



POLICY AND SERVICES COMMITTEE FINAL MINUTES

Special Meeting
May 13, 2014

Chairperson Price called the meeting to order at 6:05 P.M. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Klein, Price (Chair), Schmid, Scharff

Absent:

Oral Communications

None.

Agenda Items

1. Recommend Adoption of An Ordinance Requiring All new Multi-Family Residential and Non-Residential Construction to Provide for Current or Future Installation of EV chargers.

Peter Pirnejad, Development Services Director, recalled that the Council directed Staff to provide an Electric Vehicle Supply Equipment (EVSE) policy for all new construction. Staff developed a task force of stakeholders and worked with the task force to create policies. Mobile sources comprised 40 percent of greenhouse gas emissions in California. The Governor's initiative in March 2012 was to increase the goal of 1.5 million Zero Emission Vehicles (ZEV) in California by 2025. California's Center for Sustainable Energy reported more Electric Vehicles (EV) in California than anywhere else and more EVs in Palo Alto than in Santa Clara County. Obviously there was a need for infrastructure to support EVs. Staff focused on multi-family residential structures; new, non-residential structures; and specifically named hotels. Staff considered multi-family residential with individual attached parking, with a condominium map, and without a condominium map. Staff reviewed mixed use and guest parking facilities in addition to required parking. For non-residential development and hotels, Staff provided specific requirements. Of the three types of infrastructure, the most rigorous, compatible, and expensive was EVSE. An EVSE required the unit, wiring, conduit, plug, and panel capacity. EVSE-ready required the raceway, wire, panel capacity, and outlet. Conduit-only required panel

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capacity, raceway, and a box to install a plug. Multi-family residential units with individually attached parking were subject to the same requirement as single-family residential units; *i.e.*, one EVSE per unit. For multi-family residential units without a condominium map, 5 percent of units were required to have EVSEs and every unit was required to have one EVSE-ready parking space associated with it. If parking spaces were not deed restricted, then one space in the parking field was required to be dedicated to EVSE. Multi-family residential units with condominium maps were required to have one assigned EVSE space per unit. Five percent of guest parking spaces were required to have EVSEs and 20 percent of guest parking spaces had to have conduit-only.

Council Member Klein requested the cost for each category.

Mr. Pirnejad indicated costs were provided at the end of the report.

Council Member Klein felt it was difficult to understand the significance of requirements without knowing the costs.

Mr. Pirnejad explained that the cost of an EVSE depended on whether it was a single-head or dual-head and smart or dumb. EVSEs ranged in price from a few thousand dollars to multiple thousands of dollars. In Item Number 1, a fully featured, single-head, Level 2 charger for one parking space cost approximately \$6,000. EVSEs were placed in three categories, Levels 1, 2, and 3; Level 2 was more mainstream. Fully featured meant an EVSE was smart; it could communicate with other EVSEs. A unit like that would cost about \$6,000. Staff separated costs by wiring, conduit, etc.

Council Member Klein wanted ballpark estimates for the three categories.

Mr. Pirnejad advised that the EVSE unit was not the majority of the cost. The majority of the cost was the entire package. Applying EVSE requirements to a 30,000-square-foot commercial building would cost somewhere on the order of \$53,000.

Council Member Schmid requested ballpark figures for each of the three categories.

Mr. Pirnejad reported every one of the scenarios would contain all three categories of EVSE, EVSE-ready, conduit-only.

Council Member Schmid requested the cost of each category.

Chair Price asked for a range within each referenced purpose.

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Mr. Pirnejad indicated an EVSE for one parking space with conduit, panel capacity, and all needed material would cost about \$10,000. The cost for ten spaces would be significantly less due to the benefit of having built-in panel capacity and conduit.

Council Member Schmid requested costs for Categories 2 and 3.

Mr. Pirnejad advised that EVSE-ready would cost approximately \$4,000 for one space. Conduit-only would cost about \$3,000-\$3,500 for one space. Fully featured EVSEs had the ability to be completely cost recoverable. The proposed Ordinance would require 5 percent of all parking for commercial buildings be EVSE-ready and 20 percent be conduit-only. For hotels, the proposed Ordinance required 10 percent of parking be EVSE-ready and 20 percent be conduit-only. A 30,000-square-foot commercial building would require 100 parking spaces; of which 5 spaces would be fully EVSE and 20 spaces would be raceway only. The cost would be approximately \$53,000. A multi-family residential project of 30 units would require 30 EVSE parking spaces; guest parking would require subsequent parking for those EVSEs. The cost would be approximately \$88,000 for non-assigned spaces and \$68,000 for assigned spaces. Staff attempted to provide just enough existing capacity for new tenants and owners to charge their EVs, while providing sufficient growth capacity to accommodate the 30-year lifespan of buildings.

Council Member Scharff inquired about the practical effects of EVSE requirements for apartment complexes.

Mr. Pirnejad replied that a 100-unit complex would have 100 EVSE parking spaces.

Council Member Scharff clarified it would be 100 EVSE-ready parking spaces. He inquired whether car owners would need to provide charging equipment in order to utilize EVSE-ready units.

Mr. Pirnejad explained that for multi-family residential developments, 5 percent of all parking spaces would be EVSE with the contraption. The 1:1 requirement would utilize the National Electrical Manufacturers Association (NEMA) outlet.

Council Member Scharff reiterated that the 1:1 spaces would allow a driver to plug into an outlet while 5 percent of units would have the full contraption. He asked why a full contraption would be needed for parking spaces not designated as guest parking spaces.

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Mr. Pirnejad inquired whether the requirement was 5 percent of guest parking or 5 percent of required parking.

Melanie Jacobson, Green Building Consultant, answered 5 percent of guest parking. The application without a condominium map would be rental units, and renters did not have the ability to install any type of equipment. In that situation, EVSE equipment would be installed for tenants' use.

Council Member Scharff calculated 100 residential units would require approximately 200 parking spaces, and roughly 50 percent of parking spaces would be equipped with an EVSE outlet into which EVs could be plugged. All tenants who owned one EV would have a place to charge their cars.

Mr. Pirnejad concurred.

Council Member Scharff asked if any of those spaces would have fully functional EVSEs.

