



CITY OF
PALO
ALTO

CITY COUNCIL

SUMMARY MINUTES

Special Meeting
Monday, March 27, 2023

Call To Order

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

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

Present Remotely: Kou

Absent: None

City Clerk Lesley Milton noted all were present.

Mayor Kou observed a moment of silence for the tragedy that took place in Nashville, Tennessee.

Special Orders Of The Day

1. Proclamation for Cesar Chavez and Dolores Huerta Day 2023

Vice Mayor Stone declared there would be annual recognition of Cesar Chavez and Dolores Huerta, as well as recognitions of Juneteenth and Armenian Remembrance Day at City Council. Next year, they looked to commend Cesar Chavez on or around March 31 and commend Dolores Huerta on or around April 10. A proclamation was being shared with the community that honored both leaders for their important coalition-building work in conjunction with other farm-labor movements to co-found the National Farm Workers Association, which later became the United Farm Workers Association. They worked to call for better conditions for farm workers and their families with a mission to reclaim dignity, fair wages, medical coverage, benefits, and humane living conditions. They championed a social justice movement that changed our Nation. Celebration was encouraged through education and community service.

2. Education and Sharing Day

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Mayor Kou wanted to make sure Rabbi Levin was present. Today the legacy of Rabbi Menachem Mendel Schneerson, the Lubavitcher Rebbe, was marked a global spiritual leader and leading advocate for the advancement of education. The outstanding and lasting contributions toward the improvement of education and acts of charity around the world of the Rebbe were recognized. His legacy continues to inspire individuals to carry forward his dedication to service and scholarship. She proclaimed Sunday, April 2, 2023, the Rebbe's 121st birthday, to be Education and Sharing Day in the City of Palo Alto and called upon everyone to work together to create a better, brighter, and more promising future for all.

Rabbi Levin thanked Mayor Kou and City Council members. It was an honor for him to accept the proclamation marking Education and Sharing Day on April 12. He spoke of being blessed to be a rabbi for 42 years in Palo Alto. Palo Alto's schools were renowned around the world; therefore, it was appropriate to mark Education and Sharing Day. He spoke of his mentor, Menachem Mendel Schneerson, being the most influential rabbi in modern history and placing great emphasis on education for all. The U.S. Congress had honored him by designating this day in 1978 as Education Day, which every following U.S. President declared this day as a day to refocus efforts on education, sharing, and creating a brighter future for society. The rabbi encouraged world leaders and educators to place great importance on education as a means to build good character and increase awareness of moral and ethical values, which was the foundation of a moral and unified society. He spoke of current events and the power to actualize the ability of goodness and the quest for kindness and peace being greater than before. The rabbi taught that every individual could have an impact. As there were acts of violence and destruction, there were also small acts of random goodness and kindness by ordinary people. A positive education could change the course of society for the better. He asked God to bless the efforts to bring greater eduction and more goodness and kindness to the world.

Mayor Kou asked Rabbi Levin to step on the dais for a picture with the Council.

Public Comments

There were no public comments.

Study Session

3. Review and Provide Feedback on a Term Sheet with Pets in Need for Operation of the Palo Alto Animal Shelter; CEQA status – not a project.

Mayor Kou declared there would be a staff presentation followed by a presentation from Pets In Need (PIN).

Director of Community Services Kristen O'Kane furnished slides and commented this was a study session to share where they were in negotiating a new contract with PIN. They would present the draft Term Sheet. She provided background for new Council members. She

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discussed the terms of the past and current agreement. The current contract with PIN would expire May 15, 2023. She spoke of Council previously passing the motion to continue good faith negotiations with PIN, to extend the Notice of Termination, to pursue a fundraising program, and explore the transition to a new database, and it added additional items related to new kennels, etc. She outlined key terms that had been negotiated related to scope of service, trap/neuter/return (TNR) policy, animal welfare, corrective action plan in lieu of penalties, and PIN possibly doing their own improvements with their fundraising. She presented a slide comparing scope of work in the current agreement to the proposed Term Sheet. She noted it would take time to get to a resolution in terms of a TNR policy and that it would require additional staffing. She provided a slide comparing annual compensation and capital improvements under the current and the proposed agreement and a slide summarizing increases in costs, capital investment, and potential funding sources. Alternate service delivery models were in the staff report and the presentation. She specified ways cities could achieve providing animal shelter and animal control services. She spoke of a cost increase to compensation to PIN and provided rough estimates for operating the shelter in-house. If Council wanted this investigated further, a deeper dive into short- and long-term costs for the City would be needed. If an agreement had not been reached by the expiration of the contract in May, PIN would be interested in extending it if negotiations were heading in the right direction. They would return to Council with the appropriate recommendation based on Council's feedback.

PIN CEO Laura Tool Gardner was a few days new on the job. She spoke of there having been a transformation in leadership at PIN. She voiced their mission. She discussed her background, being an animal lover, and what she offered PIN. She introduced the new leadership team, including the Director of Shelter Medicine, Director of Shelter Operations, and Director of Finance/Interim Executive Director, which was assembled by the Board of Directors. She introduced Board President Rob Calman and Interim Executive Director Valerie Wilson McCarthy. She addressed focusing on community service, access to quality care, education, and outreach.

PIN Staff Terry Dunnwood remarked there had been negotiation over the last several months with City staff. She explained why PIN was proposing an increased rate to the City. She emphasized that fees to community members would remain the same or only very slightly increase. She addressed the budget they had prepared and the investment required. She shared a slide of a data analysis from 2014 to 2023 YTD for impounds, adoptions, etc. She spoke of the importance of the foster and outreach programs and the Behavior staff. The budget specifics demonstrated their approach to running the shelter. She commented on TNR being the most effective way to manage feral cat populations, but it was a complex issue with much to consider. They would take a science-based approach in reducing the feral cat population and requested that all continue to work together to examine possible adaptations to the current agreement over the course of the five-year contract. She shared some testimonials. She declared that they had community education programs free to the City of Palo Alto.

Public Comments

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KC Hetterly expressed that feeding stations for feral cats presented problems, and she shared a video clip.

Virginia Feira (in person) voiced why she believed the metrics and service offerings in the new draft agreement were outdated. She addressed transferring adoptable animals from partner shelters and there being rescue shelters providing opportunities for adoption. She was opposed to subsidizing adoption costs and supported subsidizing post-adoption. She proposed a voucher system for spaying and neutering. She opined that other coordinated services were needed in addition to shelters.

Rani Fischer (in person) spoke against TNR and asked that it not be supported.

Shani Kleinhaus (in person) stated she and SCVAS strongly opposed TNR. She was not in favor of cat-feeding stations.

Eileen McLaughlin was representing the Citizens Committee to Complete the Refuge. She had sent Council comments focusing on considering a TNR program that would not be determined through a stakeholder. She asked that science be incorporated into the decision-making. She referenced the University of Florida peer-reviewed study examining other studies regarding TNR and suggested folks read it.

Annie Yang, Chair of the Environment Action Committee of the SCVAS, indicated why she was concerned with facing biodiversity loss, habitat loss, and fragmentation related to TNR. She claimed that TNR did not work and requested TNR programs not be supported.

