



**CITY COUNCIL
Special Meeting
Monday, March 27, 2023
Council Chambers & Hybrid
5:00 PM**

Mayor Lydia Kou virtual teleconference address: 901 L St NW, Washington, DC 20001

Pursuant to [AB 361](#) Palo Alto City Council meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda. Masks are strongly encouraged if attending in person. The meeting will be broadcast on Cable TV Channel 26, live on YouTube <https://www.youtube.com/c/cityofpaloalto>, and streamed to Midpen Media Center <https://midpenmedia.org>.

VIRTUAL PARTICIPATION [CLICK HERE TO JOIN](#) (<https://cityofpaloalto.zoom.us/j/362027238>)
Meeting ID: 362 027 238 Phone:1(669)900-6833

PUBLIC COMMENTS

Public comments will be accepted both in person and via Zoom for up to three minutes or an amount of time determined by the Chair. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to city.council@CityofPaloAlto.org and will be provided to the Council and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your subject line.

PowerPoints, videos, or other media to be presented during public comment are accepted only by email to city.clerk@CityofPaloAlto.org at least 24 hours prior to the meeting. Once received, the Clerk will have them shared at public comment for the specified item. To uphold strong cybersecurity management practices, USB’s or other physical electronic storage devices are not accepted.

TIME ESTIMATES

Listed times are estimates only and are subject to change at any time, including while the meeting is in progress. The Council reserves the right to use more or less time on any item, to change the order of items and/or to continue items to another meeting. Particular items may be heard before or after the time estimated on the agenda. This may occur in order to best manage the time at a meeting or to adapt to the participation of the public.

CALL TO ORDER

SPECIAL ORDERS OF THE DAY (5:00 - 5:20 PM)

1. Proclamation for Cesar Chavez and Dolores Huerta Day 2023
2. Education and Sharing Day

STUDY SESSION (5:20 - 6:20 pm)

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.

AGENDA CHANGES, ADDITIONS AND DELETIONS

PUBLIC COMMENT (6:20 - 6:30 PM)

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

CONSENT CALENDAR (6:30 - 6:35 PM)

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

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 Sheeper, 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*

CITY MANAGER COMMENTS (6:35 - 6:50 PM)

ACTION ITEMS * Item Order Has Been Updated* (Item 9: 6:50 - 7:20 PM, Item 11: 7:20 - 9:20 pm, Item 10: 9:20 PM - 10:30 pm)

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

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
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)
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

COUNCIL MEMBER QUESTIONS, COMMENTS, ANNOUNCEMENTS

Members of the public may not speak to the item(s).

ADJOURNMENT

INFORMATION REPORTS

Information reports are provided for informational purposes only to the Council and the public but are not listed for action during this meeting's agenda.

12. Palo Alto Homekey Project Update – March 2023

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to teleconference meetings via email, teleconference, or by phone.

1. **Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
2. **For in person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers and deliver it to the Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30 , Firefox 27 , Microsoft Edge 12 , Safari 7 . Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your smart phone from the Apple App Store or Google Play Store and enter in the Meeting ID below.
 - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - When you wish to speak on an Agenda Item, click on “raise hand.” The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - When called, please limit your remarks to the time limit allotted. A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

CLICK HERE TO JOIN Meeting ID: 362-027-238 Phone: 1-669-900-6833

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City Council Staff Report

From: City Manager

Report Type: SPECIAL ORDERS OF THE DAY

Lead Department: City Manager

Meeting Date: March 27, 2023

Report #:2303-1101

TITLE

Proclamation for Cesar Chavez and Dolores Huerta Day 2023

ATTACHMENTS

Attachment A: Chavez/Huerta Proclamation

APPROVED BY:

Ed Shikada, City Manager



Proclamation

César Chávez and Dolores Huerta

WHEREAS, César Chávez and Dolores Huerta co-founded the National Farm Workers Association, which later became the United Farm Workers Association; and

WHEREAS, they understood the importance of coalition-building and worked in conjunction with other farm labor movements to make the United Farm Workers Association a reality. They worked to call for better conditions for farm workers and their families. They took on table grape growers who had been exploiting farmworkers and began a nationwide grape boycott that led to the first farmworker union contracts; and

WHEREAS, their mission was to reclaim dignity, fair wages, medical coverage, benefits, and humane living conditions for hundreds of thousands of people; and

WHEREAS, the popular phrase "Sí, se puede" is attributed to their activism and civil rights work. It was Dolores Huerta who first said the words which translate in English to "Yes I can, or yes, we can," as she rallied support for worker and immigrant rights; and

WHEREAS, through fierce advocacy, Dolores Huerta was instrumental in securing the California Agricultural Labor Relations Act of 1975, a first-in-the-nation law that extended collective bargaining rights to farmworkers; and

WHEREAS, César Chávez drew attention to environmental issues such as the use of chemical pesticides that endangered the lives of not only farmworkers, but also consumers; and

WHEREAS, their catalyst to act came from their early introductions to inequities with César Chávez born on March 31, 1927 in Yuma, Arizona and later moved to California after his parents lost their farm during the Great Depression and became migrant workers. Dolores Huerta was born on April 10, 1930 in Dawson, New Mexico. At a young age she was exposed to the hardships that her community faced, but she was greatly inspired by her mother's work as a community activist; and

WHEREAS, in March 2014, President Barack Obama proclaimed March 31st as César Chávez Day and in 2019, California named April 10th as Dolores Huerta Day and in March 2022, the Palo Alto City Council voted to annually celebrate these two iconic leaders; and

WHEREAS, both César Chávez and Dolores Huerta have received the Presidential Medal of Freedom because through self-sacrifice, a commitment to nonviolence, and their spirituality, César Chávez and Dolores Huerta championed a social justice movement that changed our nation; and

NOW, THEREFORE, the City of Palo Alto hereby honors and recognizes César Chávez and Dolores Huerta on this 27th day of March 2023 and encourages celebration through education and community service.

PRESENTED: March 27, 2023

Lydia Kou
Mayor



City Council Staff Report

From: City Manager

Report Type: SPECIAL ORDERS OF THE DAY

Lead Department: City Manager

Meeting Date: March 27, 2023

Report #:2303-4502

TITLE

Proclamation for Education and Sharing Day 2023

ATTACHMENTS

Attachment A: Proclamation

APPROVED BY:

Ed Shikada, City Manager



Proclamation

Education and Sharing Day April 2, 2023

WHEREAS, the basis for the continuity of any society is education; and in the great state of California the education of our youth is a priority; and

WHEREAS, in order to achieve its highest goals, education must not only impart knowledge but also teach the students how to live, forming and strengthening their moral character to make a better life for themselves as individuals and for society as a whole; imparting moral and ethical values that have been the bedrock of society since the dawn of civilization; and

WHEREAS, a global spiritual leader and leading advocate for the advancement of education, the Rebbe, Rabbi Menachem M. Schneerson, of righteous memory, stressed that a moral and ethical education empowers every individual to develop their full potential in making the world a better place; and

WHEREAS, such an education can nurture the unity of diverse peoples through encouraging increased acts of goodness and kindness, imbued with the awareness that even a single positive act of an individual can change the world and usher in an era of global peace, when there will "be peace within your walls, serenity within your mansions" (Psalms 122); and

WHEREAS, "Education & Sharing Day" is observed each year on the Rebbe's birthday in recognition of his outstanding and lasting contributions toward the improvement of education, morality, and acts of charity around the world; a day to pause and reflect on our responsibility to ensure our youth have the foundation necessary to lead lives rich in purpose and fulfillment through service and good works; and

WHEREAS, April 2, 2023, will mark 121 years since the Rebbe's birth, capping a year in which thousands of new institutions and initiatives were launched throughout the world in tribute to this celebration; and

WHEREAS, this year has an added significance as a year of "Hakhel," a biblical event of unity, education and spiritual growth emphasizing how every person is crucial to perfecting the world;

NOW, THEREFORE, I, Lydia Kou, Mayor of Palo Alto, California, do hereby proclaim Sunday, April 2, 2023, to be: EDUCATION AND SHARING DAY in the City of Palo Alto and call upon everyone to work together to create a better, brighter, and more promising future for all.

PRESENTED: March 27, 2023

Lydia Kou
Mayor



¹CITY COUNCIL STAFF REPORT

From: City Manager

Report Type: STUDY SESSION

Lead Department: Community Services

Meeting Date: March 27, 2023

Report #: 2302-0940

TITLE

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.

RECOMMENDATION

Staff recommends that the City Council provide feedback on a draft term sheet (Attachment A) with Pets in Need (PIN) for operation of the Palo Alto Animal Shelter.

EXECUTIVE SUMMARY

In February 2022, the City Council directed staff to work with PIN toward development of a new Agreement that would result in a long-term partnership for shelter operations.

City staff and PIN have been working collaboratively to develop a Term Sheet that, if approved by the Council and PIN Board of Directors would be the basis for a new five-year Agreement for the period 2023 - 2027. Staff is seeking City Council feedback on the draft Term Sheet and overall animal shelter operations. Since this is a Study Session, no action will be taken by the Council.

The terms included represent an increased staffing model and associated compensation to PIN. The current year (Fiscal Year 2023) compensation is \$703k and the proposed compensation is \$1.37 million for the first year with an annual escalator equivalent to the Consumer Price Index. Other terms include an increase in the City's capital investment to improve the shelter facility and a minor reduction in scope of services. To provide Council a point of comparison, staff created preliminary estimates for the cost of operating the shelter in-house by City staff.

BACKGROUND

California requires that cities and counties provide animal control and sheltering services for the purpose of ensuring the safety of people and animals, providing for the proper care, and

sheltering of abandoned or neglected domestic animals, licensing domestic animals and providing humane disposal of animals when necessary. There are several ways local jurisdictions meet these requirements; some agencies manage their own animal shelters and animal control services, while others partner with other agencies to take advantage of economies of scale and to reduce costs. Historically, Palo Alto has maintained its own shelter and provided animal services to other neighboring cities. Since 2019, Palo Alto has provided animal sheltering services for Palo Alto and two partner cities, Los Altos and Los Altos Hills, through a public/private partnership with Pets in Need. Animal Control is provided by the Palo Alto Police Department's Animal Control Officers (ACOs).

Summary of Current (2019-2023) Agreement

City Council approved a Professional Services Agreement (Agreement) with the nonprofit Pets in Need on November 26, 2018 (Staff Report ID #9822²) to operate the Animal Shelter. The term and compensation of the current Agreement (Attachment A) include:

- Five-year term commencing January 17, 2019
- Compensation to be paid to PIN for performance of the Scope of Services in a not to exceed amount \$3,440,626 over the five-year term
- A Contingency Fund of \$200,000
- A Compensation for Renovation Delays Fund of \$60,000
- Completion by City of capital improvement projects not to exceed \$3.4 million

Key responsibilities of Pets in Need include:

- Animal Shelter Services including sheltering stray, abandoned, and owner surrendered animals
- Medical Services including veterinarian services to shelter animals, vaccination clinics, micro-chipping, and a low cost spay and neuter clinic
- Animal adoptions and foster program
- Operating schedules for shelter services, emergency veterinary services, and public hours and access (minimum of 6 days/40 hours per week)
- Animal licensing
- Impoundment and transfer of wildlife
- Records management and reporting
- Services to Los Altos and Los Altos Hills

Key responsibilities of the City include:

²City Council Staff Report 9822 November 26, 2018
<https://portal.laserfiche.com/Portal/DocView.aspx?id=39642&repo=r-704298fc&searchid=eb072240-38b3-46db-a97b-becf57c5673a>

- Provide an adequate and safe facility
- Provide ACOs and their services including processing of citations
- Payment of facility utilities charges
- Provide or pay for animal shelter management software (Chameleon)
- Fund and complete capital improvement projects in an amount not to exceed \$3.4 million

The Agreement between the City and PIN included capital improvements to the shelter facility to be funded and completed by the City. At the time the Agreement was approved, the construction costs for the improvements totaled approximately \$3.4 million and included remodeling and expanding the medical suite, installing a modular office/classroom building, minor improvements to the existing dog kennel building, and installing a new kennel building with 16 new dog kennels. Additional compensation was added to the Agreement if shelter renovation projects were delayed. The amount of compensation for delays equaled up to \$5,000 per month for up to 12 consecutive months, or a maximum of \$60,000.