Mr. Pirnejad responded no.

Council Member Scharff asked about the parking requirement for guest parking in a 100-unit building.

Mr. Pirnejad suggested 1:5 for discussion purposes.

Council Member Scharff inquired whether 5 percent of the 20 guest parking spaces (one space in a 100-unit building) would have a fully functional charging unit.

Mr. Pirnejad answered yes.

Council Member Scharff wanted to ensure the Ordinance was written that way. For the one EVSE unit, the landlord could charge for electricity. He asked if the rest of the units would be metered to the individual units to which they were assigned.

Mr. Pirnejad explained that the proposed Ordinance provided many options for the builder/developer to exercise. Rather than forcing them to choose one option, Staff left options open to them. Staff required builders/developers to maintain a certain amount of panel capacity. Builders/developers chose how to charge or absorb the cost.

Council Member Scharff inquired whether there were different requirements for deed-restricted parking spaces and non-deed-restricted parking spaces for condominiums.

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Mr. Pirnejad reported the only difference was one of the two spaces dedicated to a condominium would be an EVSE-ready space.

Council Member Scharff asked if the requirement for hotels applied only to guest parking as hotels also provided employee parking.

Mr. Pirnejad advised that the requirement for hotels applied to the total number of parking spaces.

Council Member Scharff inquired about the requirement for hotels.

Mr. Pirnejad indicated 10 percent of hotel parking spaces would have EVSEs and 20 percent would have conduit-only.

Council Member Scharff inquired about the requirement for office buildings.

Mr. Pirnejad responded 5 percent and 20 percent.

Council Member Scharff felt 5 percent was too low, and requested Staff's reasoning for requiring only 5 percent.

Mr. Pirnejad explained that Staff thought it would be duplicative to increase the number of commercial parking spaces. With more and more homes having EVSE charging capabilities, people would typically charge at home because their cars would be there overnight.

Council Member Scharff inquired about the number of EV owners who drove into Palo Alto from other cities.

Mr. Pirnejad could not control their situation.

Council Member Scharff noted an office building with 100 parking spaces would have 5 EVSE spaces. He asked if Staff had any data regarding the number of people who owned EVs and worked in office buildings.

Mr. Pirnejad indicated a rough estimate was about 1,000.

Council Member Klein asked if the hotel requirement would apply to new hotels only.

Mr. Pirnejad reported the entire Ordinance would affect new construction only.

Council Member Klein suggested Staff add that to the Ordinance.

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Chair Price inquired about the bases for the percentages in the proposed Ordinance.

Mr. Pirnejad used a variety of techniques to determine appropriate percentages because no other cities were developing this type of policy. Staff considered Leadership in Energy and Environmental Design (LEED) Platinum Buildings and their requirements and standard practices that innovative commercial developers were using. Staff then vetted percentages with the task force. Staff built more capacity in requirements for multi-family residential, non-residential, and hotel development than in single-family residential development.

Chair Price asked if Staff would advise the Council to reexamine requirements every five or ten years.

Mr. Pirnejad replied yes.

Council Member Schmid requested Staff clarify the distinction between EVSE and EVSE-ready.

Mr. Pirnejad reported an EVSE space would have the actual contraption that plugged into a car. An EVSE-ready space would have a plug similar to those found on home appliances such that the car owner would need an adapter to charge the EV.

Council Member Schmid noted the ratio was 10:1, and asked if the full-service EVSE was not in great demand or not necessary.

Mr. Pirnejad explained that in multi-family projects the tenant or the condominium owner would not have the ability to install any equipment in the parking space. If he did, he would risk the loss or theft of that equipment. Staff wanted to minimize that risk and minimize the impact to the developer. Knowing technology could change over time, Staff attempted to keep the EVSE requirement to a minimum.

Council Member Schmid did not understand why Staff required EVSEs when EVSEs were much more expensive.

Mr. Pirnejad indicated another consideration was cost recovery and the ability to track use. An EVSE-ready unit could not track the length of time a car charged, the amount of electricity it used, or the charge to the owner. An EVSE unit could track which spaces were being used and the length of time a car charged. The property owner would then have more data to either cost out those units or do other things.

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Council Member Scharff added that each EV was purchased with all equipment needed to charge it; therefore, full EVSEs were not needed. A full EVSE was only needed in guest parking, because owners might not carry the needed equipment in the car.

Council Member Schmid inquired whether charging stations in family settings would have time limits to allow access for multiple users. A limited number of charging spaces would be provided for many users.

Mr. Pirnejad reported the Ordinance did not restrict the length of time a user could occupy the space. In an assigned space, obviously the user could remain there as long as he wanted.

Council Member Schmid suggested different rules (INAUDIBLE).

Mr. Pirnejad commented that the landlord could regulate the assignment of spaces or the length of time that people could park in them.

Council Member Schmid inquired whether charging spaces would be the same size as regular spaces and whether charging spaces would add parking area.

Mr. Pirnejad indicated spaces were the same size and would not add parking area.

Council Member Schmid stated it was striking that (INAUDIBLE) 60 percent higher than commercial. Affordable dense housing (INAUDIBLE) that affordable dense housing should pay more than commercial.

Mr. Pirnejad was saying it should pay more not necessarily compared to commercial, but based on need. Because Staff believed more people would charge at home than at work, they required every unit have the ability to charge and attempted to minimize that point of entry of just the plug.

Council Member Schmid remarked that between Scenarios 1 and 2, more of the burden (INAUDIBLE).

Mr. Pirnejad explained that the distinction was in Scenario 2, which was more expensive. Scenario 2 involved rental units where tenants had less leeway to install EVSE. Tenants were subject to the whim of the development rather than a condominium map.

Council Member Schmid noted Scenario 2 was affordable housing while Scenario 1 was commercial condominium. He asked how that compared to the other (INAUDIBLE) similar size.

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Mr. Pirnejad reported the permit cost was higher, because the type of plug that would support an EV was a live load, which meant the plug would be carrying electricity for an extended period of time. The requirements for a live load were more strict and involved more compliance and proper safety protocols. More time was needed to process that permit; therefore, the permit cost was a bit more expensive. The amount of review and the fee amount were comparable to other cities.