Carole Hyde, retired Executive Director of the Palo Alto Humane Society, supported the TNR policy for cats. She mentioned studies and cited an example from the Stanford Cat Network, which had been worked out with Environmental Health and Safety at Stanford. She stated that forbidding TNR promoted euthanasia. She addressed regulation not being needed in the Baylands as there was an ordinance forbidding feeding cats. She suggested there be an information campaign for those with family owned pets.

Leonor Delgado, former Education Manager for Palo Alto Humane Society, had been involved in TNR efforts since 2001. She clarified why rescuers and TNR folks on the peninsula supported TNR programs. It was important to educate residents about the value of spay/neuter and make it possible for lower income pet owners and rescuers to access low-cost services. They supported barring cats from areas designated to protect wildlife. She requested support of PIN's initiative to make TNR the designated policy for community cats.

Carmen Rodwellz asked the Council to think about what the City of Palo Alto needed for a shelter, which she believed was different than what was provided. She thought the community was getting very little support from the shelter. She did not understand why dogs were being

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brought in from other places for adoption. She thought the City needed a shelter that provided services, such as spay and neuter, etc., and the shelter to partner with vets in town. She requested there be enforcement of dog licenses, which could be a source of revenue. She asked how Los Altos and Los Altos Hills was involved financially in supporting the shelter.

Mayor Kou requested Eileen McLaughlin resend her document, as she could not open it.

Council Member Burt was concerned there would not be ample time to address this item and other items on the agenda.

City Manager Ed Shikada noted that the study session was to get feedback from the Council and that no decisions were expected. Staff would take the feedback and determine how best to take next steps.

Council Member Lythcott-Haims seconded Council Member Burt's concern.

Council Member Burt was surprised by the doubling of the proposed subsidy to PIN, and before moving toward a decision, he wanted to see a breakdown of the different drivers related to the cost increase. He questioned why there needed to be staffing increases and what had changed from 2019 when the contract was entered into; to what extent PIN's fundraising materialized; where the trapped cats were being released; and if there was an estimate of the number of feral cats in or near the Baylands. He requested an update on Mountain View's policy. On follow-up, the Council needed better understanding of what was happening in neighboring communities.

Director O'Kane detailed differences in the original negotiations with PIN, which included a significant fundraising effort and salaries.

Animal Control Officer Cody McCartney indicated that the City was not trapping cats without resident approval. If a City Animal Control officer were to trap a cat, there needed to be permission from the resident to release. PIN was handling the facilitation of that, and the City did not release cats at this time. There were a handful of feral cats and colonies in or near the Baylands. He discussed Mountain View's policy. He did not have a current update, but strides had been made since Silicon Valley Animal Control Authority took over. If they were not trapping and releasing, the feral cats were just there or rescue groups were moving them to places they could reside.

Council Member Veenker noted she had wanted to speak about the concerns of having ample time to address this item. She did not think TNR needed to be the focus of this conversation and hoped an independent decision could be made about the contract, its renewal, and how animals would be sheltered and that a separate decision be made about TNR. On that basis, she was setting aside her questions about TNR. She inquired regarding the financial numbers why per capita was the relevant denominator and if per capita meant per human or per visit; if

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animals outside the area were part of the pet adoption mission; and if unadoptable animals were turned away.

PIN Dunnwood specified a similar analysis could be done in terms of the number of animals processed, etc. They had looked at per capita in terms the number of citizens, responsibility of helping animals, etc. She addressed the differences in services provided by PIN and Peninsula Humane Society. She addressed who they partnered with in bringing animals in, but those costs were not included in the budget presented to City staff. The numbers presented were for jurisdiction only. Unadoptable animals were not turned away.

Police Captain James Reifsneider noted that the scope of services was different for each, which he explained. They were not sure if the PIN charges were inclusive of the things PIN was not providing.

Council Member Lauing asked how many feral cats there were; what Animal Control did and did not do; if PIN was billed separately; and if other cities could be contacted to determine interest in using services. He was not clear why the possible revenue of \$425K would apply to the City's proposal only, as fees could be negotiated if somebody else were to do it. He asked if labor costs included benefits, retirement, etc. He inquired if PIN's management problems had been addressed and if the proposal included more labor and skilled labor.

Officer McCartney indicated further research would have to be done related to the number of feral cats. He did not have an accurate count and it fluctuated year to year. He explained the role of Animal Control for Palo Alto, Los Altos, and Los Altos Hills. Labor costs did not include pension liability but did include annual benefits, and compensation costs were built in. He indicated how they arrived at that number.

Director O'Kane commented that the City billed Los Altos and Los Altos Hills, and she outlined the fees received from them. No other municipalities had been contacted to determine interest in using services so additional revenue could be generated.

Captain Reifsneider acknowledged there were plenty of cities in the county that could be partners, but he could not say any were committed. He discussed fees and the possible revenue of \$425K.

Council Member Lythcott-Haims queried what PIN's revenue had been per year for the last five years; if PIN served other municipalities besides Palo Alto, Los Altos, and Los Altos Hills; and what percentage of their operating budget was devoted to serving animals from Palo Alto. She requested there be a future conversation related to euthanasia. She asked what kind of outreach was currently being done regarding not feeding feral cats.

PIN Dunnwood declared that the budget over the last five years averaged between \$500M and \$600M a year. All financial statements were on their website. They had city contracts with Palo

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Alto, Los Altos, and Los Altos Hills. The percentage serving Palo Alto was approximately one-quarter for the contract of their total budget as an organization.

Officer McCartney described the education and outreach being done regarding feral cats.

PIN Director of Shelter Medicine Dr. Margaret Leaderman Jones addressed their live release rate and some circumstances involving euthanasia. They had a no-kill philosophy, but there was also an obligation to place only safe animals in the community. She touched on feral cats and TNR versus two other options, which were trap and euthanize versus trap and neuter/spay. She discussed them not having a fully defined TNR policy.

Council Member Tanaka thought raising fees to cover cost should be considered. He asked if the nonresident fee was higher than the Palo Alto fee. He thought other cities should be brought on board, and if they did not want to come aboard, their fees should be raised. When this item returned to Council, he wanted to see a side-by-side comparison between the PIN proposal and the City's proposal and that the City factor in pension costs, etc., which would reflect the total absolute cost. He thought the City should get other bids. He queried why there was a capital cost increase for PIN but not for the City's proposal.

Director O'Kane remarked they had not gone through an exercise regarding raising fees, but her instinct was that the costs would be astronomical to residents. She discussed the capital cost increase for PIN, which included space shortage and other municipalities being brought in.

PIN Dunnwood indicated that fees for adoptions, veterinary services, etc., were a small part of their revenue and the fee to the City was larger. Regarding raising fees, she specified that adoption and veterinary fees would have to be raised, which would undercut providing low-cost services. Nonresident fees for certain services were higher.

Captain Reifschneider addressed why the City model did not include a capital cost increase.

Mayor Kou inquired if the animal shelter functioning under the police department was the right model and if other shelters did the same; how cruelty investigations were handled when the City managed them; and the role and involvement of the Animal Control officers in relation to the animal shelter functions, if their office was at the shelter and if there was staff at the shelter. She requested there be a comparison chart with the other cities when the item returned to Council, which would compare the cost for a veterinarian and staff for the alternative model of returning it to City management. She asked that consideration be given to hiring residents. She thought about reaching out to UC Davis for input. She believed it was important that operating hours/holidays be posted at the facility and on the PIN and the Palo Alto websites. She discussed TNR being a difficult issue. She asked where releases were done. She hoped PIN and the City would work together to implement a TNR policy. She discussed implications of one species taking over another.