Of these projects, the medical suite renovations, installation of the modular building and minor improvements to the dog kennels were completed in 2020. The new dog kennel building was designed, but not constructed. The architectural review process and the first building permit review of the new kennel building design were completed. However, construction cost estimates exceeded the budgeted amount, and the new kennel building was put on hold while the funding gap was discussed with PIN. At this same time, PIN requested that the City prioritize more extensive upgrades to the existing kennels in lieu of the new kennel building. The design work for the upgrades was completed, but before staff could bring an exemption from competitive solicitation to Council, PIN notified the City it would be terminating the Agreement. The City paid PIN the full compensation of \$60,000 for renovation delays. More information on the costs and schedule of these improvements can be found in the February 14, 2022 staff report.³

Early Termination

On November 15, 2021, Pets in Need (PIN) provided formal notification to the City that it would exercise its right to terminate the Agreement without cause in 12 months' time as allowed in Section 19.2 of the Agreement. PIN stated delays in completing the capital improvement projects, particularly the new dog kennel building as the primary reason for terminating the Agreement.

City and PIN staff discussed how best to operate the Animal Shelter for the remaining term of the Agreement and began exploring how we might continue the partnership beyond the termination date. On February 14, 2022, the City Council provided direction to staff on negotiations with PIN

³ February 14, 2022 City Council Staff Report
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59364&repo=r-704298fc>

related to both operations and capital improvements at the Animal Shelter. The Council passed the following motion unanimously:

- A. That as a condition for continuing good faith negotiations, that Pets in Need would agree to extend the notice of termination six months beyond the current date;
- B. Proceed with negotiations with Pets in Need for a long-term contract agreement for animal services in Palo Alto;
- C. Evaluate the necessary kennel size for community partners that we serve;
- D. Include some form of trap and neuter program;
- E. Include a small animal area in the renovation plans;
- F. Assure that the contract agrees upon hours of operation and services provided;
- G. That the parties agree to pursue a fundraising program to supplement existing capital commitments for the shelter; and
- H. Explore the transition to a new database.

The PIN Board supported extending the termination date for six additional months, so the current Agreement will terminate on May 15, 2023. Since that time, PIN and City staff have been negotiating a Term Sheet (Attachment B) to guide development of a new Agreement.

ANALYSIS

Staff from the Community Services Department and Police Department along with three members of the Pets in Need Board of Directors and Interim Executive Director have been discussing new Agreement terms that would meet the needs of both the City and PIN. The primary focus areas of these discussions included: responding to Council's February 14, 2022 direction, scope of work, compensation to PIN, and capital investments. Staff's priorities in a new Agreement with PIN are assurances that the public has access to animal shelter services for the amount of time specified in the Agreement and that a low cost spay and neuter clinic and vaccination clinic be available to residents of Palo Alto and partner cities with performance metrics to monitor progress.

Key terms of the 2019 Agreement as compared to the new Term Sheet are shown in the Fiscal/Resource Impact section and described below.

Scope of Work – The majority of the tasks in the original Scope of Work would remain unchanged, including hours of operation (minimum of six days and 40 hours per week) and most shelter services. PIN has stated that they expect to open the shelter seven days per week in the near future. There are some tasks that PIN is proposing to eliminate or reduce. Tasks that would be eliminated or reduced include:

- 1) Eliminate animal licensing and return this function to the City. This would require an additional 0.5 FTE Administrative Associate (or similar classification) in the Police

Department at a cost of \$40,000 and would bring in revenue to the City of approximately \$180,000 per year.

- 2) Eliminate after-hours veterinary care for stray hold animals. The City would need to contract with another provider for after-hours veterinary care at a cost of up to \$15,000 per year.
- 3) Reduce veterinary (vet) services for cruelty investigations to be done at PIN's own discretion. If PIN chose to not provide vet services for a cruelty investigation, this service would need to be contracted to another provider. This could result in up to \$10,000 per year in additional costs.

The reduction in scope of services is at PIN's request and is based on staffing levels. With the staffing model that PIN is proposing, there would not be enough staff to accomplish these additional tasks.

Compensation to PIN – In the current Agreement, the five-year compensation totaled \$3.4 million, with a final annual (Year 5) compensation of \$703,581. PIN has re-examined their operating costs and staffing needs and is now requiring a compensation of \$1.37 million per year with an annual escalator based on the Consumer Price Index. This compensation provides for the same operating hours as in the current Agreement and 60 spay/neuter surgeries per month with priority for in-jurisdiction animals. The current Agreement does not specify the number of surgeries to be performed monthly.

PIN has stated that the increased staffing model more accurately reflects the resources required to deliver services at the Palo Alto Animal Shelter. Additionally, the increase in compensation generally reflects a workforce shortage, competitive market and increased costs in materials and supplies. PIN is proposing to adjust staff salaries to bring them up to market and make PIN a more competitive employer particularly for veterinary medical staff, such as Registered Veterinary Technicians.

Capital Improvements – The City and PIN agree that the 2019 Agreement was too prescriptive in its requirements for scope and schedule of capital improvement projects. The timelines for completing the capital projects were unrealistic and PIN has since reprioritized other improvements, such as expanding the small animal area over a new dog kennel building (City staff and PIN agree that the current number of dog kennels is adequate for City and partner agencies' needs). To allow flexibility in scope and realistic timing for projects, a new Agreement would require the City and PIN to develop and agree upon a prioritized project list within 60 days after the Agreement is executed. Types of projects might include a renovated or expanded small animal area and upgraded or new dog kennels.

PIN is requesting an additional investment by the City for capital improvements. The 2019 Agreement required the City to invest a not-to-exceed amount of \$3.4 million into capital improvements, of which approximately \$1 million remains. The Term Sheet requires that the

City allocate a total of \$2.5 million in Fiscal Year 2024 for capital improvements. Anything beyond this would be funded and completed by PIN, following all applicable laws such as prevailing wage, and with City review and approval.

Other notable terms – There are two additional terms worth noting that differ from the current Agreement.

Feral Cats: The current Agreement requires PIN to develop, in cooperation with the City, a feral cat plan to include how PIN handles feral cats, spay/neuter provisions, and release of cats. It also prohibits feral cats from being released in Palo Alto or partner cities. PIN has stated that a program to release trapped and neutered cats to their territory of origin is important for PIN and has added a new term that states, “Both parties will work together to implement a Trap, Neuter, Return program that the community will support, and which will humanely reduce the feral cat population in the community.” Staff agrees that a plan needs to be developed but prefers to not limit the outcome of a trap and neuter program to return only and is unsure if the community would support such a program. Feral cat management programs evoke strong responses from stakeholders and would necessitate significant staff time to conduct outreach and gain support from environmental and wildlife advocate groups.

Corrective Action Plan: A new proposed contract term is a corrective action plan, which is activated when either party determines it will fail to deliver a service or not meet a due date. This is intended to replace monetary penalties that were placed on the City for failure to meet deadlines for capital improvements, and proposed penalties to PIN for failure to meet service requirements. To date, PIN has been unable to open the shelter to the public for 40 hours per week as required in the Agreement due to staffing constraints although has stated they expect to open the shelter seven days per week soon. PIN is concerned the City will not complete additional capital improvements in a reasonable timeframe. The Corrective Action Plan is intended to hold both parties accountable while being more collaborative in developing solutions to issues and concerns.

Software Database System: The Council motion from February 14, 2022 included direction to explore transitioning to a new database to resolve PIN and the City using two different shelter management software systems. Transitioning to a new database is not reflected in the Term Sheet, staff from both organizations are researching the best option based on compatibility with City IT requirements, security, cost, and features. If this is not resolved in the near term, staff and PIN will partner to resolve contract terms in the future as needed.

FISCAL/RESOURCE IMPACT

Annual operating costs would increase by \$554,820 for the first year and increase each subsequent year at a rate still to be negotiated. This is based on a summation of annual compensation to PIN and additional services the City would need to provide less revenue the City would accrue from licensing. These costs and revenue are summarized in the table below.

The City's capital investment would increase by \$1.5 million as there is approximately \$1 million remaining in the capital budget for animal shelter improvements and PIN is asking the City to allocate \$2.5 million for capital improvements. To date, \$1.8 million has been spent from the Animal Shelter Renovation Capital Improvement Project (PE-19002) for shelter improvements so the total capital investment from the City would be \$4.3 million.

Summary of Key Terms and Comparison to 2019 Agreement-

	2019-2023 Agreement	2023-2027 Proposed	Increased cost to City (Revenue indicated in parentheses)
Compensation			
Shelter services and 60 spay/neuter surgeries per month	\$703,580	\$1,373,400	\$669,820/year
Annual escalator	2%	Minimum of the annual CPI rate	To be negotiated
Capital Improvements			
City investment	\$3.4M (~\$1M remaining)	\$2.5M	\$1.5M one time investment
Limit on PIN investment in additional projects	Up to \$10k	No limit but must follow prevailing wage and other laws and obtain City approval	\$0 Staff time to review and approve
Renovation Delays	\$60k	\$0	\$0
Scope of Work			
After hours veterinary care for stray hold animals	Included in scope	Not in scope	\$15,000
Veterinary services for cruelty investigations	Included in scope	PIN has discretion	\$10,000
Licensing	Included in scope	Not in scope. Add 0.5 FTE City staff.	\$40,000
Licensing revenue	To PIN	To City	(\$180,000)
Feral cats	No release in PA or Partner Cities	Trap/Neuter/Return Policy	Staff time for analysis and community engagement

Alternate Operating Models –

As an alternative to a service provider contract for animal shelter operations, staff performed preliminary work to provide Council a point of comparison were the City to return to an in-house model. This estimate is based on experience with operating the shelter and historical City staff levels and operating expenses. Staff estimates the total cost for the City to operate the shelter in Fiscal Year 2024 is \$1.31 million. This includes staffing costs of approximately \$1.04 million; an addition of 5-6 full time staff and 3-4 hourly staff. Non-personnel direct and indirect costs are estimated at about \$270,000. These costs were estimated using Fiscal Year 2018 budgeted amounts and an escalator of 3.6% annually, which is consistent with escalation rates of similar costs in the Police Department. This does not include costs such as Animal Control Officers and utilities which are already included in the City's budget.

An in-house model would accrue revenue to the City (rather than PIN) from licensing, vaccination clinics, spay and neuter surgeries, and adoption, impound, boarding and service fees. Annual revenues are estimated to be roughly \$425,000. The above numbers are rough estimates, if the Council directs staff to pursue this option, a more thorough cost analysis and transition plan would need to be developed, including long-range impact to the City.

Service levels using the staffing model described above include up to 100 surgeries per month. These numbers are based on average historical data when the shelter was last operated by the City. The shelter would be open to the public Monday through Saturday, 11:00 a.m. to 5:30 p.m., potentially closed on alternate Fridays, which is consistent with the operating hours when it was last operated by the City as well as the hours expected (though not realized to date) from PIN.