Council Member Schmid inquired about the total amount of fees and charges associated with a 30,000-square-foot building compared to (INAUDIBLE).

Mr. Pirnejad indicated \$555 for Scenario 2 versus \$740 for Scenario 1. Scenario 1 installed five chargers and only three in Scenario 2.

Council Member Schmid meant the \$88,000 amount. The City imposed a number of fees and (INAUDIBLE) for all kinds of (INAUDIBLE). He asked how the \$88,000 compared to the cost of all the other fees (INAUDIBLE).

Mr. Pirnejad would have to run that scenario to pull all those different fees. He could discuss building fees, but would need to get more information and build it into the scenarios.

Council Member Schmid was interested in those fees. The City's Housing Element (INAUDIBLE) know how the fee compared.

Mr. Pirnejad could review all Development Impact Fees.

Council Member Klein stated the \$88,000 and \$53,000 amounts were not fees; they were cost of equipment.

Council Member Schmid added that the amounts included the cost of fees.

Council Member Klein remarked that the City had a variety of mandated costs for any building. The comparison would be useful. Staff estimated the cost of the commercial building would be \$9 million.

Mr. Pirnejad calculated the cost of the land at \$5 million an acre plus \$250 per square foot for construction. The total cost was estimated to be in the range of \$15 million.

Council Member Klein believed the land cost would presumably be the same for the commercial and multi-family. He inquired about the average cost of residential construction compared to commercial construction.

Mr. Pirnejad advised that the cost of multi-family residential projects was typically between \$150 and \$200 per square foot.

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Council Member Klein stated the cost of residential construction would increase about one half of 1 percent.

Chair Price inquired whether the Ordinance provided any leeway for affordable housing complexes.

Mr. Pirnejad indicated there was no incentive included in the Ordinance; however, that was a policy choice.

Council Member Schmid noted some of affordable housing projects had lower parking requirement

Mr. Pirnejad explained that fewer parking spaces would result in fewer EVSE-ready spaces.

Chair Price added that residents of an affordable housing complex most likely would not own EVs.

Mr. Pirnejad commented that EVs were becoming less and less expensive. Over the 30-year lifespan of a building, EVs would be more affordable than internal combustion vehicles.

Chair Price asked if Staff applied the same concepts to new construction of civic buildings.

Mr. Pirnejad stated that would be a discussion for the City's facilities team. Staff was working to obtain more public parking, and the Ordinance would apply to City parking lots.

Chair Price inquired whether Staff's practices followed that direction and whether there were existing policies.

Mr. Pirnejad conferred with Utilities and Public Works Departments about methods to require more. If the City required parking in the public right-of-way, it would make more sense to require that in parking structures. Staff needed to develop standards. That was not as much a policy decision as a practice.

Chair Price noted over the next five to 20 years, the City would have significant new civic buildings.

Mr. Pirnejad expected more EV parking spaces for those buildings.

Mike Thompson believed the Ordinance was crafted with flexibility in mind. The smart chargers would provide access control, balance usage, and recover costs. The task force utilized data from smart EVSEs to draft the

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policy. Charging equipment purchased with EVs tended to be Level 1 EVSEs, and could easily be removed by someone other than the EV owner. To be EV friendly in public settings, the City should require EVSE rather than EVSE-ready.

Council Member Scharff noted fully functional EVSEs did not track (INAUDIBLE). Staff should revise the report to state 5 percent of guest parking would have EVSEs. He supported the requirements for few fully functional EVSEs. The policy was to encourage EV use; therefore, (INAUDIBLE). The requirement applied to only one or two units, resulting in little cost. That did not provide an incentive. Charging stations for which users were not charged were typically filled all the time. (INAUDIBLE) no reason why (INAUDIBLE) EVSE-ready.

Mr. Pirnejad wanted to give the option for individual commercial building or multi-family building developer to realize if they wanted to charge for use of charging stations. That would be a policy choice.

MOTION: Council Member Scharff moved, seconded by Council Member Klein to recommend the Council adopt an Ordinance requiring that all new multi-family residential and non-residential construction provide for the current or future installation of EV chargers and put in the statute that the EVSE, which were the fully functional electric vehicle chargers go in the guest parking, and the ones that should really go in the guest parking in the residential, and the ones in the commercial buildings will not be charged for, and we will revisit that policy every five years

Council Member Scharff felt it was important to revisit EVSE requirements on a regular basis as the market could change such that charging for use of charging stations would be appropriate.

SUBSTITUTE MOTION: Council Member Klein moved, seconded by Council Member XXX to leave charging or not charging to the owner of the property.

SUBSTITUTE MOTION FAILED DUE TO THE LACK OF A SECOND

Council Member Klein (INAUDIBLE). It was market driven. Currently people would not pay for use of charging stations when free charging stations were available. However, the market could shift.

Council Member Scharff felt the Council should not require EVSEs if it was market driven. The City was attempting to encourage a certain policy and to create infrastructure. Developers would charge for use of EVSEs and people would not use them. Because the number of EVSEs in guest parking was so few, he did not believe electricity usage would be a concern for developers.

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Hotels would charge an outrageous amount for EVSE use in addition to parking fees.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER that this be brought back to the Council no later than three years.

Council Member Klein was pleased the City was proceeding with EVSE requirements.

Chair Price concurred with Council Member Klein's comments.

Council Member Schmid supported EVSE requirements, but was skeptical of whether the City had the authority to deny developers the ability to charge for use of EVSEs.

MOTION AS AMENDED PASSED: 4-0

Khashayar Alaei, Senior Management Analyst, indicated the item would be presented to the Council on June 16, 2014 on the Consent Calendar.

2. Review and Approval of the 2014 State and Federal Legislative Program.

Richard Hackmann, Management Analyst, reported Staff proposed a semiannual Legislative Program review process. The 2014 Legislative Program Manual contained legislative priorities, key issues from the community, general principles for legislative advocacy, guidelines for handling legislative issues, the Council's role, and a framework for correspondence and interaction with outside agencies. In late October or early November 2014, a meeting would focus on planning for the upcoming legislative year. In late April or early May of the following year, a reactive legislative session would respond to issues that arose during the legislative year and evaluate the issues proposed in the fall. At both meetings policymakers would provide Staff with directions. By splitting these two meetings, the Council would have more opportunities to focus specifically on current issues and update guiding principles based on the current state of affairs. If the Policy and Services Committee (Committee) agreed with the plan and the Program Manual, it would be presented to the Council for approval. In the fall Staff would present a proposal for legislative action.