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Captain Reifsneider noted that San Jose was the only other full-service shelter under police department oversight, but other cities used a joint power authority, so it was not inconsistent with models operated by other cities. When the City was handling cruelty investigations, it was done by City veterinary staff, Animal Control, and police officers. The proposed model specified it would come out of the City's budget and would be in addition to what was being paid to PIN, so additional funding would need to be allocated on an annual basis if a veterinarian was needed.

City Manager Ed Shikada expressed that an in-house model could be looked at if Council desired. The operation in San Jose was by Parks, Recreation, and Neighborhood Services Department or Public Works.

Officer McCartney indicated that they worked alongside PIN staff to facilitate shelter operations, but shelter operations were done by PIN and field operations by Animal Control. The Animal Control offices are at the shelter. They did not have 24-hour staff at the shelter, but there were several 12-hour shifts.

Vice Mayor Stone inquired if PIN had a policy for not releasing cats in sensitive areas, such as the Baylands, etc., and if PIN provided education to people coming in the shelter. He requested the TNR policy preclude release in sensitive areas.

Director Leaderman Jones explained that residents trapped the cats, the cats were spayed/neutered, and then given back to the residents for management. They had not yet developed a policy with the City. They had not been proactive in asking if cats were in sensitive areas, but they could be. She explained the process of residents bringing cats in being held as strays and being transferred to other areas/organizations or euthanized. The 98% live release rate was not specific to feral cats but included all animals. They educated adopters and caregivers. Education could be a big part of the TNR policy, but there was not yet an official policy. PIN would support a TNR policy precluding release in sensitive areas.

City Manager Shikada expected their next step to be meeting with PIN and answering Council's questions and coming back with additional information.

Council Member Burt did not understand why the capital commitments could not be determined before signing the agreement. He discussed perspective capital needs PIN had referenced should there be expanded service. He asked if there was an indication of Mountain View being interested in coming back in. PIN had mentioned looking at capital needs as contingency planning for that possibility. He was concerned about a letter in the packet from DPS Rescue regarding rescue surgeries being reduced and not having access to surgical beds the City paid for. As there was no TNR program for stray dogs, he queried why cats were released but not dogs. On return to Council, he wanted to understand resources devoted toward supporting rescue animals coming into the area versus some of the local services.

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Director O’Kane commented on the original agreement and additional expenses. They could attempt to determine the capital commitments prior to signing the agreement, but there would be risk of it changing.

City Manager Shikada voiced there was not an indication that Mountain View was interested in coming back in.

City Manager Shikada stated regarding anticipated capital projects that he thought PIN was responding to Council’s suggestion and that it was not a proposal of PIN. He would follow up after the meeting regarding the letter from DPS Rescue.

PIN Director of Shelter Operations Laura Birdsall provided reasons why cats were released but not dogs, and one was public safety.

Council Member Veenker was opposed to considering shelter services outside Palo Alto. She asked why there would not need to be additional capital for the City’s proposal and if kennels needed to be built in addition to those originally contemplated. She requested an explanation of the 2015 RFP being revenue neutral and now paying \$1M+ per year. Regarding public comments related to not being able to get appointments, etc., she inquired if PIN was offering volume and scope of services to meet needs.

Captain Reifsneider stated that staff, to include Animal Control staff, was confident there was not a capacity issue.

Director Birdsall indicated they did not need more housing but bigger and better housing, including indoor/outdoor kennels.

Director O’Kane commented it came directly out of the audit that the shelter could never be revenue neutral. She did not know if becoming revenue neutral was a goal of the City and declared there had always been some subsidy. There were also findings in the audit related to compensation, facility, etc.

Director Leaderman Jones expressed that changes had been made to ensure residents were prioritized for spay and neuter services. Once they determined their jurisdiction, they found they were easily able to meet the demand quickly and without much delay. The wait time was a few weeks at the most. There was more demand outside jurisdiction than they could meet in a timely manner. They screened for income need out of jurisdiction but not in jurisdiction. She believed vaccine clinics were readily available.

Council Member Lauing queried if 60 spay/neuter surgeries per month, referenced on Packet Page 16, was accurate and if there should be reference to minimum/maximum transactions to protect PIN on the maximum side. He discussed and supported outsourcing to cut cost. He preferred not to be committed to five years, so the new management team, etc., could be

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evaluated. He spoke of the efforts being made to be open 40 hours a week and the City needing to see performance in the first year or two of the contract.

Captain Reifsneider commented there were slides with historical data of the procedures done by the City prior to PIN taking over.

Vice Mayor Stone was concerned of losing some services and being asked to pay almost double. He questioned the location of the closest after-hours veterinary care, if there was after-hours care for non-stray animals at PIN, and the frequency of veterinary services for cruelty investigations. He requested the proposed contract be modified to reflect that PIN would provide required vet services if PIN had the necessary staffing level. He questioned how the City intended to enforce service agreements if PIN was not fulfilling contractual agreements, since there were no monetary penalties. He was interested in reducing the contract term to allow for evaluation. He thought an in-house model was worth pursuing but questioned if staff wanted such a model. He addressed an in-house model and the audit warning of infraction issues. He did not think this was a question about keeping the service in Palo Alto but was a matter of it being in-house or through PIN.

Officer McCartney answered that the closest after-hours veterinary care was Med Vet on Showers Drive in Mountain View. Currently PIN paid the bill for wildlife and after-hours vet care. After-hours care for non-stray animals was not being provided through MedVet, but services were provided to animals when an owner had not been identified and to wildlife. The frequency of veterinary services for cruelty investigations was low. Going forward, it would need to be outsourced to a specialized vet, which would be a cost to the City.

Director O’Kane declared there were no penalties imposed against PIN in the current agreement for not meeting requirements. They were hoping to be more collaborative in problem-solving and identifying contractual obligations.

City Manager Shikada remarked their priority was to ensure service be provided. They would bring to Council cost estimates to bring it in house and the service implications. Long-term liabilities needed to be considered, such as pensions, and they would provide that information to Council. They could not currently give a solid in-house/outsource recommendation and would take Council’s feedback and see what could be done to ensure needs would be met.

Council Member Lythcott-Haims noted she had more questions and comments, but she would not address those in the respect of time.

Vice Mayor Stone closed the study session.

Agenda Changes, Additions And Deletions

City Manager Ed Shikada declared the order of action items should read 9, 11, 10 on the amended agenda printed in pink, which was subject to Council redirection.

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Public Comment

Aram James did not understand why public comment had been reduced to two minutes. He spoke of the progression of AB 742. He would send Council a rough draft of prepared comments by Sergeant Sean Allen. He opined that metal detectors were needed and that gun permits should not be limited.

Talya Schube, a member of PASCC, supported the City's carbon neutrality goal and requested more be invested into sustainability. She referenced the recent IPCC report. She mentioned that Palo Alto did not have a Sustainability Department.