There are other ways in which the City could provide animal shelter services to Palo Alto residents. These include contracting services to an outside sheltering service such as the Silicon Valley Animal Control Authority (SVACA) or issuing a Request for Proposals (RFP) for a new provider to operate the Palo Alto Animal Shelter. Previous feedback on contracting with SVACA indicated that its shelter located in the city of Santa Clara is not an acceptable location for Palo Alto residents. Based on the previous RFP process and limited number of responses, staff does not have confidence that a new process would result in a different outcome.

STAKEHOLDER ENGAGEMENT

Staff from the Community Services and Police Departments have worked closely with members of the Pets in Need Board of Directors to develop the Term Sheet. Staff have communicated with Los Alto and Los Altos Hills that we are negotiating a new contract with Pets in Need.

ENVIRONMENTAL REVIEW

There is no action associated with this study session and therefore this is not a project within the meaning of CEQA.

ATTACHMENTS

Attachment A: Proposed Term Sheet between Pets in Need and City of Palo Alto for a new Five-year Agreement

Attachment B: Professional Services Agreement between Pets in Need and City of Palo Alto 2019 - 2023

APPROVED BY:

Kristen O'Kane, Community Services Director

Report #:
2302-0940

Term Sheet
for
Revised Professional Services Agreement
between Pets in Need (PIN) and City of Palo Alto (City)
(Agreement)
Dated March 16, 2023

This Term Sheet sets forth certain mutually agreed business terms that shall be included in any revised Agreement the parties may elect to enter into. This Term Sheet is binding on the parties. However, it does not create any obligation whatsoever on the part of either party to enter into any revised Agreement.

Term:

- A. Five years with ability to mutually extend an additional five years.

Improvements to Premises:

- B. City will allocate \$2,500,000 in one lump sum in Fiscal Year 2024 for the shelter capital improvements to be specified in the Agreement. PIN will pay for all costs more than \$2,500,000, contingent on agreement of the parties with respect to ownership of each such improvements. The following conditions apply:
- Final budget is subject to City Council approval.
 - City and PIN will agree on a prioritized project list within 60 days after the Agreement is executed.
 - City will manage all phases of capital improvement projects to include planning, design, and construction, with input from PIN.
- C. PIN may undertake additional capital improvements not specified in the Agreement at its own cost with City review and approval. PIN will comply with all public agency and other legal requirements for capital projects, including prevailing wage laws.
- D. If PIN is no longer the City's operator of the Palo Alto Animal Shelter, any improvements funded by PIN that are not attached to an existing building, and that can be easily removed will be the property of PIN. Building or room additions, stand-alone buildings and other permanent fixtures will remain the property of the City.

Compensation:

- E. Annual compensation to PIN will start at \$1.37M for Year 1 and increase annually at a minimum of the CPI cost-of-living increase for each year.
- F. City will cover all costs of delivering any additional services City requires of PIN above and beyond the original 2019 Agreement (such as additional spay neuter requirements).
- G. PIN may also provide additional services not specified in the new Agreement at its own expense. Services must comply with all applicable laws and City policies. PIN will notify City staff 14 days before providing such services.

Attachment A: Term Sheet for Agreement between Pets in Need and City of Palo Alto

Scope of Services:

PIN will provide the services specified in the current Agreement, with the following modifications:

- H. **Spay/neuter.** PIN will provide low-cost, high-quality spay/neuter services to dogs and cats to the best of its ability, prioritizing residents of Palo Alto, Los Altos, and Los Altos Hills.
- I. **After-hours emergency vet care.** For animals on stray hold, Palo Alto will pay for any after-hours emergency vet services.
- J. **Cruelty investigations.** PIN will provide veterinary care, including appropriate medical records, for live animals that are impounded as part of cruelty investigations. However, PIN will not have an obligation to provide additional services related to cruelty investigations, including after-hours emergency veterinary care, post-mortem examinations of animals that are deceased upon arrival at PIN, and off-site crime scene investigations, but may do so in its sole discretion.

City and PIN agree to the following:

- K. **Trap/Neuter/Return Program.** Both parties will work together to implement a Trap/Neuter/Return program that the community will support, and which will humanely reduce the feral cat population in the community.
- L. **Animal Welfare.** PIN and Palo Alto will review animal welfare policies to ensure all policies are up-to-date and in line with shelter best practices.
- M. **Existing City Policy.** Pets in Need will comply with all applicable municipal and other laws, and with the City's shelter policies attached as Exhibit A. City approves PIN's shelter policies attached as Exhibit B. If either PIN or the City has an interest in revising a policy set forth on Exhibit A or B, it will notify the other party in writing.

Notices from PIN will be addressed to the Supervising Animal Control Officer. The Supervising Animal Control Officer will advise the PIN Executive Director in writing within five (5) business days whether review and approval are deemed necessary. Review and approval will be deemed necessary only if the proposed revision will result in (a) a change to the terms of the Services Agreement, or (b) a material change in the level of risk to the City, in services to residents of Palo Alto and/or the contract cities, or in roles and duties of City staff.

Notices from the City will be addressed to the PIN Executive Director, who will advise the City in writing within five (5) business days whether review and approval are deemed necessary. Review and approval will be deemed necessary only if the proposed revision or addition will result in (a) a change to the terms of the Agreement or the cost to PIN of performance of the Agreement, or (b) a material change in the level of risk to PIN, in services to residents of Palo Alto and/or the contract cities, or in roles and duties of PIN staff.

In either case, if the response is not an approval, the parties will meet within five (5) business days of receipt of the response and attempt in good faith to reach an

agreement. The subject policy may be revised only upon the written agreement of both parties.

All City and PIN policies relating to the operation of the Palo Alto Animal Shelter will be kept in a shared online folder and be accessible to all PIN and City staff.

N. **Corrective Action Plan.** The City and Pets in Need agree to work in good faith to meet the obligations described in the Scope of Services and Capital Improvements sections of the Agreement. If either party determines that it will not meet a due date or will fail to deliver a service, it will promptly send a written corrective action plan to the other party. The corrective action plan will include the following information:

- Task that will not be met.
- Justification for failure to complete task
- Plan to correct including timeline to reach full compliance
- Weekly progress updates to Project Manager (of either the City or PIN)

If the timeline to reach full compliance is not acceptable to the other party, or if compliance has not been met by the due date identified in the corrective action plan, the parties will meet and confer to determine next steps.

Force Majeure

- O. Standard Force Majeure provision to be added, including epidemics and quarantines.

CITY OF PALO ALTO CONTRACT NO. C19174493**AGREEMENT BETWEEN THE CITY OF PALO ALTO AND PETS IN NEED
FOR PROFESSIONAL SERVICES**

2019
EJ

This Professional Services Agreement ("Agreement") is entered into on this 17 day of January, ~~2018~~ by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY" or "City of Palo Alto"), and PETS IN NEED, a California non-profit public benefit corporation, located at 871 Fifth Ave, Redwood City, CA 94063 ("CONSULTANT" or "Pets In Need").

RECITALS

The following recitals are a substantive portion of this Agreement and are hereby incorporated herein by this reference.

A. CITY intends to provide animal sheltering and veterinary care, as more fully described in Exhibit "A" (Scope of Services), attached to and made a part of this Agreement, for the City of Palo Alto, and for the City of Los Altos and the Town of Los Altos Hills (the "Contract Cities"), at the Palo Alto Animal Shelter, 3281 East Bayshore Road, Palo Alto, CA 94303 (the "Palo Alto Animal Shelter" or the "Premises").

B. CITY and CONSULTANT desire for CONSULTANT to perform the Services (as defined below) at the Palo Alto Animal Shelter pursuant to the terms and conditions set forth in this Agreement.

C. CITY acknowledges that CONSULTANT is entering into this Agreement in furtherance of its no-kill mission, and that, to the extent permitted by law, CONSULTANT will operate the Palo Alto Animal Shelter as a no-kill shelter.

D. CITY and CONSULTANT are entering into this Agreement with the intention of establishing a long-term partnership to offer exceptional shelter services for Palo Alto and its partner cities of Los Altos and Los Altos Hills, while working together towards building a new Pets in Need Palo Alto animal shelter facility.

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions, in this Agreement, the parties agree:

AGREEMENT

SECTION 1. SCOPE OF SERVICES. CONSULTANT shall perform the services described at Exhibit "A" ("Services") in accordance with the terms and conditions contained in this Agreement.

SECTION 2. TERM. The term of this Agreement shall be from the date of its full execution (the "Effective Date") and continuing for five (5) years from the Effective Date, unless terminated earlier pursuant to Section 19 of this Agreement. The term of this Agreement may be renewed or extended upon the mutual written agreement of the parties. One year prior to the expiration of the term (or other such timeline as may be mutually agreed upon by the parties), either party may request the parties to begin negotiating in good faith a renewal or extension of this Agreement.

SECTION 3. USE OF PREMISES. CONSULTANT's use of the premises shall be subject to the additional terms set forth on Exhibit "D" (Use of Premises) attached hereto.

SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services shall be in the amount of, and shall not exceed three-million, four-hundred forty thousand six-hundred twenty six dollars and ten cents (**\$3,440,626.10**) as detailed in Exhibit "B" (Compensation). CONSULTANT agrees to complete all Services within this amount. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY. Notwithstanding the foregoing, a contingency fund of two-hundred thousand dollars (**\$200,000**) (the "Contingency Fund") shall be available; as well as a fund for the compensation of renovation delays ("Compensation of Renovation Delays Fund") of sixty thousand dollars (**\$60,000**) shall be available, as detailed in Exhibit "B" (Compensation). In the event the Contingency Fund and the Compensation of Renovations Delays Fund are utilized as provided for herein, the total compensation for Services, reimbursable expenses and the costs payable by CITY to CONSULTANT under this Agreement, shall be and shall not exceed three million, seven-hundred thousand, six-hundred twenty-six dollars and ten cents (**\$3,700,626.10**) as detailed in Exhibit "B" (Compensation), subject to Section 19 ("TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES").

SECTION 5. INVOICES. In order to request payment, CONSULTANT shall invoice the CITY for payment on a monthly basis. Invoices shall describe the services performed and, if reasonably requested by CITY, supporting documentation. CONSULTANT's invoice shall be submitted to the City's project manager for payment at which point the CITY has 30 business days from the date of the submission to render payment to the CONSULTANT. Invoices must also include CONSULTANT name, address, contract number, description of services, date of services, and compensation amount.

SECTION 6. QUALIFICATIONS/STANDARD OF CARE. All of the Services shall be performed by CONSULTANT or under CONSULTANT's supervision. CONSULTANT represents that it possesses the professional and technical personnel necessary to perform or supervise, as applicable, the Services required by this Agreement and that its personnel have sufficient skill and experience to perform the Services assigned to them. CONSULTANT represents that it, and its employees have and shall maintain (and that it shall require its subcontractors, if any, to have and maintain) during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services.

Notwithstanding anything to the contrary in this Agreement, the representations and warranties in this Section 6 are exclusive and are in lieu of all other warranties of any kind, whether express or implied (including, without limitation, the implied warranties of merchantability, fitness for a particular purpose and noninfringement, and all warranties that may arise from course of dealing, course of performance or usage of trade), all of which are hereby expressly disclaimed.

SECTION 7. COMPLIANCE WITH LAWS. CONSULTANT shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that are applicable to the performance of the Services or those engaged to perform Services under this Agreement. CONSULTANT shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

SECTION 8. ERRORS/OMISSIONS. CONSULTANT is solely responsible for costs, including, but not limited to, increases in the cost of Services, arising from or caused by CONSULTANT's errors and omissions, including, but not limited to, the costs of correcting such errors and omissions, any change order markup costs, or costs arising from delay caused by such errors and omissions or unreasonable delay in correcting such errors and omissions.

SECTION 9. [RESERVED].