Steve Palmer, Van Scoyoc Associates Vice President, advised that Congress passed the Omnibus Appropriations Bill in January 2014 and was working to pass all 12 appropriations bills for the coming fiscal year. The Republican House marked up a bill the prior week that reversed an 8 percent reduction in Community Development Block Grant (CDBG) funding, so that the full

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\$300 million amount would be funded in the coming fiscal year. The Farm Bill passed. The Water Resources Development Act passed the House and Senate. The Transportation Bill was introduced the prior day. More money would be suballocated to local communities and metropolitan planning organizations. A benign energy efficiency bill failed to get sufficient votes in the Senate to pass because of procedural issues. The coming election made it difficult to pass bills. Very few pieces of legislation had to be enacted before the election. One bill that had to be addressed was the Highway Trust Fund. Many of the topics on which he worked for the City were regulatory or administrative in nature. One such regulatory issue was the environmental assessment of aircraft routing by the Federal Aviation Administration (FAA).

Thane Young, Van Scoyoc Associates Vice President, indicated he secured a modest amount of funds for San Francisquito Creek in the Corps of Engineers workplan. As a result, the President's Budget for Fiscal Year (FY) 2015 included \$900,000 for a study, which would be sufficient to complete the study. A policy provision within the Water Resources Development Act would allow the City to take credit for any early work that the Joint Powers Authority (JPA) performed on the first phase of the San Francisquito Creek Project. The House passed some legislation to provide some relief from the California drought. That legislation was not given a great deal of consideration in the Senate. In response Senator Feinstein introduced legislation intended to maximize the delivery capacity of the existing system and to provide some relief for the drought in California. Senator Feinstein's bill met a great degree of controversy. She revised the bill and was seeking five or six Republican votes to meet the 60-vote threshold. The Northern California Power Agency (NCPA) attempted to include a provision in the drought relief legislation that would minimize the amount that power customers paid into the mitigation fund for the Central Valley Project. The Environmental Protection Agency (EPA) and Corps of Engineers proposed a rule that would define water of the US and subject them to the Clean Water Act. The EPA asserted that the rule would not extend jurisdiction beyond the historical case. The rule could dramatically change the way that storm water was regulated and the cost of storm water controls could increase significantly. Water reuse projects could be affected by the rule in that they would have to be managed differently if they were deemed to be waters of the US. There was some concern that the Colorado River Aqueduct would be deemed waters of the US under this rule, which would involve multiple layers of Federal Agency review and oversight. The plan to reverse the flow of the aqueduct would be significantly more complicated under the proposed rule. He believed a 90-day public comment period would be extended because of the concerns raised about the rule.

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Chair Price inquired about the likelihood that Senator Feinstein's bill would move forward.

Mr. Young reported Senator Feinstein made some modifications in the bill so that it was not specific to California and removed some funding provisions in order to attract more Republican support. The longer she goes without obtaining support, the more difficult it would be to reach the needed level of support.

Chair Price felt Senator Feinstein would receive support from Texas and the southwest given the drought conditions there.

Council Member Klein was stunned by the testimony as to the high-handed nature of the FAA and the fact that many flight paths at San Francisco International Airport (SFO) were located over Palo Alto neighborhoods. He requested Mr. Palmer comment on the City's chances of receiving a good hearing.

Mr. Palmer explained that the FAA supported its initiatives and no others. The FAA treated people as though they had no knowledge or expertise. He could not predict how the issue would end. By appealing to the political channels, hopefully the City and region could obtain some information.

Council Member Klein inquired about possible actions regarding the Highway Trust Fund.

Mr. Palmer remarked that the only plausible answer to which anyone could agree was a general fund transfer in the range of \$5 billion to reach the end of the fiscal year and a \$10 billion transfer to reach January 1, 2015. Congress could do nothing, transfer funds from the general fund, or raise taxes. Right before an election, a general fund transfer was the only palatable option. Everyone said they wanted a transportation bill. If they could fix the revenue issue, he thought it could be accomplished. It could be early 2015 before they figured out the revenue.

Council Member Klein asked if the California Department of Transportation (Caltrans) would be forced to stop bidding contracts.

Mr. Palmer did not believe there was a political will to let that happen right before an election. More than likely, there would be a short-term transfer from the general fund and then a long-term solution. Perhaps after the election there would be some growing consensus about tax reform or expatriated taxes or gas tax revenue.

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Chair Price inquired whether Staff was coordinating with other midpeninsula governments to address the routing of aircraft.

Mr. Hackmann advised that the Airport Manager was familiar with the activity occurring in San Mateo County. Staff used him to connect with staff in cities along the peninsula to exchanging concerns.

Council Member Scharff inquired about the Fair Housing rule being monitored.

Mr. Young could not recall the exact issue.

Council Member Scharff was unsure whether Council Members were knowledgeable about issues such as the Central Valley Project Improvement Act (CVPIA) mitigation payments. That could be a worthwhile discussion for the Committee. The CVPIA actually threatened the viability of the City's hydroelectric power sources. He inquired about the amount NCPA charged.

Debra Lloyd, Utilities Compliance Manager, indicated the City had paid \$3 million in the current year and \$30 million over the course of the program.

Council Member Scharff believed there was no accountability or transparency of the funds. Of all NCPA members, Palo Alto was affected the most. The Council should obtain a sense of the issue. The City should advocate strongly for, rather than simply monitor issues. He felt Mr. Palmer did not believe additional funds would be available for High Speed Rail (HSR).

Mr. Palmer concurred. No money would be appropriated short of new revenue to pay for HSR. With the TIGER Grant Program, the State of California could apply for TIGER Grant funds that could be used for HSR.

Council Member Scharff asked about the amount of funds in that program.

Mr. Palmer indicated the amount for the current year was \$600 million.

Council Member Klein asked if that amount was available for the whole country.