Consent Calendar

4. Approval of Minutes from March 13, 2023 Meeting
5. Adopt an Ordinance to Expand the Human Relations Commission (HRC) from Five to Seven Members; CEQA status – not a project
6. Consent of the Macias, Gini & O'Connell's Single Audit Report for the Fiscal Year Ended June 30, 2022 Consent Questions
7. Approval of Amendment No. 1 with FolgerGraphics, Inc. to increase the Not-to-Exceed Amount by \$235,200 for Professional Printing and Distribution Services of the Enjoy Activity Guide for an Additional Three Years; CEQA Status – not a project. Consent Questions
8. Approval of Contract Amendment Number One (1) with Team Sheep, Inc., Authorizing One-Time Payment not-to-exceed \$85,000 for Salaries Associated with the Rinconada Pool 45-day Closure for Replastering; CEQA status – not a project Consent Questions

Public Comment

Hsinya Shen commented on Item 5 and noted the PAC had not yet meet regarding it. She outlined why she was requesting Council expand the item to equally increase the membership of HRC and PAC from five to seven members.

Loren Gordon specified why she was asking Council to consider restoring the Public Art Commission to a seven-member commission.

Aram James spoke of the reduction of public participation in HRC and requested the HRC and PAC commissions be expanded to seven members.

MOTION: Vice Mayor Stone moved, seconded by Council Member Lauing to approve Agenda Item Numbers 4-8.

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Council Member Tanaka registered a no vote on Agenda Item Numbers 7-8.

MOTION PASSED 4, 5, 6: 7-0

MOTION PASSED 7, 8: 6-1, Tanaka No

Council Member Tanaka noted, regarding Item 7, that his research indicated people did not use the printed catalogues and addressed the increased cost and environmental waste of the catalogues and suggested using URL codes on catalogues to track usage. It was hard for him to see a return on investment on Item 8. He voiced why he did not think the City should pay private companies' employees. He questioned the effectiveness of the proposal in terms of timing and being halfway through the closing period. He questioned usage in the rainy and cold weather. He wondered if the money could have been used for other services that could have benefitted more people.

[The Council took a 10-minute break]

City Manager Comments

City Manager Ed Shikada noted that staff was continuing to monitor conditions of the expected storm and outlined what the forecast indicated. Due to likely conditions, open space preserves would be closed on March 28. They had received comments from the California Department of Housing Community Development on the City's Draft Housing Element, which staff was reviewing and would be making revision recommendations to PTC and City Council. That meeting was tentatively scheduled for May 8. He commented that the Neighborhood Town Hall was well attended. They would begin work on the next quarterly Neighborhood Town Hall, and City Council would have a broad discussion related to community engagement on April 10. There would be a virtual community meeting on March 30 regarding the rental registry. He was seeking feedback from Council and the community regarding City Manager comments, and a survey form was available at cityofpaloalto.org/citymanagerupdates, and there would be more opportunities in subsequent reports. Upcoming Council meetings: On April 3, there would be discussions on automated license plate recognition technology, PRC's recommendation on the Measure E site, and State and Federal legislation. Scheduled for April 10 was the Community Engagement Study Session with a follow-up discussion, hopefully with Council prioritizing objectives and Council/Committee workplans. On April 17, there were to be recommendations from the Finance Committee on gas and electric rates for the year beginning July 1, 2023 through 2024. On May 1, there was to be a presentation on the proposed budget that would lead to Finance Committee hearings as well as the annual community development Block Grant annual action plan.

Mayor Kou requested that deadlines for adopting the Housing Element be provided to the Council and PTC.

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City Manager Shikada noted they were beyond the date and susceptible to the builder's remedy, and they were trying to complete the revised Housing Element as quickly as possible. He would provide dates and as much specificity as possible within that context.

Council Member Lythcott-Haims thought the City was due for an evaluation of the tree ordinance evaluation and inquired if there was a date for that or if one could be set.

City Manager Shikada would follow up regarding a date for the evaluation of the tree ordinance.

Action Items

9. Approval of a Purchase Order with Interstate Truck Center in an Amount Not to Exceed \$297,244 for the Purchase of Two 2023 International CV Chipper Body Trucks, utilizing a Cooperative Purchase Agreement, Funded by Capital Improvement Program Project VR-23000

Public Works Director Brad Eggleston outlined that the item was about the purchase of four chipper body trucks, which were included in the FY2023 vehicle and equipment replacement capital project. The report was republished from the February 13 agenda and included supplemental information regarding timing of the purchase order and other medium and heavy-duty truck replacements that would be needed in the next several years. Upon approval of the purchase order, it would take 12 to 24 months to place new trucks in service. He outlined what the vehicle replacement plans over the next three fiscal years envisioned. There were not EV options available for most of these vehicles, but it was an area of focus. In future Staff Reports, they were planning to include recommendations for discussion related the availability of EV options. Staff recommended approval of the purchase order.

Council Member Veenker thanked staff for watching for opportunities to bring EVs into the fleet. Having received information in the last few days, she did not believe suitable EV versions of the trucks were available, and she withdrew her concern related to purchasing EV trucks. She suggested future Staff reports address the availability of EVs. She was concerned about committing to diesel trucks for 20 years and proposed adding to the Sustainability and Climate Action Plan an effort to evaluate whether some of the fleet could be replaced with EVs at appropriate times.

Public Comment

There were no requests to speak.

Council Member Burt would like consideration to be given to future technologies of major vehicle purchases.

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Council Member Tanaka asked for information related to the truck crash. He was interested in extending how long it is out of commission because it would be less ecological waste in terms of scrapping something. He asked how the truck being out of commission affected operations. He questioned if this truck needed immediate replacement, as the crew had been functioning without it, and suggested waiting for the availability of an EV or purchase 1 truck, so there would be 4, but not replace the 22-year-old truck. He requested the mileage of the older functional trucks and the typical mileage for the life of a truck. He believed it made sense to get one truck, but he did not know if it made sense to replace all the trucks.

Public Works Fleet Manager Danitra Balman provided details regarding the truck accident. She remarked that the trucks in service were 20+ years old, and there were mechanical problems with the trucks. It was unlikely there would be an EV option in the next year or two. Mainstream manufacturers had not indicated EVs were in the works. They could postpone replacement, but there were issues with the other two trucks aging out. The mileages of the trucks were 51,000 and 70,000 miles.

Director Eggleston believed the truck had been out of commission since March 2022 and addressed how that had affected operations. It did not have an impact when there were job vacancies, but now being fully staffed, it would mean one less crew. Regarding waiting to replace the truck, they would like to have the equipment and utilize full staffing. The truck replacement guideline was 10 years or 100K miles, whichever came first. He explained that mileage was not a good indicator for truck life. He was concerned it may take 2 years to put a truck in place, and there were 2 additional 22-year-old trucks. They did not recommend delaying replacement even though they were looking for EV opportunities.

Assistant Public Works Director Mike Wong explained why mileage was not a good indicator for truck life. They were able to manage without one truck because they did not have full staffing, but they were impacted severely by not having all trucks available.

Council Member Veenker questioned if one truck could be purchased and one leased.

Fleet Manager Balman did not know of any such specialized equipment being available for lease.

Mayor Kou noted that there had a hold by the vendor on the price and asked if the price remained the same since there had been a delay. She asked the price of an electric truck and for an explanation of a cooperative purchase agreement.

