (Zoom) noted the Council does not set foreign policy and this discussion creates hostility between Palo Alto residents.
53. Soneida (Zoom) felt the Council had an opportunity to work to protect Palestinian and Israeli lives by calling for a permanent end to the cycle of violence.
54. Eleanor T. (Zoom) believed it was not the Council's role to call for a one-sided ceasefire resolution.
55. Matt J. (Zoom) felt a call for a ceasefire was an attempt to delegitimize Israel's existence. He requested keeping Palo Alto safe for everyone.

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56. Mm ma (Zoom) thanked the Council for not dividing the community and asked not to consider a ceasefire.
57. Tuba S. (Zoom) called for a ceasefire resolution to end the genocide in Gaza.

ADJOURNMENT: The meeting was adjourned at 10:50 P.M.