SECTION 10. INDEPENDENT CONTRACTOR. It is understood and agreed that in performing the Services under this Agreement CONSULTANT, any person employed by CONSULTANT, and any subcontractor retained by CONSULTANT to perform any of CONSULTANT'S obligations under this Agreement, shall act as and be an independent contractor and not an agent or employee of CITY.

SECTION 11. ASSIGNMENT. The parties agree that the expertise and experience of CONSULTANT are material considerations for this Agreement. CONSULTANT shall not assign or transfer any interest in this Agreement nor the performance of any of CONSULTANT's obligations without the prior written consent of the City Manager. The City Manager shall have sixty (60) days from receipt of Consultant's notice of proposed assignment to accept or decline the proposed assignment in writing. If the City Manager declines the proposed assignment, he or she shall state the basis for the decision in the written notice to CONSULTANT. Consent to one assignment shall not be deemed to be consent to any subsequent assignment. Any assignment not expressly contemplated under this Agreement, or made without the approval of the City Manager shall be void.

SECTION 12. SUBCONTRACTING. Notwithstanding Section 11 above, CITY agrees that subcontractors may be used to perform CONSULTANT'S obligations under this Agreement. The subcontractors authorized by CITY to perform work on this Project are:

- a. Sage Veterinary Center; and
- b. Pets Rest Cemetery, and
- c. Any other subcontractors retained by CONSULTANT to perform CONSULTANT'S obligations under this Agreement.

CONSULTANT shall be responsible for directing the work of any subcontractor and for any compensation due to subcontractors. CITY assumes no responsibility whatsoever concerning subcontractor compensation.

CONSULTANT shall be fully responsible to CITY for all acts and omissions of a subcontractor as more fully set forth in Section 16 of this Agreement.

CONSULTANT shall change or add a subcontractor to perform the Services set forth on Exhibit A hereto only with the prior approval of the City Manager or his designee (such approval not to be unreasonably withheld, delayed or conditioned). The City Manager shall have thirty (30) days from receipt of CONSULTANT's request to approve or decline in writing CONSULTANT's request to change or add subcontractors.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT shall assign its executive director, who currently is Al Mollica, as the project manager to have supervisory responsibility for the performance, progress, and execution of the Services and as the project coordinator to represent CONSULTANT during the day-to-day performance of the Services. If circumstances cause the substitution of the project manager (including if, at

any time, Al Mollica no longer serves as executive director of CONSULTANT), CONSULTANT shall promptly notify the CITY's project manager of such substitution and consider in good faith CITY's requests with respect to such substitution.

The parties agree that during the term of this Agreement and for all purposes of this Agreement, CONSULTANT'S project manager shall be authorized to act as the "Superintendent" of the City's animal services division pursuant to Section 6.04.100 of the Palo Alto Municipal Code, for purposes of [Sections 6.12.010, 6.12.030, 6.12.050, 6.16.050, and 6.32.040 of the Palo Alto Municipal Code.

CITY's project manager is the Director of Community Services, Community Services Department, 1305 Middlefield Road, Palo Alto, CA 94303, Telephone (650) 463-4900, who is currently Monique leConge Ziesenne. The project manager shall be CONSULTANT's point of contact with respect to performance, progress and execution of the Services. CITY may designate an alternate project manager from time to time with prompt written notice to CONSULTANT.

SECTION 14. INTELLECTUAL PROPERTY RIGHTS.

14.1 Definition of Intellectual Property Rights. "Intellectual Property Rights" means patents of any type, design rights, utility models or other similar invention rights, copyrights, mask work rights, trade secret or confidentiality rights, trademarks, goodwill, trade names, logos and service marks and any other intangible property rights, including applications and registrations for any of the foregoing, in any country, arising under statutory or common law or by contract and whether or not perfected, now existing or hereafter filed, issued, or acquired.

14.2 "Pets In Need" Ownership. The parties acknowledge and agree that, as between the parties, Pets In Need owns all Intellectual Property Rights in its name ("Pets In Need"), logos and marks, as may be amended from time to time by Pets In Need.

14.3 "City of Palo Alto" Ownership. The parties acknowledge and agree that, as between the parties, the City of Palo Alto owns all Intellectual Property Rights in its name ("City of Palo Alto"), logos and marks, as may be amended from time to time by the City of Palo Alto, and in accordance with Palo Alto Municipal Code as may be amended from time to time.

14.4 "Palo Alto Animal Shelter" Ownership. The parties acknowledge and agree that, as between the parties, the City of Palo Alto owns all Intellectual Property Rights in the name "Palo Alto Animal Shelter".

14.5 Grant of License by City of Palo Alto. The City of Palo Alto hereby grants to Pets In Need a royalty-free, non-transferable term license, for the term of this Agreement, to use, reproduce, make derivative works, display, and perform publicly the name "Palo Alto Animal Shelter" solely in conjunction with "Pets in Need", for example, and without limitation, "Pets in Need Palo Alto Animal Shelter" and "Palo Alto Animal Shelter, operated by Pets in Need," for purposes of the performance of this Agreement, as provided for herein.

14.6 Name Changes; Development of Logos or Marks. Any name changes, derivative works, or logos or marks as may be developed by Pets In Need with regard to such animal shelter are required to be approved in writing by the City of

Palo Alto City Manager or designee prior to any publication, or any other public use, in any form or media. The City Manager shall approve or deny such requests in writing within 45 days of receipt of CONSULTANT's complete written proposal, and shall set forth its basis for any denial in writing. During the term of this Agreement, the City of Palo Alto shall not change such name of such animal shelter, nor develop any derivative works, or logos or marks, with regard to such animal shelter, except as is mutually agreed in writing with the Pets In Need Executive Director or designee prior to any publication, or any other public use, in any form or media. The City Manager shall approve or deny such requests within 45 days of Consultant's complete written proposal, and shall set forth its basis for any denial in writing. Notwithstanding anything to the contrary in this Agreement, CITY agrees that CONSULTANT may offer naming rights for any wing, room, kennel, or other area within the shelter in compliance with the City's Naming Policy and Procedure.

14.7 Limitations on "Pets In Need Palo Alto Animal Shelter".

The City of Palo Alto agrees that its use of the name "Pets In Need Palo Alto Animal Shelter", and as may be changed as provided for herein, with regard to the animal shelter that is the subject of this Agreement, as well as any logos or marks that may be developed and approved as provided for herein with regard to such shelter, are strictly limited to the term of this Agreement, and that, unless otherwise agreed by the parties in writing, upon expiration or termination of this Agreement, the City of Palo Alto shall cease and desist all use of such names, logos and marks with regard to such animal shelter in relation to the ongoing operation of such shelter as of the date of such termination or expiration.

14.8 Use of City of Palo Alto Seal or Logo.

Any use by Pets In Need of any City of Palo Alto seal or logo is required to be approved in writing by the City of Palo Alto City Manager or designee prior to any publication or any other public use, in any form or media, and in accordance with Palo Alto Municipal Code as may be amended from time to time, provided that the City Manager or his designee shall approve or deny in writing a written request by Pets in Need within ten (10) days of the date of the request, and shall set forth his or her basis for any denial in writing.

14.9 Use of Pets in Need Seal or Logo.

Any use by the City of Palo Alto of any Pets In Need seal or logo is required to be approved in writing by the Pets In Need Executive Director or designee prior to any publication, or any other public use, in any form or media, provided that the Executive Director of PIN or designee shall approve or deny in writing a written request by CITY within twenty (20) days of the date of the request.

14.10 Reservation of Rights.

All Pets In Need Intellectual Property Rights not expressly granted under this Agreement are reserved to and retained by Pets In Need. All City of Palo Alto Intellectual Property Rights not expressly granted under this Agreement are reserved to and retained by the City of Palo Alto.

SECTION 15. AUDITS. CONSULTANT shall permit CITY to audit, at any reasonable time during the term of this Agreement and for three (3) years thereafter, CONSULTANT's records pertaining to CONSULTANT'S performance of the Services under this Agreement. CONSULTANT further agrees to maintain and retain such records for at least three (3) years after the expiration or earlier termination of this Agreement.

SECTION 16. INDEMNITY; LIMITATION OF LIABILITY.

16.1. To the fullest extent permitted by law, CONSULTANT shall indemnify, defend and hold harmless CITY, its Council members, officers, employees and

agents (each a "CITY Indemnified Party") from and against any and all third party demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including reasonable attorneys' fees, experts fees, court costs and disbursements ("Claims") to the extent resulting from, or arising out of (i) any act or omission of CONSULTANT that is outside the scope of CONSULTANT's authority under this Agreement and/or (ii) the negligence or willful misconduct of CONSULTANT or its officers, employees, agents or subcontractors in the performance of this Agreement. To the fullest extent permitted by law, CITY shall indemnify, defend and hold harmless CONSULTANT, its directors, officers, employees and agents (each a "CONSULTANT Indemnified Party") from and against any and all third party Claims to the extent resulting from or arising out of (i) the negligence or willful misconduct of CITY or its officers, employees, agents or subcontractors in the performance of this Agreement, (ii) any condition in or about the Premises, except to the extent caused by the negligence or willful misconduct of CONSULTANT or a CONSULTANT Indemnified Party, or (iii) CITY's decision to transition to a consultant-provided service delivery model and City's decision, based on CONSULTANT's representations contained in its proposal to the City and herein, to contract with CONSULTANT to provide the Services.

16.2. In the event of concurrent negligence of more than one party, its Council members (or directors), officers, employees, agents or subcontractors, the liability for any and all Claims shall be apportioned under the California theory of comparative negligence as presently established or as may hereafter be modified. Nothing in this Agreement shall constitute a waiver or limitation of any rights that a party may have under applicable law in the event of concurrent negligence of persons or entities other than the parties to this Agreement.

16.3. The parties agree to cooperate with each other in the investigation and disposition of third-party Claims hereunder. It is the intention of the parties to reasonably cooperate in the disposition of all such Claims. Such cooperation may include joint investigation, defense and disposition of claims of third parties hereunder. The parties agree to promptly inform one another whenever an incident report, claim or complaint is filed or when an investigation is initiated concerning this Agreement. Notwithstanding the foregoing, in the event of a conflict in interest, each party may conduct its own investigation and engage its own counsel.

16.4. Each party agrees to mitigate any loss or damage which it may suffer in consequence of any breach by the other party of the terms of this Agreement, or any fact, matter, event or circumstance giving rise to a Claim.

16.5. LIMITATION OF LIABILITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR ELSEWHERE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES, INCLUDING BUT NOT LIMITED TO LOST PROFITS IN CONNECTION WITH THIS AGREEMENT, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH POTENTIAL CLAIM, LOSS OR DAMAGE.

16.6. LIMITATION OF LIABILITY OF CITY. EXCEPT WITH REGARD TO CITY'S OBLIGATIONS TO INDEMNIFY AND HOLD HARMLESS THE CONSULTANT PURSUANT TO THIS SECTION 16, CITY'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT PROVIDED FOR IN SECTION 4 (NOT TO EXCEED COMPENSATION) OF THIS AGREEMENT.

16.7. LIMITATION OF LIABILITY OF CONSULTANT. IN NO EVENT SHALL THE TOTAL AGGREGATE LIABILITY UNDER THIS AGREEMENT OF CONSULTANT TO CITY EXCEED FIVE MILLION DOLLARS.

16.8. CITY represents and warrants that (i) it has complied with Section 2.30.250 of the Palo Alto Municipal Code and (ii) the CITY's indemnification obligations contained in this is Section 16 represent the valid and enforceable obligations of CITY.