Director Eggleston specified that the hold the vendor provided was verbal through the previous Council date. If Council approved the purchase order, they would need to reach out to the vendor. He envisioned the price increasing, but there was a small amount of contingency in the recommendation that he hoped would be enough to cover any increases. As for the price of an electric truck, there were not electric trucks of this type. Some of the information that had been

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tracked for other electric truck chassis indicated a price double or more than internal combustion models.

Fleet Manager Balman explained a cooperative purchase agreement.

MOTION: Council Member Burt moved, seconded by Council Member Lythcott-Haims to approve and authorize the City Manager or their designee to execute a purchase order with Interstate Truck Center LLC dba Valley Peterbilt in the amount of \$270,244 and an approximate 10% contingency in the amount of \$27,000 for potential price increases, for a total not to exceed amount of \$297,244 for the purchase of two (2) 2023 International CV515 trucks with chipper bodies, utilizing a cooperative purchase agreement via Sourcewell, a cooperative purchasing agency serving government and not-for-profit organizations.

MOTION PASSED: 6-1, Tanaka No

11. Provide Direction on Permanent Parklet Program Regulations and Proposed Ordinance and Approval of Budget Amendments in the General Fund, CEQA status – categorically exempt (15301 and 15304(e)). (Continued from March 13, 2023)

Planning and Development Services Director Jonathan Lait discussed some history of the Permanent Parklet Program discussions and directions. Regarding safety, K-rail would be most effective in deterring vehicle intrusions in parklet areas. He addressed planters and noted that parklets were oriented to pedestrian-oriented areas and where speed limits were 25 MPH. Of the cities that had been studied, parklet design standards varied significantly. They could continue to explore the issue based on Council's direction. It seemed Council was heading toward a permissive use of propane in the parklets. He described the technical considerations related to propane use and storage, and he wanted to ensure safety considerations would be addressed in the standards. There was insufficient drainage with the existing parklet designs, and new standards should ensure there would be efficient flow of water. They were looking Council's guidance on the size and scale of parklets, parking, heaters, the license fee and how to charge for use of the public right of way, and the cleaning fee. He discussed why staff recommended there be no cleaning fee. He reminded Council that there had been typos on Packet Pages 94 and 91 from the presentation by Urban Planning Partners, Inc., Associate Planner Hannah Chan Smyth a couple weeks ago. There had been a new parklet established or modified that had glass window panes, which staff had not anticipated as part of the standards, and there did not seem to be support for glass being in the public right of way, so staff would like to adjust the standards to prohibit glass from being part of an enclosed parklet.

Public Comments

Brad Elikian, a partner with Premier Properties, thought a permanent program was necessary but wanted a well thought through design and suggested there be a pause on the permanent so

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the work staff and Streetsense was conducting could be focused on. He thought this was a temporary program that would require annual renewals.

Guillaume Bienaimé commented on the importance of parklets and outdoor dining. He suggested waiting for the master plan to give all time to prepare and plan for parklets. He addressed the opportunity for Ramona Street. He spoke of high licensing fees referenced in the report.

Roxy Rapp spoke of historical events that had made downtown successful. He was not anti-restaurants or anti-outdoor seating, but he wanted a sensible plan and a great landscape architect hired. He addressed Ramona Street being an historical street.

Aram James voiced his frustration related to public speaker time and encouraged all to adhere to the allotted time. He thought the goal was to have as many parklets as possible while being cognizant of the business owners' interest, not overcharging, and making safe streets.

Stina Berglund worked at Nordic Innovation House, which was also a meeting space. They wanted to create a meeting space outside their office that was not commercial and requested a permit to allow such. Through the Street Moves project, they would like to use a building kit that consists of an expandable wooden platform with modular parts that can be used in many different ways. This kit would give cities like Palo Alto more public space for people, rather than cars and vehicle traffic. The kits are inspired by the way cities like San Francisco have turned unused areas in the city into small parks.

Mayor Kou requested Council speak on Director Lait's first slide and address the specifics provided by him.

Council Member Lauing thought the ordinance should take into account store frontage being larger or smaller than parking space and liberalism related to areas not facing other stores. He noted that the visibility issue seemed to be related to the height of the parklet and opined that a letter of approval from the landlord or retailer may not be needed if there was visibility of storefronts from the street and sidewalk. Regarding stopping the parklet process and designing a downtown area plan, there had been no funding for a downtown plan, and it could take 5 to 10 years. He addressed the safety and aesthetic issues of having temporary parklets for up to seven years. He did not understand the economics of staff favoring gas heaters and suggested incentivizing electric and staying on board with 80 X 30 even if it meant reducing fees. He understood why there needed to be an initial application requirement, but he did not understand the renewal. He was glad to see cleaning would be done by the tenants. He indicated why he believed the lease rent should be reasonable and not a fee. He was supportive of item number 2 on Slide 6.

Council Member Tanaka thought a permanent plan should have people focused on providing sufficient bathroom space and ensuring safety instead of temporary parklets, which were leaving people in limbo. He discussed that it would be more economical if the City did the

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cleaning. He thought Council had to be careful with licensing fees and that it should not be more expensive than indoor space.

Council Member Burt queried how long of a term the designs and investments were being considered for and if it would be several years before there would be a permanent streetscape design, which could require modifications to parklets. He asked for an explanation of K-rail. He asked if glass would be allowed. He voiced it was necessary to have adequate safety measures. He wanted to ensure people were being driven toward electrification but recognized it would take time. He concurred with Council Member Lauing regarding parklet size. Occupancy could be estimated no matter the size. He wanted parklets to be available but that they not infringe on neighboring businesses. He did not believe there needed to be permission of the neighboring business or property owner if a parklet had tables only and was without a structure. He did not want a fee structure that would discourage parklets.

Director Lait felt permanent parklet standards was not a great title. They were in a hodgepodge space, and they wanted to add uniformity, which could change and adapt over time.

Public Works Assistant Director Holly Boyd noted that the parklet program could be five to seven years as the streetscape project was five to seven years out. They suggested not allowing glass and discussed staff's concerns. Plexiglass could be allowed.

City Manager Ed Shikada outlined that K-rail was also known as Jersey barriers, basically concrete barriers.

Council Member Lythcott-Haims acknowledged that there needed to be a process for something bigger, intentional, and more visionary, but that was not this conversation. Regarding the letter of consent, she was concerned that landlords could dictate what could be done on public land. She liked the right of first refusal if the adjacent tenant, not landlord, was the decision maker. She was concerned that a few landlords owning multiple properties could be making decisions for the City. She asked staff if the issue of a vacancy tax on vacant commercial properties could come to Council and if it could be on an agenda. She did not think vacancies were a result of parklets but that it was high rent.

Vice Mayor Stone was glad to see support for the right of first refusal. He did not believe property owners should dictate what the City should do with public space. Regarding parking being two parallel or three angled spots, he would like "or the length of the storefront" added to the language, and going beyond the storefront would require the right of first refusal by the store owner, not the property owner. Some property owners had brought up lack of visibility of their storefront due to rooftops, etc., and he thought those impediments should be removed. He did not want fees to be done in a way that would impede the recovery of the vitality of the areas. He promoted adoption of electric heaters. He asked if the City could finance electric heaters and businesses make monthly payments. He liked staff's cleaning fee proposal. He queried what would happen if there were issues of uncleanliness.