Mr. Palmer answered yes.

Council Member Scharff inquired about an update for acquisition of the Post Office.

Mr. Palmer had not received any additional information from the City on the Post Office.

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Council Member Scharff requested the topics on which Mr. Palmer was actively lobbying for the City.

Mr. Palmer advised that he was lobbying for funding for San Francisquito Creek. He regularly sent grant announcements to the City. He worked to ensure some funding under the Transportation Bill was suballocated. Additional topics were the CVPIA mitigation payments and the Central Valley Improvement Project.

Mr. Hackmann reported Staff contacted Mr. Young as soon as they learned of the NCPA issue regarding the Central Valley Project Improvement Act. Mr. Young and the NCPA lobbyist worked with the offices of Senators Boxer and Feinstein and determined the drought bill was not the correct venue for these concerns.

Council Member Schmid noted the Santa Clara Valley Water District has made a major push to work with the Corps of Engineers regarding the South Bay Flood Plain. Lobbyists should keep that in mind as important to Palo Alto.

James Keene, City Manager, requested additional information regarding the EPA rule and the waters of the US. He wanted to understand how that could apply to Palo Alto.

Mr. Young explained that the rule stated all waters were connected. The EPA would trace water upstream from the traditional navigable waters. All tributaries that conduct flow into the San Francisco Bay would be considered waters of the US. It made no difference whether the tributary was manmade, natural, or man altered. Everything adjacent to the tributary would also be considered waters of the US. The rule defined adjacent as anything within a flood plain. With a designation of waters of the US, the State had to designate beneficial uses for every one of those water bodies deemed waters of the US. The State had to adopt water quality standards to achieve those beneficial uses. The beneficial uses were swimmable and fishable unless one could make a strong case for why that should not apply. Next anything that flowed in those water bodies had to meet numeric effluent limits. If a storm water system itself was considered waters of the US, then everything that flowed into the system (run off into a gutter or ditch, a catch basin) could be regulated and had to meet numeric effluent levels. The rule significantly complicated the degree of regulation that could be imposed on the City. The rule also contained a great deal of ambiguity which created the potential for litigation. There was no exemption for water reuse facilities. Any water that was conveyed in order to create new water

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supplies would not be exempt for being considered waters of the US and the whole regulatory regime.

Mr. Keene noted the issue of delineating the boundary between State and US waters arose when the City attempted to obtain a permit for the Golf Course. He was curious whether there was a connection between that request and the proposed rule.

Mr. Young added that the proposed rule contained some express exemptions. One of the exemptions pertained to artificial lakes for ornamentation. Swimming pools were exempt. A golf course located in a flood plain raised the question of whether all the water on the golf course and wetland features could be considered waters of the US or an ornamental pond or a collection point for storm water runoff. Those were the kind of ambiguities in the rule that could create problems.

Niccolo De Luca, Northern California Director of Townsend Public Affairs, reported the Governor released his revised budget that morning. The new Speaker of the House was sworn in the prior day for a two-year term. A vote on a new Speaker Pro Tem had not occurred. Three State Senators were suspended, so the Democratic super majority in the Senate ended. The Governor proposed pragmatic increases for K-12 education, healthcare, firefighters and farmers for drought relief, pension liabilities, and a pay increase. The Governor and Senate reached an agreement on the Rainy Day Fund. A water bond was placed on the November ballot; however, the Legislature wanted to place a new one on the ballot. If no new water bond was placed on the ballot in 2014, there was some discussion of replacing it with an education bond.

Council Member Scharff inquired about Aqua.

Mr. De Luca advised that Agua was one of the statewide water groups.

Council Member Klein asked if Mr. De Luca conferred with Bay Area Water Supply and Conservation Agency (BAWSCA) regarding the water bond.

Mr. De Luca had not conferred with BAWSCA.

Council Member Klein suggested Mr. De Luca coordinate with BAWSCA as BAWSCA represented many of Palo Alto's interests.

Nicolas Procos, Senior Resource Planner, had been monitoring the water bond issue for quite some time. The City typically did not coordinate with BAWSCA, because it did not have a focus on legislative issues. Staff had

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worked through the California Municipal Utilities Association on the water bond issue.

Council Member Klein recommended lobbyists and Staff consult with BAWSCA as the City had paid a fair amount of money into BAWSCA.

Chair Price asked if Mr. De Luca coordinated with the California League of Cities (League). The League had a vigorous legislative wing.

Mr. De Luca worked with the League when the time was appropriate. At times the League's sponsorship of bills was wider than the City's interests. The City's priorities determined his level of engagement with the League.

Chair Price requested an explanation for Staff's work with the League not being more apparent.

Mr. De Luca indicated he often spoke directly with League lobbyists at the State Capitol. He shared a great deal of information with League lobbyists.

Mr. Procos recalled in January 2014 the Council endorsed the League's Resolution regarding the water bond. The Utilities Department utilized the Council's action to guide their discussions with other agencies. Staff were concerned about storage and beneficiary pay in the water bond. Staff used the Council's endorsement as a guideline.

Mr. De Luca recommended the City submit letters stating the City's positions on specific bills. He worked with Mr. Hackmann to send letters to the main authors of legislation stating the City's priorities. He did not recommend the City's comment on every issue.

Council Member Schmid noted the Manual referenced the League and League actions; however, the League had not taken a leadership position on issues that were important to the City. Council Members received an email from the League the prior day concerning a teleconference regarding Senate Bill (SB) 375, which was of critical importance to Palo Alto. He asked if the City should depend on Mr. De Luca or the League or both for lobbying efforts.

Mr. De Deluca clarified that Council Member Schmid was referring to SB 792 which impacted the Association of Bay Area Governments (ABAG) and the cities involved. There was some concern that it could impact local government.

Council Member Schmid added that it provided more discretionary control to two agencies that were further away from the City than elected officials.

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Mr. De Luca had a meeting with Senator DeSaulnier's staff the next day to discuss it. He wanted to know Senator DeSaulnier's intentions, if this was an error in the writing or if they were taking amendments.

Mr. Hackmann indicated the City Manager alerted him to the teleconference.

Council Member Scharff asked if Mr. Hackmann attended the conference call.