SECTION 17. WAIVERS. The waiver by either party of any breach or violation of any covenant, term, condition or provision of this Agreement, or of the provisions of any ordinance or law, shall not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law. No waiver of a condition or nonperformance of an obligation hereunder is effective unless it is in writing signed by the authorized representatives of the parties hereto and, as applicable, approved as required under the Palo Alto Municipal Code or Charter.

SECTION 18. INSURANCE. CONSULTANT, at its sole cost and expense, shall obtain, as soon as practicable following the date of this Agreement, and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit "C". CONSULTANT shall be responsible for ensuring that its subcontractors retained to perform Services under this Agreement, if any, shall obtain and maintain in full force and effect during the term of the subcontractor's engagement, the insurance coverage described in Exhibit "C," as well as a policy endorsement naming CITY as an additional insured under any policies required in this Section 18.

18.1. All insurance coverage required hereunder shall be provided through carriers with AM Best's Key Rating Guide ratings of A-VII or higher which are licensed or authorized to transact insurance business in the State of California.

18.2. CONSULTANT shall file with CITY certificates evidencing such insurance as soon as practicable following the date of execution of this Agreement but in any event prior to the first day any of CONSULTANT'S obligations are performed hereunder. The certificates shall be subject to the approval of CITY's Risk Manager and shall contain an endorsement stating that the insurance is primary coverage and shall not be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days' prior written notice of the cancellation or modification. If the insurer cancels or modifies the insurance and provides less than thirty (30) days' notice to CONSULTANT, CONSULTANT shall provide the Purchasing Manager written notice of the cancellation or modification within five (5) business days of the CONSULTANT's receipt of such notice. CONSULTANT shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY's Chief Procurement Officer during the entire term of this Agreement.

18.3. The procuring of such required policy or policies of insurance will not be construed to limit either party's liability hereunder nor to fulfill the indemnification provisions of this Agreement.

SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.

19.1. The City Manager may terminate this Agreement or suspend

the performance of the Services, in whole or in part, in the event of a material breach of CONSULTANT's obligations to CITY under this Agreement, which breach is not cured by CONSULTANT within (60) days of receipt of written notice from CITY to CONSULTANT detailing the nature of such failure. The City Manager may terminate this Agreement without cause by giving one-year prior written notice thereof to CONSULTANT.

19.2. CONSULTANT may terminate this Agreement or suspend its performance of the Services, in whole or in part, in the event of a material breach of CITY's obligations to CONSULTANT under this Agreement, which breach is not cured by CITY (i) with respect to material breach of CITY's payment obligations herein, within thirty (30) days of receipt of written notice from CONSULTANT to CITY, or (ii) with respect to material breach of all other CITY obligations hereunder, within sixty (60) days of receipt of written notice from CONSULTANT to CITY detailing the nature of such breach. CONSULTANT may terminate this Agreement without cause by giving one-year prior written notice thereof to CITY.

19.3. In the event of any suspension or termination hereunder, CITY shall pay CONSULTANT for the Services rendered and materials delivered to CITY (i) on or before the effective date of such suspension or termination and (ii) in accordance with this Agreement. CITY shall pay such amounts to CONSULTANT within thirty (30) days after receipt of CONSULTANT's invoice. To the extent that CITY has prepaid any fees, CONSULTANT shall fund to CITY any prepaid fees on a pro-rata basis to the extent such fees are attributable to the period after the termination date, and CITY shall have no obligation to pay unpaid fees that would have become due during the remaining Term had this Agreement not been terminated.

19.4 The following Sections shall survive any expiration or termination of this Agreement: 14, 15, 16, 17, 19.3, this 19.4, 20, 25, and 27.

SECTION 20. NOTICES. Any notice provided for in this Agreement shall be in writing and shall be either (i) personally delivered, (ii) received by certified mail, return receipt requested, or (iii) sent by reputable overnight courier service (charges prepaid) to the recipient at the address indicated below.

To CITY: City of Palo Alto, City Manager's Office
250 Hamilton Ave., Palo Alto, CA 94301

With a copy also to the CITY's Project Manager.

To CONSULTANT: Attention of the project director at the address of CONSULTANT recited above.

Notices will be deemed to have been given hereunder (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid) or (iii) five (5) business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid.

SECTION 21. CONFLICT OF INTEREST

21.1. In accepting this Agreement, CONSULTANT covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. CONSULTANT further covenants that, in the performance of this Agreement, it shall not employ subcontractors or other persons or entities having such an interest. CONSULTANT certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision shall be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California.

21.3. CITY agrees and acknowledges that, as of the date of hereof, CONSULTANT is not a "Consultant" as that term is defined by the Regulations of the Fair Political Practices Commission, and that therefore CONSULTANT shall not be required to file the financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act.

SECTION 22. NONDISCRIMINATION. As set forth in Palo Alto Municipal Code section 2.30.510, CONSULTANT certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person because of the race, skin color, gender, age, religion, disability, national origin, ancestry, sexual orientation, housing status, marital status, familial status, weight or height of such person. CONSULTANT acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING AND ZERO WASTE REQUIREMENTS. CONSULTANT shall comply with the CITY's Environmentally Preferred Purchasing policies which are available at CITY's Purchasing Department (and copies of which have been provided to CONSULTANT by CITY), incorporated by reference and may be amended from time to time. CONSULTANT shall comply with waste reduction, reuse, recycling and disposal requirements of CITY's Zero Waste Program. Zero Waste best practices include first minimizing and reducing waste; second, reusing waste and third, recycling or composting waste. In particular, CONSULTANT shall comply with the following zero waste requirements:

- (a) All printed materials provided by CONSULTANT to CITY generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by CITY's project manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable based inks.
- (b) Goods purchased by CONSULTANT on behalf of CITY shall be purchased in accordance with CITY's Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Division's office, and a copy of the current policy has been provided to CONSULTANT by CITY.
- (c) Reusable/returnable pallets shall be taken back by CONSULTANT, at no additional cost to CITY, for reuse or recycling. CONSULTANT shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

SECTION 24. COMPLIANCE WITH PALO ALTO MINIMUM WAGE ORDINANCE.

CONSULTANT shall comply with all requirements of the Palo Alto Municipal Code Chapter 4.62 (Citywide Minimum Wage), as it may be amended from time to time. In particular, for any employee otherwise entitled to the State minimum wage, who performs at least two (2) hours of work in a calendar week within the geographic boundaries of the CITY, CONSULTANT shall pay such employees no less than the minimum wage set forth in Palo Alto Municipal Code section 4.62.30 for each hour worked within the geographic boundaries of the City of Palo Alto. In addition, CONSULTANT shall post notices regarding the Palo Alto Minimum Wage Ordinance in accordance with Palo Alto Municipal Code section 4.62.060.

SECTION 25. NON-APPROPRIATION. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. This Agreement shall terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This section shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

SECTION 26. PREVAILING WAGES AND DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS. The Services are not subject to prevailing wages. CONSULTANT is not required to pay prevailing wages in the performance of the Services in accordance with applicable law including without limitation SB 7.

SECTION 27. MISCELLANEOUS PROVISIONS.

27.1. This Agreement shall be governed by the laws of the State of California without regard to its conflict of laws provisions.

27.2. In the event that an action is brought, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

27.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

27.4. This document represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This document may be amended only by a written instrument, which is signed by the parties.

27.5. The covenants, terms, conditions and provisions of this Agreement shall apply to, and shall bind, the heirs, successors, executors, administrators, assignees, and consultants of the parties.

27.6. If a court of competent jurisdiction finds or rules that any provision of this Agreement or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement and any amendments thereto shall remain in full force and effect.

27.7. All exhibits referred to in this Agreement and any addenda, appendices, attachments, and schedules to this Agreement which, from time to time, may be referred to in any duly executed amendment hereto are by such reference incorporated in this Agreement and shall be deemed to be a part of this Agreement.

27.8. In the event of a conflict between the terms of this Agreement and the exhibits hereto or CONSULTANT's proposal (if any), this Agreement shall control. In the case of any conflict between the exhibits hereto and CONSULTANT's proposal, the exhibits shall control.

27.9. If, pursuant to this contract with CONSULTANT, CITY shares with CONSULTANT personal information as defined in California Civil Code section 1798.81.5(d) about a California resident ("Personal Information"), CONSULTANT shall maintain reasonable and appropriate security procedures to protect that Personal Information, and shall inform CITY as soon as practicable, but no later than 24 hours after learning that there has been a breach in the security of the system or in the security of the Personal Information. CONSULTANT shall not use Personal Information for direct marketing purposes without CITY's express written consent.

27.10. All unchecked boxes do not apply to this Agreement.

27.11. The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

27.12. This Agreement may be signed in multiple counterparts, which, when executed and delivered by the parties hereto, shall together constitute a single binding agreement. This Agreement may be signed using the City's DocuSign platform.

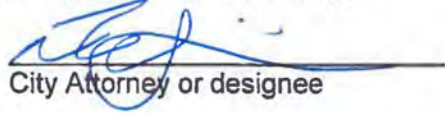
[signature page follows]

CONTRACT No. C19174493 **SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO


City Manager

PETS IN NEED**Officer 1**By: Name: ROBERT F. KALMANTitle: PRESIDENT, BOARD OF DIRECTORS**APPROVED AS TO FORM:**


City Attorney or designee

Officer 2By: Name: ET DOLLERTitle: EXECUTIVE DIRECTOR**Attachments:**

EXHIBIT "A":	SCOPE OF SERVICES
EXHIBIT "B":	COMPENSATION
EXHIBIT "C":	INSURANCE REQUIREMENTS
EXHIBIT "D":	USE OF PREMISES

EXHIBIT "A" SCOPE OF SERVICES

PETS IN NEED ("CONSULTANT") agrees to provide Animal Shelter Services as described in Section II below at the Palo Alto Animal Shelter, 3281 East Bayshore Road, Palo Alto, CA, for the City of Palo Alto ("CITY") and the Contract Cities. CITY agrees to perform the obligations as described in Section III below.

I. DEFINITIONS The following terms as used in this Exhibit "A" Scope of Services shall have the meaning provided below:

- A. "Diseased and crippled animal" means those animals which are known or believed to be infected with any dangerous or communicable disease, or which have an incurable, crippled condition or which are afflicted with any painful disease which is believed to be incurable.
- B. "Dangerous animal" means any dog or other animal which demonstrates a propensity to assault, bite, scratch or harass people or other animals without provocation. There shall be a rebuttable presumption that any animal that bites a person is a dangerous animal.

Capitalized terms used but undefined herein shall have the meanings set forth in the Agreement for Professional Services (this "Agreement") to which this Exhibit is attached and of which it forms a part.

II. PETS IN NEED RESPONSIBILITIES:

1. Animal Shelter Services. CONSULTANT shall perform the following sheltering services and shall provide shelter supplies, animal attendants, supervisors and administrative personnel, and any other personnel, supplies and equipment, reasonably required to perform the following services ("Shelter Services"):
 - a) Shelter of abandoned, surrendered, impounded, lost or stray domestic animals brought to the shelter by CITY or its Contract Cities, its residents, or personnel.
 - b) CONSULTANT may shelter and provide services to animals outside the scope of paragraph (a) above ("non-City animals") including moving animals between the Palo Alto Animal Shelter and Pets In Need Redwood City facility on a space-available basis and at CONSULTANT's sole expense for all costs, including labor, equipment, supplies, food, and medication. At no time shall animals within the scope of paragraph (a) above be denied services due to services provided to non-City animals at the Pets in Need Palo Alto Animal Shelter.
 - c) For the avoidance of doubt, to the maximum extent

permissible by law, CONSULTANT shall have exclusive discretion over how long an animal is sheltered, including exclusive discretion to shelter an animal for a longer period than the statutory minimum number of days. This section shall not be interpreted to authorize funds in addition to those specified in this Agreement, and CONSULTANT shall be responsible for managing the length of animal sheltering within the funds and resources authorized by this Agreement.