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Assistant Director Boyd outlined that part of the halftime FTE task was to monitor and do cleaning enforcement. She would have to work with the Attorney's office on language regarding fines, etc.

Vice Mayor Stone thought work should be done with the Attorney's office regarding cleaning fines, etc. He was in favor of reducing the fees associated with renewals, but the right of first refusal needed to be included.

Assistant Director Boyd commented that the permanent renewal included an annual assessment.

Council Member Veenker loved the vitality piece of parklets. The City getting involved in business consent made her nervous as there were a lot of challenges in letting parklets go past their own storefront. It made sense that almost every other city limited parklets to the store's frontage to avoid challenges and provide predictability. She thought that ultimately efforts should be directed to the larger downtown plan, and she was disappointed it would take five to seven years. She rested on her previous comments related to fees. She thanked Director Lait for the cleaning fee.

Mayor Kou concurred with Council Member Veenker on parklet size and parking. If parklets were to be allowed to go beyond their own space, she thought the charge should be levied now. She queried how the liability would be handled if there was an accident on a parklet and if the City could be a party. She was concerned there could be more liability with propane. She preferred a uniform parklet size, as recommended by staff. She suggested there be a lease involved with or without uniformity. Regarding the consent letter, she did not believe staff should be mediating tenants or landlords. It would be cleaner if a consent letter required the property owner, tenant, and neighbor to discuss. She did not think parklets should be permanent, that they were intended to be temporary, and with businesses possibly returning, it was unclear how much public space would be needed. She remarked that this issue should be looked at as a whole and should include the downtown design plan. She agreed with Number 2 on Slide 6 and asked if it had more to do with University Avenue than California Avenue.

City Attorney Molly Stump indicated that the liability would depend on the facts and claims of individuals. It was possible that the City could be a party.

City Manager Shikada mentioned that the criteria and standards recommended by staff were intended to manage the liability risk.

Assistant Director Boyd declared that the parklet area included the California Avenue area but not the closed portion.

Council Member Lauing noted that the geography was not on the slide. He opined that normal terms should be in the lease agreement – termination clauses, etc. He thought the dates the consent letters needing to be in should be adjusted because people did not have time to

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respond and that Council should nullify those dates and determine the dates at a later time, and if existing parklets needed to be modified, they needed time.

Assistant Director Boyd declared there were three outstanding letters of consent and that the date had been extended to April 14. They could accept recommendations from Council regarding time or staff could look at it.

City Manager Shikada noted the administrative burden was a consideration in the staff recommendation. Staff had spent considerable time on parklets. Going forward, a program requiring customized solutions on a parklet-by-parklet basis would be burdensome to staff and included the parking space criteria. He addressed safety issues, etc., considered in staff's recommendation. Parklets fell under Streets, and there could be many things requiring a parklet be removed or modified in a moment's notice.

Council Member Burt did not think of parklets being on more than one side of a building as customized, and asked why that was considered an additional burden.

City Manager Shikada specified there were many issues.

Discussion ensued regarding issues related to a parklet being on more than one side of a building.

Council Member Burt did not find the arguments presented to be valid. He explained why the discussion should be on an objective basis of important issues as opposed to decisions being justified. He proposed staff return with standards that would encourage the use of electric heating and provide adequate safety during a transition from propane to predominantly electric, and if a business should retain propane long term, they must abide by full safety standards. He proposed staff return with proposals on greater vehicular safety, perspective K-rail protection on the leading corners of parklets. Regarding permission for parklets on adjacent properties, he suggested structures not be allowed beyond the edge of the establishment but that non-structures (tables and chairs) be allowed, and if a new tenant wanted the space, they would be able to obtain rights to that space. He did not know if Council was ready to make specific recommendations tonight regarding fees. He requested coming back to Council with fee recommendations on the low end of the staff range and that staff to come back with some form of a process for non-food and beverage parklets. He suggested parklet size be limited to 350 square feet but that a parklet could be increased to two if they had street frontage and a covered parklet could only occur in front of the tenant. He requested staff establish a protocol for warnings and fines related to cleaning.

Discussion ensued regarding the motion related to the letter of consent, parklets with structures, and uncovered parklet size (with a placeholder of 350 square feet).

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Council Member Burt asked the square footage of the largest parklet; how much parklets protruded beyond one's frontage; if there were parklets that were more than 350 square feet; and if there were parklets occupying a neighbor's space without a letter of consent.

Assistant Director Boyd declared the biggest parklet was in front of Taverna, and she had not heard anyone ask for more space.

Assistant to the City Manager Steve Guagliardo addressed there being a letter of consent requirement in place regarding size and those going beyond that. Nine businesses had gotten the letter of consent. Going 350 feet beyond a store's frontage in an uncovered structure would be another two parking spaces. They had not seen applications like that come in. There were no parklets more than 350 square feet, which was how they structured the current proposal. There were three businesses that had not been able to obtain the letter of consent but were occupying the space.

Council Member Veenker liked the transition to electric with the propane bridge. She was contemplating pulling Item 3. She agreed with the low end of fees.

Council Member Tanaka asked if this would be permanent for the next five to seven years. He asked if the maker and seconder would consider adding a design element.

City Attorney Stump clarified it might be five to seven years before the big redesign, but Council could amend the parklet ordinance at any time.

Council Member Burt acknowledged that design was a valid concern and asked if staff had looked at any design standards in general and if there would be consistency in the aesthetics. He was willing to accept the direction staff and the ARB had taken.

Director Lait confirmed there were design components.

Planning Partners, Inc., Associate Planner Hannah Chan Smyth noted that the permanent parklet standards included design considerations. She had had a number of meetings with the Architectural Review Board who had reviewed the standards and provided feedback that had been incorporated. She welcomed additional feedback. She was not sure if the standards were designed at this stage to prescribe specific design. There was room for creativity for businesses. The design standards were focused mostly on high quality, use of colors, distances for periodic barriers and railings, and avoiding particular materials.

Assistant to the City Manager Steve Guagliardo declared the design standards were on Packet Page 101 from the March 13 meeting.

Council Member Tanaka wanted to make sure the motion covered compliance with building codes, fire, etc. He asked for a friendly amendment ensuring safety codes would be met, and if

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the maker and seconder would be supportive of revisiting a potential parking structure downtown to make up for lost parking.

City Attorney Stump declared there was risk inherent in this activity. It could not be assured that the City could be held responsible in the event of a problem.

Director Lait stated ADA was incorporated into the design standards. The fire-code areas of interest were embedded into the standards. An underlying compliance requirement with fire codes could be added. Electrical permits were evaluated to the electrical code. The City would not be involved with plumbing. Staff had presented a perspective that the building code would not apply.

Council Member Burt thought parking was beyond the scope of this action, but guidance had been given to staff to evaluate downtown parking, and there should be discussions on the subject. The longer term downtown plan would be a more appropriate time to address parking.

Council Member Tanaka asked if the maker and seconder would be open to adding that parklets be in compliance with building codes.

Council Member Burt expressed that some aspects of the building code had been incorporated. He was inclined to stay the current course. He spoke of larger single structures and two small separated structures being two different issues.