Mr. Hackmann replied no. He scheduled a follow-up call with the representative who led the call. Cities were expected and encouraged to provide position statements. He followed up with Mr. De Luca regarding strategies that might work for the City while the City Manager and he worked to form an internal team to evaluate the planning impacts.

Council Member Schmid inquired about ways the Council could be involved on this critically important issue.

Mr. Keene strategized and planned to present it to the Council. He would be surprised but pleased if there was a mistake in the legislation. The Manual was developed before the City hired a state lobbyist; therefore, it signified a greater reliance on the League. Council and Staff should be strategic in deciding when to support the League. Now that the City had a lobbyist, the City's role was to be proactive about issues important to Palo Alto. Working through the League was slow and not very effective.

Council Member Schmid felt the Manual was outdated.

Mr. Hackmann would be happy to make revisions. Staff and lobbyists collected facts and made recommendations on policy. Important issues would be presented to the Council for input.

Council Member Schmid recalled the Council voted on the Proposition 13 Resolution. He wanted to know how to use that. The League was one option, but there must be more effective options.

Mr. Hackmann stated it was a balancing act between which issues the City supported.

Council Member Klein believed mandatory housing requirements were very unpopular in Palo Alto. Citizens of Palo Alto cared about the issue a great deal. He preferred being proactive on issues.

Mr. De Luca explained that once the Governor signed or vetoed bills, he would determine the landscape. He would talk with City leadership and determine which bills to shop around. With respect to Proposition 13, he did

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not see any interest in changing it. Many cities supported Resolutions that closed the loophole on taxing commercial property.

Council Member Schmid remarked that 69 cities and school districts had passed Resolutions. That was an issue to watch.

Mr. Keene advised that the Council had to choose one or two items to focus on. Lobbying efforts would not be simply petitioning representatives. The City would build coalitions with other jurisdictions and links with business.

Mr. De Luca clarified that to sponsor a bill, the City would have to attend meetings, testify before committees, and build coalitions. It was an intensive effort. One issue that had arisen was medical marijuana. He advised the City to wait on taking a position, because both bills were accepting amendments. He felt the two bills would merge into one, and did not want to recommend support of bill that had been changed drastically.

Chair Price noted the City of San Jose was holding a public hearing on the issue.

Mr. De Luca remarked that other groups with whom he worked were interested in the topic. The City of San Jose charged a business license tax of 10 percent on dispensaries and turned a blind eye as to whether the dispensaries operated.

Council Member Scharff recalled that Palo Alto residents voted not to allow dispensaries. He inquired whether Assemblyman Gordon sponsored a bill that affected ABAG requirements and the California Department of Housing and Community Development (HCD).

Mr. De Luca reported the bill stated affordable housing should be 50 percent rather than 100 percent. The bill was in the Assembly Appropriations Committee. All bills had to leave the house of origin by May 30, 2014.

Council Member Scharff asked if Assemblyman Gordon's bill would leave committee.

Mr. De Luca responded yes. The City was in a good spot with Assembly Member Gordon, because he was the Assembly Rules Chair.

Council Member Scharff asked if the City supported that bill.

Mr. De Luca indicated the City was in the process of supporting it.

Council Member Klein requested legislative reports include a brief explanation of legislation.

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Council Member Scharff concurred with Council Member Schmid for the Manual to return once it was revised.

Mr. Keene would do that.

Council Member Schmid read references in the Manual to the City's reliance on the League. He suggested Staff revise the Manual to define the City's role as proactive.

Mr. Keene explained that in the absence of a lobbyist, the City was dependent upon the League.

Mr. Hackmann would narrow the language.

Chair Price asked if each Department had a contact person who was responsible for coordinating and evaluating legislation.

Mr. Hackmann typically worked with Department Heads. The Utilities Department had an identified contact person.

Chair Price referred to the Municipal Code authorizing the Human Relations Commission (HRC) to adopt independent positions on legislation, and inquired whether that had occurred in the past five or ten years.

Mr. Hackmann was not aware of any instances.

Chair Price suggested the Committee examine that in-depth.

Mr. Hackmann believed the language could be deleted without much impact.

Council Member Schmid noted the language was contained in the Municipal Code.

Council Member Scharff stated the Municipal Code would have to be amended.

Mr. Hackmann did not believe deleting the language would have an impact in terms of the operational effect of the Manual.

Chair Price suggested the Committee consider the implications.

Mr. Keene could review the background and implications of the statement.

Council Member Scharff asked if the Council wanted to authorize the HRC to write letters.

Chair Price felt the HRC could discuss concerns with the Council and Staff.

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Council Member Klein noted the Manual referred to lobbying efforts at County, State and Federal level. The County of Santa Clara (County) did not govern Palo Alto; therefore, County should be separated from State and Federal.

Mr. Hackmann advised that the reference was to transit issues. He inquired whether the Committee had a specific request for referencing to the County.

Council Member Klein wanted the references separate. The Santa Clara Valley Transportation Authority (VTA) was not the County.

Mr. Hackmann asked if the Committee wanted the item presented to the Council for approval or returned to the Committee.

Council Member Scharff preferred it return to the Committee for a vote.

Chair Price asked if Council Member Scharff meant the Manual.

Council Member Scharff answered yes.

Mr. Hackmann inquired whether he should incorporate into the Manual language regarding a semiannual program.

Chair Price responded yes.

Council Member Scharff suggested the Agenda state approval of the Manual. The Manual should be a separate item from lobbyist updates.

Khashayar Alaei, Senior Management Analyst, inquired whether the Committee would like a lobbyist update in the fall.

Chair Price answered yes.

Mr. Hackmann would revise the Manual and present it to the Council for approval.

Council Member Klein inquired whether the Committee should expect a memorandum from the state lobbyist on a regular basis.

Mr. De Luca would defer to the Committee's wishes.

Council Member Klein asked about Mr. De Luca's procedure for other clients.

Mr. De Luca responded they provided updates according to clients' wishes.

Chair Price asked about the existing condition.

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Mr. Hackmann indicated every Friday Mr. De Luca sent a comprehensive legislative update. He could forward it to Committee Members or provide a summary.