- d) Quarantine of biting animals.
- e) Rabies testing of suspect animals.
- f) Provision for reclaim of abandoned, lost or stray domestic animals during established business hours.
- g) Shelter staff shall make every effort to identify lost animals (through ID tags and microchips) and to contact owners.
- h) Be CITY's and Contract Cities' main point of contact (by phone, in-person, and electronic means) regarding animal shelter services, including inquiries regarding missing pets.
- i) Provide medical evaluation and treatment, if necessary, to all incoming animals. This includes vaccinations, and spay and neuter surgeries to domestic animals.
- j) Euthanasia and disposal of abandoned, lost, impounded, or stray domestic animals that are unclaimed by their owners and found to be diseased and crippled and/or dangerous as defined by Palo Alto Municipal Code and California State Law.
- k) For purposes of clarity, CONSULTANT shall not be required to provide owner-requested euthanasia at any time, and CITY acknowledges that CONSULTANT has elected not to provide or subcontract this service.
- l) CONSULTANT shall maintain a public website, separate from the CITY's website, with information including without limitation: shelter hours, volunteer opportunities, adoption information, medical services offered and information about those services and contact information.
- m) Consultant shall allow CITY Animal Control Officers access to the shelter at all times for purposes of dropping off animals and provide reasonable accommodation for Animal Control Officers to begin and end their shifts, and complete administrative work in the shelter.
- n) CONSULTANT shall maintain, repair and replace all surgical room equipment, cages, hoses, and other equipment at the facility.
- o) CONSULTANT shall comply with all federal, state, and local laws in effect applicable to the Services upon commencement of the provision of the Services, and shall be subject to inspection by the CITY and other duly authorized federal, state, and local authorities to insure

such compliance. This includes the applicable provisions of Palo Alto Municipal Code Title 6, as amended from time to time. For the avoidance of doubt, this provision shall not be construed to expand the scope of the Services as expressly set forth in this Exhibit "A".

- p) CONSULTANT shall use commercially reasonable efforts to offer comprehensive volunteer and educational programs which may include, without limitation: animal fostering programs, dog walker programs, and animal care trainings.
- q) When appropriate, in CONSULTANT'S sole discretion, CONSULTANT may partner and/or coordinate with adoption programs, rescue groups, and other no-kill shelters to maximize the shelter's adoption rate and/or place animals in suitable foster care. CONSULTANT shall seek CITY's approval for partnerships in which CONSULTANT pays or receives money or other financial consideration, solely to the extent that such partnership relates to CONSULTANT's performance of the Services. CITY shall approve or deny in writing any such request within thirty (30) days after receipt of such request.
- r) Develop and maintain communication with CITY by:
 - 1. Responding in a timely manner to emails and phone calls.
 - 2. Communicating and resolving issues and concerns promptly.
- s) Develop, in cooperation with CITY, a feral cat plan. The plan shall include how PIN handles feral cats, spay/neuter provisions, and release of feral cats. CONSULTANT shall not release feral cats within the City of Palo Alto or any of its Partner Cities.
- t) Develop, in cooperation with CITY, a disaster preparedness plan.

2. Medical Services

- a) CONSULTANT shall provide supplies, and professional and trained personnel, employed or under subcontract or contract, necessary to perform the following services ("Medical Services"): Provision of veterinarian services twenty-four (24) hours per day to treat and provide veterinarian care for impounded animals, including for animals picked-up by Animal Control Officers. CONSULTANT may, in its sole discretion and at its sole expense, arrange after-hours emergency care through any veterinary subcontractor.
- b) Monitor quarantined animals.
- c) For a fee, conduct vaccination clinics and have available, free of charge to the public, rabies control information.
- d) Conduct microchipping.
- e) For a fee, which shall be posted on CONSULTANT's website,

at the same rate established for City residents and Contract Cities, provide access to the CONSULTANT's low cost spay and neuter clinic.

- f) The City's Animal Control Officers shall be licensed through CONSULTANT'S medical authority to administer euthanasia as necessary for animals that are unclaimed by their owners and found to be diseased and crippled and/or dangerous as defined by Palo Alto Municipal Code.
 - g) Comply with all laws requiring reporting of animal-borne diseases, including rabies. This includes Municipal Code section 6.32.020, as amended from time to time.
3. Operating Schedules
- a) CONSULTANT shall provide Shelter Services for the animals twenty-four (24) hours a day, seven (7) days a week.
 - b) CONSULTANT shall provide emergency veterinary services in accordance with Section 597(f) of the California Penal Code.
 - c) CONSULTANT shall have shelter staff on site for care of shelter animals seven (7) days per week, 365 days per year.
 - d) CONSULTANT shall have business offices and public access areas of shelter to be open to the public on a schedule designed to benefit the public and facilitate the services established in this Agreement, provided that the public hours and access be a minimum of six (6) days per week and forty (40) hours per week. CONSULTANT shall post the public hours on its website, and inform CITY and Contract Cities in writing of any change in hours.
 - e) CITY acknowledges and agrees that, until the renovations described in Exhibit D are completed, CONSULTANT may be unable to be fully staffed and operational in accordance with this Paragraph 3, and may request to operate at a reduced schedule at its reasonable discretion. Consultant's project manager shall make any such request to City's project manager, whose consent shall not be unreasonably denied, delayed, or conditioned.
 - f) CONSULTANT shall observe the following holiday closures for public hours:

January 1 (New Year's Day)
 Martin Luther King's birthday
 Memorial Day
 July 4th (Independence Day)
 Labor Day
 Thanksgiving Day
 Day after Thanksgiving
 Christmas Eve (1/2 Day)
 Christmas Day

4. Dead Animal Services

- a) CONSULTANT shall provide storage facilities, disposal

mechanisms, administrative personnel, and any other personnel, supplies and equipment reasonably required to perform the following services ("Dead Animal Services"):

- i. Identification of and notification to the owner of the dead animal, whenever possible; and
 - ii. Disposal of the body of the dead animal. CONSULTANT shall offer animal owners the option to pay for cremation services, in which case, CONSULTANT shall arrange for cremation with the appropriate subcontractor.
- b) CONSULTANT shall subcontract with one or more subcontractors for the maintenance of a dead animal storage facility as well as collection of dead animals and maintenance of the facility and equipment, all at CONSULTANT's sole expense.

5. Wildlife

- a) The impoundment of wildlife shall be managed by CONSULTANT staff. An assessment of wildlife shall be done by medical staff, if necessary. If the animal is severely injured or sick, a licensed veterinarian shall be consulted, and the case shall be fully documented in accordance with AVMA guidelines. This Agreement assumes that all wildlife animals will continue to be transferred to the Peninsula Humane Society at no cost to the CITY or to CONSULTANT, as set forth in the Memorandum of Understanding between CONSULTANT and Peninsula Humane Society dated November 17, 2017. Should Peninsula Humane Society request fees for wildlife intake, CONSULTANT and the CITY shall negotiate in good faith to amend this Agreement per Section 27.4 herein, to provide for the reimbursement by CITY to CONSULTANT of such fees (upon documentation of such fees by CONSULTANT reasonably satisfactory to CITY).

6. Records Management

- a) CONSULTANT and CITY's Animal Control shall maintain joint access to the Chameleon database, as provided for in this section. CONSULTANT is responsible for keeping the Chameleon database updated in a timely fashion. Chameleon data is designated "For Official Use Only," meaning, CONSULTANT may only use such data for the performance of this Agreement, and not for marketing or any other purposes without the prior written consent of the CITY's City Manager or designee. Annual maintenance fees for the Chameleon software shall be paid by CITY. Repair and replacement cost of the server and supporting hardware, if any, shall also be paid by CITY. CONSULTANT shall not have access to certain areas of the database, such as saved criminal information (as required by law). CITY shall work with the database programmer/vendor to ensure that such areas of the

database are not accessible by CONSULTANT. All data entered into the Chameleon database by any party shall be property of CITY.

b) Monthly Report

- i. CONSULTANT shall deliver to CITY during the term of this AGREEMENT, and within thirty (30) days of the end of each month, a monthly Animal Shelter and Impound Report summarizing monthly and year-to-date services provided by CONSULTANT for CITY. This report shall include, but not be limited to, the following information:
 - (1) Licensing statistics
 - (2) Medical statistics including spay and neuter, microchips, and vaccinations
 - (3) Volume of animals in and out of facility by type of animal and type of outcome.
 - (4) For each animal, which city in which it was picked up (if known).

c) Financial Reporting

- i. CONSULTANT shall deliver to CITY during the term of this Agreement, and within ninety (90) days of the end of each May, an audited financial report covering CONSULTANT's operation of the Palo Alto Animal Shelter.

d) Retention of Records, Right to Monitor and Audit

- i. CONSULTANT shall maintain records relating to CONSULTANT's operation of the Palo Alto Animal Shelter for a period of four (4) years after the expiration or termination of this Agreement or until any audits or reviews are completed, whichever comes later, and such records shall be subject to examination and/or audit of CITY, a Federal grantor agency, and the State of California for a period of four (4) years after the expiration or termination of this Agreement or until any audits or reviews are completed, whichever comes later.
- ii. Records/accounts relating to CONSULTANT's operation of the Palo Alto Animal Shelter shall be open and accessible to inspection upon reasonable notice during normal business hours throughout the term of this Agreement and for a period of four (4) years thereafter or until any audits or reviews are completed, whichever comes later.
- iii. Parties, upon request by either party to the other, shall meet on occasion to consider revisions which may be needed to the reporting forms created to document performance of the Services provided.

7. Fundraising, Marketing and Branding

- a) CONSULTANT shall create and manage fundraising, marketing, volunteer development and education programs. Local volunteer

groups shall be integrated into fundraising and other activities and events when reasonably possible. The "Pets In Need Palo Alto Animal Shelter" shall be the initial brand name of the shelter to be operated by CONSULTANT pursuant to this Agreement, and any logo or name change shall be approved in writing by CONSULTANT and the CITY's City Manager or designee prior to use.

8. Licensing and other fee collection
 - a) CONSULTANT shall charge fees for services according to the CITY's municipal fee schedule or according to state or local laws. Fees for any services not covered by CITY's municipal fee schedule or state or local laws shall be set by CONSULTANT. CONSULTANT shall take CITY's comments into consideration when setting such fees. CITY shall take CONSULTANT's comments into consideration when setting its municipal fee schedule.
 - b) CONSULTANT shall manage dog licensing including processing, issuance, and renewals on behalf of CITY and Contract Cities. Licensing information shall be included on all Incident Reports and, additionally, provided to CITY on an as requested basis. CONSULTANT shall collect all associated license fees on behalf of CITY, at the fee amounts set by CITY. Licensing includes the licensing of dogs as defined in Municipal Code Chapter 6.16 as amended from time to time.
 - c) CONSULTANT shall process citation fees, and shall remit 100% of these fees to the CITY on a quarterly basis. PETS IN NEED shall process and retain all other fees and revenues, including without limitation adoption fees, spay, neuter, impoundment, permit, license, and other fees as listed in the municipal fee schedule.
9. Contract Cities; WeCare Alliance
 - a) CITY and CONSULTANT shall provide services to the City of Los Altos and the Town of Los Altos Hills (the "Contract Cities") pursuant to the CITY's amended Regional Animal Care and Control contracts approved by City Council on June 2, 2014. These contracts are valid through June 30, 2019 with an option for an additional five-year extension. The Parties agree that this Agreement assumes that the Contract Cities' contracts will be in effect during the entire term of this Agreement.
 - b) CITY shall consult with CONSULTANT should the contracts with the Contract Cities be amended or terminated, provided that if any such amendment or termination is reasonably expected to result in increased costs to CONSULTANT, such amendment or termination (if initiated by CITY) shall be subject to

CONSULTANT's prior written consent. CONSULTANT shall notify CITY in writing of its consent or lack thereof within forty-five (45) days after receipt of CITY's written request, which request shall include the precise language of such amendment or all relevant details of such termination (whichever applies). If CONSULTANT consents, the parties shall amend this Agreement (i) to adjust the scope of Services accordingly and (ii) to cover any reasonable cost increases to CONSULTANT.