City Manager Shikada remarked that meeting industry standards would mean applying the building code. They had provided a number of tactics to address a number of the issues. Not applying the building code represented a level of safety risk.

Director Lait clarified that 350 square feet was a fire code requirement. The extent the building code applied to parklets was unclear. He explained why they recommended keeping parking to two spaces. He noted that applying the building code would dictate occupancy, restroom, etc., requirements. The building code would look at the totality of the space and not whether it was separated by a walkway for restroom purposes, etc.

Council Member Tanaka asked if anyone would support adding an unfriendly amendment stating parklets should comply to building codes. He suggested getting feedback from the property and business owners and the community regarding design.

Council Member Veenker asked if a building code would apply to a nonstructure and if size was one of many factors in the totality of the circumstances as to the size of the risk. She declined to second Council Member Tanaka's unfriendly amendment.

Director Lait acknowledged that the building code would apply to the totality of a parklet, structure or not. He expressed why they wanted to keep parklets de minimis size.

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City Attorney Stump confirmed that size was one of many factors in the totality of the circumstances as to the size of the risk.

Mayor Kou asked if the Redwood City's parklet fees were hindering parklets and if the lease fees would be appropriated to events, decorations, etc. She preferred the mid-level feels.

Director Lait had not done analysis to understand how fees may have deterred parklets in another jurisdiction. They collected only fee information for comparison.

City Manager Shikada noted that the fee appropriation would be limited to the parklet program.

Discussion ensued regarding changing the language of the motion related to the letter of consent and an adjacent tenant and landlord.

Fire Marshal Tami Jasso wanted to clarify if Item 1 indicated the fire code would not have to be followed for a period of time or if there was to be compliance with the fire code as far as storage and use of propane. She asked if Council was asking them to look at fire code requirements.

Council Member Burt stated the concept of Item 1 was to have staff come back with interim requirements. He did not know if there was a way to move from where the City had been to where the City wanted to be regarding propane. He asked if seven months would be enough time for parklets to meet propane fire code or move to electric.

Director Lait remarked the fire code had to be enforced and enforcement had been lax. They were concerned about parklets conforming to regulations. Compliance with the fire code might be the incentive in place to move to electric without having to do anything new.

Discussion ensued regarding transitioning from propane to electric, parklet size and standards, building codes, building structures, enforcement, letter of consent, covered versus uncovered parklets, existing parklets and new regulations, safety from vehicles, right of refusal, consent time lengths, and funding for consultant support, which were incorporated in the motion.

Director Lait expressed it was going to take months for staff to revise the standards and bring this back to Council and, as a result, the temporary parklets standards needed to be extended, and they would submit that to Council on consent.

Council Member Veenker expressed why she wanted to separate Item 3 from the motion. She struggled with supporting it because it seemed to increase and decrease the value of certain spaces.

Council Member Tanaka asked that Item 5 be split because he was concerned about the building code implication.

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Mayor Kou asked to separate Item 8. She was not able to support Items 1 through 7. She agreed with Council Member Veenker and thought staff needed clearer direction to avoid more difficulties.

City Clerk Lesley Milton requested clarification on the vote order.

City Attorney Stump indicated that the order City Clerk Milton had was fine.

MOTION SPLIT FOR THE PURPOSE OF VOTING

MOTION: Council Member Burt moved, seconded by Council Member Lauing to:

3. Parklets with structures are not allowed to extend beyond the establishment leasing the parklet, non-structures are allowed without a letter of consent. If a tenant wishes to permit the space, after 90 days they are able to obtain the rights to that space

MOTION PASSED: 4-3, Tanaka, Kou, Veenker No

MOTION: Council Member Burt moved, seconded by Council Member Lauing to:

5. The size of the covered parklets be limited to 350 square feet in total, but can have up to two provided they are limited in location to the tenant's street frontage

MOTION PASSED: 5-2, Kou, Tanaka No

MOTION: Council Member Burt moved, seconded by Council Member Lauing to:

8. Amend the Fiscal year 2023 Budget Appropriation for the General Fund
 - a. Increasing the public works expenditure for contract services by \$85K
 - b. Decrease the Budget Stabilization Reserve by \$85

MOTION PASSED: 7-0

MOTION: Council Member Burt moved, seconded by Council Member Lauing to:

1. Direct staff to return with incentives that will encourage the use of electric heating
2. Direct staff to return with proposals on greater safety from vehicles including k rail, concrete barrier or equivalent standard on leading edge corners
4. Direct staff to come back with fee recommendations on the "low end" of fees
6. That there be a system for the responsibility for cleaning by the establishment, and staff devise a notification system for meeting standards
7. Existing parklets in front of adjacent buildings can retain their structures until these new regulations apply

MOTION PASSED: 6-1, Kou No

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10. Approval of and Direction on a Residential Natural Gas Rebate Program Funded by the City's General Fund at a Total Cost of up to \$1,771,586 to Mitigate Extraordinarily High January 2023 Natural Gas Costs, Approval of a Budget Amendment in the General Fund, and an Update on Green v. City of Palo Alto

Director of Utilities Dean Batchelor voiced that they were seeking approval and direction on the Residential Natural Gas Rebate Program.

Utilities Strategic Business Manager Dave Yuan specified they were bringing forth to Council a couple residential natural gas rebate options. He shared slides referencing Options A and B. He addressed the gas commodity price spike and the impacts of it. He presented a table showing rebate amounts under each option. They received feedback from the Finance Committee concerning the electric rebate discussion on March 21, and they felt neither program proposed achieved the goal of a meaningful rebate to all residential customers. They asked that additional assistance be provided to low income and residents with hardships and requested the amount of the cost and how customers would be identified. He supplied a slide outlining different program options. He discussed the customer assistance programs that were in place. He commented that in addition to the programs, Mayor Kou had sent letters to the Governor's office, Federal Congress, and State legislators to investigate the extremely high gas bills by FERC and CPUC to identify the cause and identify mitigation strategies to prevent a future event. However, Federal and State investigations could take years to complete. They were coordinating with NCPA and CMUA to try to figure out what happened during the month of January.

City Attorney Molly Stump added that the Staff Report included an update on the Green v. City of Palo Alto case, and sufficient funds had been set aside for rebates to customers. Since the writing of the Staff Report, the Court of Appeal had endorsed the party's proposal. There were still a number of steps. They would go back to the trial court, and the trial court would need to hold a hearing and approve it, and then the City would be in position to begin paying the rebates.

Public Comment

John Kelley pointed out that the Staff Report did not indicate the incomes of those having high bills. He felt it was misleading to correlate a high gas bill with high income. He agreed with the recommendation of the Finance Committee that the relief focus on people most in need. He did not think either alternative presented by staff addressed that need. He encouraged the Council to means test the relief as much as possible and requested at least 50% of the money appropriated be directed to those at or below 120% of AMI and suggested ways to make that determination.

Council Member Burt mentioned that the Finance Committee had struggled to have a meaningful rebate and one that would support members of the community most in need.

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There was no perfect solution, and the Finance Committee had identified the options presented by staff.