Council Member Scharff preferred an executive summary once a week, but that could be a lot of work for Staff. He was agreeable to Mr. Hackmann simply forwarding the email.

Council Member Klein concurred with Mr. Hackmann forwarding an email.

Chair Price directed Mr. Hackmann to transmit the report he received.

Council Member Klein asked if the attachments were summaries of the proposed bills.

Mr. De Luca reported it was a summary of the bill and its progress in the process.

Council Member Schmid believed Proposition 13 was important to the City. Mr. De Luca should alert the City to anything regarding SB 375.

Mr. Hackmann advised that all letters were sent to the Committee for review. He would forward reports and send additional emails on key issues. If that was not sufficient, the Committee could adjust the process when he provided the revised Program Manual.

Chair Price inquired whether Mr. Hackmann would send reports and key issues to the Committee or to the Council.

Mr. Hackmann was planning to send them to the Council.

3. Auditor's Office Quarterly Report as of March 31, 2014.

Harriett Richardson, City Auditor, advised that the Quarterly Report provided the status of audit work completed during the quarter as well as audits in progress. In the past quarter, the City Auditor's Office received the Silver Knighton Award in the small shop category for the Inventory Management Audit. Staff provided the Performance Report, formerly known as the Service Efforts and Accomplishments (SEA) Report, annually to give a historical trend analysis of five years of data for each City Department. The end date was the actual date reports were presented to committees. Within the Solid Waste Program Audit, the objective was clarified from the previous report. The audit focused on the accuracy of service data and billing data. That report was scheduled to be presented to the Finance Committee on June 3, 2014. The Franchise Fee Audit would determine if franchisees accurately calculated and remitted fees to the City and whether the City had

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adequate controls in place to discharge its responsibilities for administering franchise contracts. The Audit of Meters, Procurement Inventory, and Retirement was a result of the previous Inventory Management Audit. The audit would address the efficiency and effectiveness with which the Utilities Department tracked procurement, inventory, and retirement of meters. That audit was in progress and could be presented in August 2014. An ongoing responsibility for the City Auditor was the sales and use tax allocation reviews. Staff contracted with a vendor who supplemented the City Auditor's work. Year to date, the City had received a total \$150,000 in reallocation of sales tax and use tax. Auditor Staff identified approximately \$86,000 of that amount and the vendor identified approximately \$64,000. Staff performed a quarterly reporting of sales tax updates and posted those on the City Auditor's web site. The City Auditor participated as an advisor to the Utilities Risk Oversight Committee, the Library Bond Oversight Committee, the Information Technology (IT) Governance Review Board, and the Information Security Steering Committee. She focused on being an advisor rather than a voting member. In August 2012 the City launched the hotline for reporting fraud, waste, and abuse. To date ten complaints had been received. Three complaints occurred in fiscal year 2014. One of the three remained under investigation.

Chair Price requested comments regarding efforts to market the hotline.

Ms. Richardson indicated other offices advertised and provided posters and business cards for hotlines. Those were inexpensive ways to encourage people to report anything that might be fraud, waste, or abuse.

Chair Price requested an explanation of the process that determined whether audit reports were presented to the Finance Committee or the Policy and Services Committee. Ms. Richardson had mentioned a discrepancy between the Ordinance and guidelines.

Ms. Richardson reported the Municipal Code stated that the Finance Committee would receive audits, but was silent regarding the Policy and Services Committee receiving audits. A previous City Auditor split reports between the Policy and Services Committee and the Finance Committee depending on the topic. Enterprise Fund audits were presented to the Finance Committee. Anything else was presented to the Policy and Services Committee. If there was a strong financial implication for something that was not an Enterprise Fund Audit, then the previous City Auditor would present it to the Finance Committee. The section of the Municipal Code pertaining to the City Auditor was inconsistent. She planned to update the City Auditor Section of the Municipal Code to reflect current auditing standards and could clarify that point as well.

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Council Member Scharff suggested the City Auditor present it to the Policy and Services Committee as an agenda item. The Policy and Services Committee should recommend changes to the Municipal Code to the Council.

MOTION: Council Member Scharff moved, seconded by Council Member Klein to bring this Item back to Policy and Services Committee for further discussion and recommendation to Council on alignment of the Municipal Code and current government auditing standards.

Ms. Richardson asked if she should include revisions regarding auditing standards.

Council Member Scharff answered yes.

Chair Price asked if the item could return as soon as possible.

Ms. Richardson would present information after the Council break.

MOTION PASSED: 4-0

Council Member Schmid felt the Solid Waste Audit was significant, but did not believe other audits had an impact. There were no audits of topics that were critical problems for the Council. An independent audit would be good, yet there never seemed to be an audit for those types of topics.

Ms. Richardson reported the City Auditor in the past conducted a risk assessment based primarily on demographic information. She wanted to conduct audits that involved questions for management regarding processes, issues, areas of concern. From the questions and responses, she could glean information that management might not specifically address. The audit plan for the next fiscal year would be based on input from Council Members and the City Manager. In future years, she would implement a robust risk assessment-based process.

Council Member Scharff asked if she would seek approval of the audit plan.

Ms. Richardson answered yes, because approval was required in the Municipal Code.

FUTURE MEETINGS AND AGENDAS

Chair Price reported Policy and Services Committee (Committee) Members submitted improvements to the original list of items. She requested comments or clarifications for the items. She would speak with the City Manager about scheduling remaining items on the list.

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Khashayar Alaei, Senior Management Analyst, indicated Charter Amendments and ballot measures would be presented to the Committee the following week. If the Committee did not complete discussion of that item, then it could be carried forward to the June 10, 2014 meeting. Council Member Klein had questions about e-cigarettes and related tobacco problems. The Staff Report and presentation would address those questions. Chair Price wanted to know if discussion of the Green Building Ordinance would be based on policy or procedure. Council Member Scharff suggested a companion piece to review the Citizen's Guide to the Leadership in Energy and Environmental Design (LEED) standards for neighborhood development.

Council Member Schmid clarified that he requested the LEED item.