- c) CITY may contract with additional cities, subject to CONSULTANT's prior written consent. CONSULTANT shall notify CITY in writing of its consent or lack thereof within forty-five (45) days after receipt of CITY's written request, which request shall include the text of such proposed contracts. If CONSULTANT consents, CONSULTANT and CITY shall amend this Agreement (i) to adjust the scope of Services accordingly and (ii) to cover any reasonable cost increases to CONSULTANT.
- d) CONSULTANT shall continue membership in the WeCare Alliance (www.sheltersfirst.org).

10. Cost Overruns or Changes

- a) If CITY or state laws are passed during the term of this Agreement that require a greater level of service, CITY and CONSULTANT agree to negotiate in good faith regarding the reimbursement of CONSULTANT for additional costs associated with implementing the new laws. If Parties are unable to agree on reimbursement costs, CONSULTANT shall document the increased costs and submit to the City Auditor. The City Auditor shall conduct an independent audit. Parties agree to accept the City Auditor's determination of any increased costs.
- b) If current state laws are amended, repealed, otherwise changed or suspended during the term of this Agreement that reduce, alter, or remove existing relevant mandates, either party may require the other party to meet to discuss possible financial and operational impacts of levels of service per the change in law, including but not limited to any decrease in contract amounts paid to CONSULTANT, provided that no such decrease shall be effective unless agreed by CONSULTANT.

III. CITY RESPONSIBILITIES. CITY shall:

- 1. Provide an adequate and safe facility for CONSULTANT to perform the Services.
- 2. Provide Animal Control Officers (ACOs) and their services for CITY and Contract Cities. This shall include maintenance of ACO vehicles

and equipment. Establish fees for dog licensing and animal impounding.

3. With regard to the shelter facility, provide and/or pay for utilities, taxes, electricity, water, gas, waste water, recycling, waste (not animal disposal), internet, Chameleon software/database and associated support, and Chameleon server hardware and support (if any), which collectively is estimated to cost approximately \$55,000 per year.
4. Develop and maintain proactive and consistent communication and rapport with CONSULTANT
 - a) Respond in a timely manner to emails and phone calls
 - b) Communicate and resolve issues and concerns immediately
 - c) Provide excellent customer service to CONSULTANT staff and customers
5. Develop, in cooperation with CONSULTANT, a disaster preparedness plan
6. Administer the agreements between the CITY and the Contract Cities regarding animal shelter services.

EXHIBIT "B" COMPENSATION

CITY agrees to compensate CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement, and as set forth in the schedule below.

SCHEDULE	TO EQUAL AND NOT TO EXCEED
	(SUBJECT TO SECTION 19 "TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES")
Year 1	\$708,000.00
Year 2	\$663,000.00
Year 3	\$676,260.00
Year 4	\$689,785.20
Year 5	\$703,580.90
Sub-total Basic Services	\$3,440,626.10
Reimbursable Expenses	\$0.00
Total Basic Services and Reimbursable expenses	\$3,440,626.10
Contingency Funds	\$200,000.00 (not to exceed \$40,000 per year)
Additional Compensation for Renovation Delays	\$60,000.00 (not to exceed \$5,000 per month; see Exhibit D, Section 15.7)
Maximum Total Compensation	\$3,700,626.10

ONE-TIME ADVANCE

Simultaneous with the execution of this Agreement, CITY shall pay to CONSULTANT One Hundred Seventy Eight Thousand dollars (**\$178,000**) as an advance against the first three months of CONSULTANT's fee. CONSULTANT shall not submit an invoice for the remainder of its fee for the third month until the end of such third month.

CONTINGENCY FUNDS

CITY shall provide contingency funds to CONSULTANT in the following circumstances, subject to written approval by the CITY's project manager, and to equal and not to exceed the amount in this Exhibit C:

1. CITY shall provide contingency funds for after-hours and emergency veterinary care if:
 - a. CONSULTANT has already spent at least \$10,000 in the past 12 months on a rolling basis on after-hours or emergency veterinary care that was reasonable based on AVMA guidelines; and
 - b. The emergency or after hours treatment being sought is reasonable based

- on AVMA guidelines.
2. CITY shall provide contingency funds for hoarding cases if:
 - a. CONSULTANT has already served more than 600 animals from the CITY or the Contract Cities in the past 12 months; and
 - b. The hoarding case involves a minimum of 12 animals brought at once that are expected to stay in the facility for at least 30 days each.
 3. CITY shall provide contingency funds for the actual costs of wildlife intake at the Peninsula Humane Society if:
 - a. The Peninsula Humane Society begins charging for the costs of wildlife services; and,
 - b. This Agreement has not yet been amended to reflect the additional costs of such services.
 4. CONSULTANT may also request contingency funds in other unforeseen circumstances.

To request contingency funds, the CONSULTANT shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, for such services. In addition to the factors above, CITY may consider whether contingency funds are appropriate within existing funding and workload, and contingency funds shall not be released if CONSULTANT has not exhausted unused or unallocated funds.

The CITY shall notify CONSULTANT in writing of its approval or lack thereof within ten (10) days after the date of CONSULTANT's proposal. If CITY's project manager does not approve CONSULTANT's request, CONSULTANT may appeal that decision to the City Manager.

If authorized by CITY, the contingency services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's project manager and CONSULTANT, and payment shall be made to CONSULTANT, no later than ten (10) days after the date of CITY's authorization. Contingency funds are subject to all requirements and restrictions in this Agreement.

ADDITIONAL COMPENSATION FOR RENOVATION DELAYS

The City shall pay Consultant up to \$5,000 monthly for up to twelve consecutive months pursuant to the terms of Exhibit D, Section 15.7 ("Additional Compensation for Renovation Delays") of this Agreement.

REIMBURSABLE EXPENSES

No Reimbursable Expenses are authorized by CITY through this Agreement, unless pursuant to a written amendment to this Agreement as provided for herein.

ADDITIONAL SERVICES

No Additional Services are authorized by the CITY through this Agreement, unless pursuant to a written amendment to this Agreement as provided for herein.

EXHIBIT "C" INSURANCE REQUIREMENTS

CONTRACTORS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, SHALL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW, AFFORDED BY COMPANIES WITH AM BEST'S KEY RATING OF A:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER'S COMPENSATION EMPLOYER'S LIABILITY	STATUTORY		
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$5,000,000	\$5,000,000
		PROPERTY DAMAGE	\$5,000,000	\$5,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
YES	PROPERTY INSURANCE	ALL RISK, FULL REPLACEMENT INSURANCE VALUE		
YES INSURANCE	BUSINESS INTERRUPTION			
YES	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE	ALL DAMAGES	\$2,000,000	
YES	THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED: CONTRACTOR, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY CONTRACTOR AND ITS SUBCONTRACTORS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS' COMPENSATION, EMPLOYER'S LIABILITY AND PROFESSIONAL INSURANCE, NAMING AS ADDITIONAL INSUREDS CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.			

I. INSURANCE COVERAGE MUST INCLUDE:

A. PRIMARY COVERAGE

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

B. CROSS LIABILITY

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

UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF CONSULTANT UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

II. INSURANCE COVERAGE MUST INCLUDE:

1. A PROVISION FOR A WRITTEN THIRTY (30) DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND
2. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONSULTANT'S AGREEMENT TO INDEMNIFY CITY.
3. DEDUCTIBLE AMOUNTS IN EXCESS OF \$5,000 REQUIRE CITY'S PRIOR APPROVAL.

Vendors are required to file their evidence of insurance and any other related notices with the City of Palo Alto at the following URL:

<https://www.planetbids.com/portal/portal.cfm?CompanyID=25569>

OR

http://www.cityofpaloalto.org/gov/depts/asd/planet_bids_how_to.asp

EXHIBIT D USE OF PREMISES

SECTION 1. USE OF PREMISES. Consultant shall have the exclusive right to enter and use the Premises during the term of this Agreement for the sole purposes of performing the Services and fulfilling Consultant's obligations under the Agreement, as detailed in this Section 1 ("Use of Premises") of this Exhibit D. Consultant shall have the right to permit Consultant's employees, agents and subcontractors to enter and access the Premises for the sole purposes of performing the Services and fulfilling Consultant's obligations under this Agreement. Consultant shall have the right to exclude third parties and trespassers onto the Premises. Notwithstanding the foregoing, City's Animal Control Officers and their supervisors have the right to enter the Premises at any time. In addition, City has the right to enter Premises at any time for the purposes of inspection, emergency response and the performance of City obligations under this Agreement. Consultant shall, at City's request, promptly remove any of Consultant's property or Consultant-installed improvements on the Premises to allow City access to the utilities or other City owned facilities/property. In the event City deems it necessary, for purposes of health, safety or building code requirements, in City's sole discretion, City shall have the right to move, alter or remove any such property or improvements and City shall be responsible for promptly restoring or returning the same to its prior condition.

SECTION 2. CONDITION OF PREMISES, CLEANING AND MAINTENANCE.

2.1 Condition of Premises, Routine Interior Cleaning and Janitorial Activities. In connection with its use, Consultant shall maintain the Premises in a clean, safe, secure, orderly, and sanitary condition, consistent with a commercially reasonable standard for a well-run animal shelter facility, so far as the Premises may be affected by Consultant's activities under this Agreement. Specifically, Consultant shall undertake routine cleaning and janitorial activities as necessary to maintain the interior of the Premises in an orderly condition, as above, provided that nothing in this section shall obligate Consultant to make any alterations or capital improvements to the Premises. Consultant shall maintain all of its own equipment, furnishings and trade fixtures upon the Premises which are required for the maintenance and operation of the Palo Alto Animal Shelter.

2.2 Maintenance and Utilities. Outside of Consultant's responsibilities for routine interior cleaning and janitorial activities in Section 2.1 of this Exhibit, City shall be responsible for the maintenance of the interior and exterior of the Premises and the surrounding grounds, including (without limitation) the maintenance, repair, and replacement of the roof, building structure, improvements, and the HVAC, electrical, plumbing, and other building systems. City shall perform any alterations to the Premises (1) required by applicable laws or laws of general application (i.e. ADA, seismic regulations, and building codes) and (2) to ensure that utilities (including, without limitation, water, gas, and electricity) are available to the Premises, in amounts sufficient for Consultant to perform the Services. In the event of a utilities outage, the City will work diligently to restore availability as quickly as possible. City shall promptly perform its obligations under this Section 2.2 ("Maintenance and Utilities"). In the event of a maintenance issue that impacts the health and safety of the operations, the City shall respond within 24 hours of receipt of notice from Consultant to develop an action plan to address the issue in an expedited timeframe.

SECTION 3. HAZARDOUS MATERIALS.

3.1 Environmental Laws. "Environmental Laws" means any applicable federal, state or local laws and regulations relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or adjacent to the Premises, including without limitation soil, air and groundwater conditions.

3.2 Hazardous Materials. "Hazardous Materials" means any substance, material, waste, pollutant or contaminant which is regulated by applicable Environmental Laws as being hazardous, toxic, flammable, carcinogenic, explosive or radioactive, or is potentially injurious to the public health, safety or welfare or the environment.