Council Member Lythcott-Haims noted that the Finance Committee had asked staff to come to Council with a recommendation on gas, and staff went to the Finance Committee with a recommendation on electric. There were options presented in the electric context that they thought might be suitable for gas, which were not reflected in the presented options. She explained why a mechanism for identifying who had the greatest financial need was not reflected in the Staff Report, and she provided an example how those in need could be identified, but she worried about staff time. She had concerns of punishing those who were conserving gas. She was inclined to support the option mentioning the people who were already getting 25% reduction, those in arrears, and Project PLEDGE. She opined that whatever rule was arrived at, it should be consistent for gas and electric.

Manager Yuan specified that they had the data for customers on rate assistance and those in arrears. The Project PLEDGE [inaudible] application was taxing for staff. He would like to combine gas and electric to save staff work.

City Manager Ed Shikada questioned whether Council wanted to consider the gas rebate and the electric rebate together or continue handling them on parallel paths.

Council Member Veenker listed pros and cons of each option. She explained a possible hybrid model, which would reward lower users but give everybody something significant. She would love to see a hybrid that would help lower income residents. She explained that the cost of her proposal would be almost \$2M.

Manager Yuan stated the options were results of the Finance Committee's feedback, and there was a request to make it more meaningful to everyone.

Council Member Tanaka thought this should be kept simple and staff cost kept low. He detailed why he supported Option B for the gas rebate. He felt the electric rebate should be a flat 20%. He proposed a motion to approve a natural gas rebate program to mitigate high January 2023 natural gas bills and a flat rate of \$88.78 on the average January gas bill of \$403.90. He did not have a strong preference related to amending the Fiscal Year 2023 Budget Appropriation.

Vice Mayor Stone declared the motion failed for lack of a second.

Council Member Lauing asked if there was an obligation to former residents, if the \$243K could be divided amongst remaining residents, and if Finance had considered going higher than 20%.

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Manager Yuan confirmed there could be reallocation of the funds. He noted that the report indicated 600 customers had moved, but it was actually 100 customers, so it should be \$50K versus \$243K.

Council Member Lythcott-Haims stated Finance did not consider going higher than 20%, although they had considered the possibility of going higher for those in need, and she referenced the “Finance Committee Feedback – Alternative Gas Rebate” slide that she felt addressed it. She thought some would get double assistance and that there would be an additional \$200K saved related to those who were no longer residents and that that could be diverted toward those with the greatest financial need.

Manager Yuan clarified that a resident could not be in more than one program and that they would get one rebate or the other, not both.

Council Member Lauing voiced that going up to 25% would add \$442K, which he explained was net of about \$200K. He accepted the 20% and liked the hybrid approaches, and voiced both were appealing.

Kiely Nose explained that every dollar allocated as part of this process would be a dollar not allocated for the 2024 budget. The electric and gas programs were proposed at \$2.5M, and with the considered changes, it could be a \$3.5M program. She detailed why the \$200K Council Member Lauing was using in his calculation should be a smaller number.

Manager Yuan indicated it would be \$50K, not \$200K. There were about 20 customers that would overlap between the rate assistance and the arrears, and Council could ask that there be participation in both programs, which the total cost would be \$2.3M based on the current proposal.

Council Member Lythcott-Haims supported those in need being able to participate in both programs.

Mayor Kou questioned how the 20% rebate would be disbursed and if some funding had been taken from the rate stabilization account and if that indicated falling below the Council’s target for the Stabilization Reserve. She would be cautious going above the proposed \$1,771,586. She felt the rebate should focus on the January gas rate spike.

Manager Yuan clarified the rebates would be reflected as credits on bills.

Kiely Nose stated \$85K was used from the Budget Stabilization Reserve in the General Fund as part of the parklets item. The Council’s target for the Stabilization Reserve was 18.5, and there was about \$6M above that, and she specified what the funds were allocated for, which were also the funds Council would be allocating as part of the 2024 proposed budget process.

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Council Member Burt voiced that there was merit in the round numbers in the proposal, and he was inclined to go that way.

Council Member Lythcott-Haims moved for adoption of the Alternative Gas Rebate presented by staff.

Manager Yuan proposed that Council give staff a dollar threshold to work within and staff could change some figures to ensure they would fit within the total amount.

Council Member Tanaka seconded it.

Manager Yuan inquired if the minimum flat amount could drop to 75 instead of 80.

Council Member Lythcott-Haims noted, in her view, the flat amount could drop to 75.

Discussion ensued regarding funding, a tiered structure, flat amounts and bill range, and additional contributions for those in the Rate Assistance Program and customers in arrears, not to exceed 20% of the entire January receipts, which was in the Staff Report Council received about 3:45 that afternoon.

\$100 rebate for greater than \$800
\$85 for \$400-\$800
\$70 for less than \$400
Residents can apply for an additional \$50

Council Member Tanaka suggested there be an application process for the rebate and that it not be applied automatically.

Council Member Lythcott-Haims thought that would be too burdensome for staff.

Mayor Kou appreciated and supported it being 20% for rebates.

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

- A. Approve a residential natural gas rebate program to mitigate extraordinary high January 2023 natural gas bills in a tiered structure proposed by staff known as alternative gas rebate with additional contributions for members in the rate assistance program and customers in arrears not to exceed 20% of the total January gas bill

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Jan. 2023 Gas Residential Bill Range	% of Total Residential Gas Customers	# of Residential Gas Customers	Flat Amt	Cost
Greater than \$800	9.8%	2,150	\$ 100.00	\$ 215,000
\$400 to \$800	33.8%	7,414	\$ 85.00	\$ 630,190
Less than \$400	56.4%	12,367	\$ 70.00	\$ 865,690
Subtotal	100.0%	21,931		\$ 1,710,880
Rate Assistance Program		462	\$ 50.00	\$ 23,100
Arrearage > 180 days		747	\$ 50.00	\$ 37,350
Winter Rebate Application		500	\$ 50.00	\$ 25,000
Subtotal		1,709		\$ 85,450
		Total Gas Rebate		\$ 1,796,330

B. Amend the Fiscal Year 2023 Budget Appropriation

a. In the General Fund by:

- i. Increasing the Transfer to the Gas Fund by \$1,796,330
- ii. Decreasing the Budget Stabilization Reserve by \$1,796,330

b. In the Gas Fund by:

- i. Increasing the Transfer from the General Fund by \$1,796,330
- ii. Decreasing Residential Gas Retail Revenue by \$1,796,330

MOTION PASSED: 7-0

Director Yuan asked regarding the disbursement of funds if staff could come back on April 17 to combine gas and electric or if there should be two credits in separate months.

The Council affirmed that staff could come back on April 17 with gas and electric rates combined.

Mayor Kou believed a clear message needed to go out regarding the gas rebate.

Council Member Tanaka did not want a lengthy process.

Council Member Burt wanted this done sooner rather than later.

Discussion ensued related to staff time in bringing back to Council electric and gas separately, and it was decided that Director Batchelor would bring the electric alternative concept back to Council on consent if acceptable, working within a 20% budget, the electric being a little less than \$750K, and using the words "Winter Rebate."

Council Member Questions, Comments, Announcements

Council Member Tanaka thanked staff and his colleagues for their attendance and work on Town Hall yesterday and suggested Council members rotate being on Town Hall.

Adjournment

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The meeting was adjourned at 12:01 a.m.