Mr. Alaei advised that the Green Building Ordinance amended Title 24 of the Building Code. The Building Code required the Committee to review and recommend approval to the Council, after which the Council would hold a public hearing. The Planning and Community Environment Department would need to lead the discussion regarding incorporation of LEED into the Building Code. He had not spoken with the Planning and Community Environment Department to determine whether Staff had the capacity to review LEED and the Citizens Guide, but could do so prior to the next meeting.

Chair Price wished to know the scope of the issue and the number of estimated Staff hours to prepare information. With that information, the Committee could discuss whether the topic was feasible and manageable.

Council Member Schmid noted (INAUDIBLE) was the recommended programs from Our Palo Alto.

Mr. Alaei would check on that.

Council Member Scharff recommended the Committee provide Staff with the information it would need for discussion of Charter Amendments and the ballot measure so that Staff could begin preparing the information as early as possible. For example, the Committee would need to know compensation in other municipalities. If discussion required two meetings, he preferred the second meeting be scheduled on June 3, 2014.

Chair Price indicated Council Member Scharff would be unavailable June 10. She had requested the City Clerk poll for availability on June 3. June 17 was an alternate date. The Committee rescheduled the June 10 meeting to June 3, and retained June 17 as an alternate date.

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Council Member Schmid stated a Council meeting was scheduled for June 16.

Chair Price agreed there was timing sensitivity.

Mr. Alae advised that the Staff Report for the May 20, 2014 meeting had to be issued the following day.

Council Member Scharff remarked that Staff could issue a late packet with information.

Mr. Alae reported the Chief People Officer and City Attorney had begun research on compensation. It was not a comprehensive study; however, Staff was gathering data in anticipation of the Committee's request.

Council Member Scharff suggested the Committee inquire about costs of placing one or more measures on the ballot from the City Clerk.

Chair Price advised that the City Attorney noted some information the Committee would need was attached or part of a recent Staff Report. Staff was collecting other data.

Council Member Scharff felt the Fire Code item scheduled for August 12, 2014 could be a non-issue for the Committee.

Mr. Alae indicated amendments usually were presented to the Committee and then to the Council. He would check with the City Attorney to determine if that had to occur.

Council Member Scharff questioned whether the item contained policy issues or should be placed directly on the Consent Calendar.

Mr. Alae would determine if policy issues were embedded in the Code updates.

Council Member Scharff wished to know the policy issues, if any.

Council Member Klein believed discussion of Charter Amendments would require only one meeting, possibly two, but definitely not a third.

Council Member Scharff agreed the discussion should be completed on June 3 at the latest.

Chair Price agreed.

Council Member Klein felt the Committee would reach a decision by June 3.

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Chair Price noted the Committee could parse them out differently.

Council Member Klein was not saying the Committee should have unanimous agreement.

Chair Price added that there were ways to manage the discussion. She wanted to ensure items on the list were substantive. If there was more space in August, she would talk with the City Manager about moving some items into August.

Council Member Scharff suggested moving the "to be determined" items.

Chair Price stated the Committee needed to have robust agendas and topics with meaning.

Council Member Schmid inquired whether the TOT item was associated with the election in November.

Council Member Klein commented that the Council had already taken a position on that. (INAUDIBLE) the Infrastructure Committee which met the following Tuesday.

Chair Price asked if the item would be presented to the Infrastructure Committee rather than the Policy and Services Committee.

Council Member Klein answered yes.

Mr. Alae reported the City Attorney and the City Manager preferred the item be presented to the Infrastructure Committee, but it could return to the Policy and Services Committee.

Council Member Scharff stated the item did not need to be presented to two Committees.

Council Member Klein clarified that the item was a different issue from the Infrastructure Committee item. The implications of Airbnb needed to be presented to the Committee.

Chair Price added that the item concerned the implications of Airbnb and should not be presented to the Infrastructure Committee.

Council Member Klein concurred. The two elements of the Airbnb item were receipt of Transient Occupancy Taxes (TOT) and legality of the service within R-1 neighborhoods.

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Mr. Alae would ensure the item was correct. The City Attorney was reviewing draft ballot language and preparing items for the Infrastructure Committee.

Chair Price clarified that the item concerned increasing the TOT amount.

Council Member Klein thought the Committee agreed it was a non-item.

Council Member Scharff concurred.

Mr. Alae did not want to remove it without agreement from all. The City Attorney concurred; therefore, he would remove it.

Chair Price noted the Council was holding a Joint Study Session with the Architectural Review Board (ARB) in June 2014. She felt the Committee should hear the Study Session prior to discussing the item; therefore, the item was currently a placeholder.

Council Member Schmid (INAUDIBLE) a discussion prior to a Joint Study Session.

Mr. Alae inquired about the date for the Joint Study Session.

Council Member Scharff responded June 9, 2014.

Chair Price requested Mr. Alae determine the date of the Joint Study Session.

Council Member Scharff believed the Council Study Session was a different issue from the Committee discussion to some extent.

Mr. Alae advised the date of the Joint Study Session was Monday, June 9.

Chair Price believed some points would be discussed in the Joint Study Session.

Council Member Schmid remarked that individual comments were very from a Council position regarding the ARB.

Chair Price indicated the Committee could defer the item to a date after June 9.

Council Member Scharff did not believe the Committee would discuss it prior to June 9.

Chair Price remarked that the last item was clear.

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Council Member Scharff disagreed and asked what the Committee would discuss.

Chair Price understood the City did not have a social media policy. A policy had been deferred and not completed.

Council Member Scharff wished to understand the details a social media policy would encompass.

Chair Price stated many examples had been presented in the past as general information.

Mr. Alae reported the City had an internal policy that was created in 2010. It was out of date. He did not believe the policy had been formally presented to the Council.

Council Member Scharff inquired whether the Chief Communications Officer would be the person to present information to the Committee.

Mr. Alae replied yes.

Chair Price asked if the Librarian would be included as well.

Mr. Alae answered yes. The City hired an hourly employee to write and edit content and a social media consulting firm. The consultant was conducting an audit of all City social media platforms and working with the internal social media group. The Chief Communications Officer needed time to work with the consultants and to update the policy before presenting information to the Committee.

Chair Price suggested someone with expertise in social media policy be present with the Chief Communications Officer to ensure the right team members were present.

ADJOURNMENT: Meeting adjourned at 9:00 P.M.