3.3 Release. "Release," when used with respect to Hazardous Materials, means any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, depositing, or disposing on, in, under or adjacent to the Premises, or any improvements constructed hereunder by or on behalf of the Consultant, or in, on, under or adjacent to the Premises or any portion thereof in violation of Environmental Laws.

3.4 Remediation. "Remediation" (and derivatives thereof such as an without limitation "remediate"), when used with reference to Hazardous Materials, means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor or otherwise control Hazardous Materials located in, on or under or adjacent to the Premises, or which have been or are being, or risk of being Released into the environment. Remediation includes, without limitation, those actions included within the definition of "remedy" or "remedial action" in California Health and Safety Code Section 25322 and "remove" or "removal" in California Health and Safety Code Section 25323, and as may be amended from time to time.

3.5 No Hazardous Materials. Consultant covenants and agrees that Consultant shall not, nor shall Consultant permit any of Consultant's officers, employees, agents, or subcontractors, to cause or permit any Hazardous Material to be brought upon, kept, used, stored, generated, deposited or disposed of in, on, under or adjacent to the Premises in violation of Environmental Laws, provided that Consultant may store and use such substances in and on the Premises in such limited amounts as are customarily used in the operation of an animal shelter such as the Premises so long as such storage and use is at all times in full compliance with all applicable Environmental Laws and permits. Consultant shall notify the City as soon as possible within 24 hours if and when it learns or has reason to believe that there has been any Release of Hazardous Material in, on, under or adjacent to the Premises. The City may request Consultant to provide adequate information for City to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable Environmental Laws, and Consultant shall promptly provide all such information. In the event that any Hazardous Material is Released in, on, under or adjacent to the Premises by Consultant or any of Consultant's officers, agents, employees, or subcontractors, Consultant shall promptly undertake all necessary actions to Remediate the contaminating Hazardous Material from the Premises and to return the Premises and other City property affected thereby, to the condition existing prior to such Release, or its reasonable equivalent or better, and otherwise investigate and Remediate the Release in accordance with applicable Environmental Laws, at no cost to City. Notwithstanding the foregoing, and excluding Consultant's notice obligations under this Section, Consultant shall have no Remediation obligations under this Section for (i) the mere discovery of any preexisting condition, or (ii) any conditions arising out of any action or inaction of City, its Council members, officers, employees, agents or subcontractors, and not contributed to by any action or inaction of Consultant or Consultant's officers, employees, agents, or subcontractors, (iii) any conditions arising out of any action or inaction of third party vendors that are not an agent or subcontractor of Consultant, and not contributed to by any action or inaction of Consultant or Consultant's officers, employees, agents, or subcontractors, (iv) any conditions arising out of any action or inaction of a third party, not an agent or subcontractor of Consultant, and not contributed to by any action or inaction of Consultant or Consultant's officers, employees, agents, or subcontractors.

3.6 Hazardous Material Indemnity. Consultant shall, on behalf of itself and its successors and assigns, indemnify, defend and hold harmless City, its Council members, officers, employees and agents (each a "City Indemnified Party") from and against any and all claims, liabilities, penalties, forfeitures, losses and/or expenses (including, without limitation, diminution in value of the Premise, damages for the loss or restriction on use of the rentable or usable space or of any amenity of the Premise,

damages arising from any adverse impact or marketing of the Premises and sums paid in settlement of claims, response costs, cleanup costs, site assessment costs, reasonable attorneys' fees, reasonable expert fees, judgments, administrative rulings or orders, fines, penalties, costs of death of or injury), to any person or damage to any property whatsoever (including, without limitation, groundwater, sewer systems and atmosphere), arising from, or caused or resulting, in whole or in part, directly or indirectly, by the presence or discharge in, on, under or adjacent to the Premises by Consultant, or Consultant's officers, employees, agents or subcontractors, of Hazardous Material, or by any such party's failure to comply with any applicable Environmental Law, whether knowingly or by strict liability. Such Consultant indemnity obligations include, without limitation, and whether foreseeable or unforeseeable, all costs of any Hazardous Materials management plan, closure, investigation, repairs, and Remediation and restoration of the Premises to its prior condition. For purposes of such indemnity obligations, any acts or omissions of Consultant, its officers, employees, agents, or subcontractors (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Consultant. Consultant shall provide the City with written notice of and afford City a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, Remediation or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving a Release of Hazardous Materials in, on, under, or adjacent to the Premises by Consultant or Consultant's officers, employees, agents, or subcontractors as detailed in this Section. Notwithstanding the foregoing, Consultant shall have no obligation to indemnify the City or any City Indemnified Party for (i) the mere discovery of any preexisting condition, or (ii) any conditions arising out of any action or inaction of City, its Council members, officers, employees, agents or subcontractors and not contributed to by any action or inaction of Consultant or Consultant's officers, employees, agents, or subcontractors, (iii) any conditions arising out of any action or inaction of third party vendors that are not an agent or subcontractor of Consultant, and not contributed to by any action or inaction of Consultant or Consultant's officers, employees, agents, or subcontractors, (iv) any conditions arising out of any action or inaction of a third party, not an agent or subcontractor of Consultant, and not contributed to by any action or inaction of Consultant or Consultant's officers, employees, agents, or subcontractors.

SECTION 4. DAMAGE TO UTILITIES. Consultant shall exercise reasonable care to not do anything in, on, under or adjacent to the Premises that damages any City utilities (e.g. gas, water, wastewater, fiber, electric) located in, on, under or about the Premises. Consultant agrees to reimburse City within thirty (30) calendar days of City's written request for any damages caused to City owned utilities caused by a failure of PIN to exercise reasonable care the Premises.

SECTION 5. [RESERVED BY AGREEMENT OF THE PARTIES]

SECTION 6. SURRENDER; DUTIES UPON TERMINATION OR EXPIRATION. Upon the expiration or earlier termination of this Agreement, Consultant shall immediately surrender the Premises in the same condition as received upon completion of the improvements detailed in this Agreement and any other improvements completed by City during the term of this Agreement (excepting reasonable wear and tear; casualty not caused or contributed to by Consultant or its officials, employees, agents or subcontractors; or condemnation not caused or contributed to by Consultant or its employees, agents or subcontractors), broom cleaned, walk-through with City staff completed, and free from hazards that are not pre-existing and were not introduced by the City or its officials employees, agents or subcontractors and clear of all debris that is not pre-existing and was not introduced by the City or its officials, employees, agents or subcontractors. At such time, Consultant shall remove all of its property from the Premises hereunder, and shall repair, at its cost, any damage to the Premises caused by such removal. Consultant's obligations under this Section shall survive any termination of this Agreement. Consultant shall deliver to the City the originals of all books, permits, plans, records, licenses, contracts, and other documents pertaining to the Premises and its operation, any insurance policies, bills of sale or other documents evidencing title or rights of the City, and any and all other records or documents pertaining to the Premise, whether or not enumerated herein, which are requested by the City or necessary or desirable for the ownership and operation of the Premise, which are in the Consultant's possession. Consultant shall also deliver to City all keys, alarm codes, passwords, and other items used to secure the Premise.

Consultant further agrees to do all other reasonable things reasonably necessary to cause an orderly transition of the management and operation of the Premises. The provisions of this Section shall survive the expiration or earlier termination of this Agreement until the obligations of the Consultant under this Section are fulfilled to the reasonable satisfaction of the City.

SECTION 7. REPAIR OF DAMAGE. If any portion of the Premises or any property of City located in, on, under or adjacent to the Premises is damaged or at risk of damage by any of the activities conducted by Consultant or anyone acting by or through Consultant, Consultant shall immediately notify City in writing of such damage or risk of damage. City may remedy, but shall not be obligated to remedy, such damage or risk of damage at Consultant's sole cost, or City may elect to witness Consultant's repair work. In the event City elects not to remedy such damage or threat, Consultant shall repair any and all such damage and restore the Premises or such property to its previous condition subject to City's inspection, review and approval.

SECTION 8. CITY'S RIGHT TO CURE DEFAULTS BY CONSULTANT. If Consultant fails to perform any of its obligations under this Exhibit D to restore the Premise, remove or alter improvements or repair damage, or if Consultant defaults in the performance of any of its other obligations under this Exhibit D within a reasonable time after demand by City, then City may, at its sole option, remedy such failure at Consultant's expense; within ten (10) days of receipt of a bill, Consultant shall promptly reimburse the City's actual reasonable costs (including without limitation all costs, damages, expenses or liabilities incurred by City, reasonable attorneys', experts' and Consultants' fees) in remedying or attempting to remedy such failure, or City may reduce any outstanding amount due to Consultant under the Agreement by the cost to City of such remedial action. In the alternative, the cost thereof may be made a lien on Consultant's property as provided in section 12.12.010 of the Palo Alto Municipal Code. Any such remedial action by City shall not be construed as a waiver of any rights or remedies of City under this Exhibit D or the Agreement, and nothing herein shall imply any duty of City to do any act that Consultant is obligated to perform. Consultant's obligations under this Section shall survive the expiration or earlier termination of this Exhibit D.

SECTION 9. GENERAL PROVISIONS. (a) If Consultant consists of more than one person, the obligations of each person shall be joint and several. (b) Consultant may not record this Exhibit D or any memorandum hereof. (c) Any sale or conveyance by City of the Premises, the provisions of Section 19 ("Termination or Suspension of Agreement or Services") of this Agreement shall govern.

SECTION 10. HOLDING OVER. If Consultant remains in possession of the Premises or any part thereof after the expiration of the term of this Agreement, or any renewal option thereto, such occupancy shall be a revocable license from month to month with all the obligations of this Exhibit D applicable to Consultant. Nothing contained Exhibit D or in the Agreement shall give to Consultant the right to occupy the Premises after the expiration of the term of this Agreement, or any renewal option thereto, or upon any earlier termination.

SECTION 11. WAIVER OF CIVIL CODE. Consultant expressly waives the benefit of any statute now or hereinafter in effect, including the provisions of sections 1941 and 1942 of the Civil Code of California, to the extent applicable, which would otherwise afford Consultant the right to make repairs at City's expense or to terminate this Agreement because of City's failure to keep Premises in good order, condition and repair.

SECTION 12. ALTERATIONS BY CONSULTANT. Consultant shall not make any alterations or improvements to the Premises without obtaining the prior written consent of the City Manager, except for alterations or improvements that cost less than Ten Thousand Dollars (\$10,000.00) and which do not affect any building systems or the structural integrity or any structural components of the Premises.

12.1 Ownership of Improvements. All improvements constructed, erected, or installed upon the Premises by Consultant must be free and clear of all liens, claims, or liability for labor or material and

shall become the property of City, at its election, upon expiration or earlier termination of the term, and shall remain upon the Premises upon expiration or earlier termination of this Agreement. Any furniture, trade fixtures installed by Consultant, equipment or other property of Consultant (whether obtained prior to or during the term of this Agreement) shall remain the property of Consultant. Consultant shall restore the Premises to the condition prior to Consultant's installation of such trade fixtures, consistent with Section 6 ("Surrender; Duties Upon Termination or Expiration"). .

12.2 Indemnity for Claims Arising Out of Construction. For the avoidance of doubt, included in Consultant's obligations under Section 16 ("Indemnity; Limitation of Liability") of the Agreement to which this is an exhibit, is Consultant's obligation to indemnify, defend and hold harmless City Indemnified Parties against all Claims arising out of construction and maintenance work performed on the Premises by Consultant or caused to be performed on the Premises by Consultant.

12.3 Certificate of Inspection. In the event Consultant will perform, or cause to be performed, any construction, improvement or alteration or any other work on or to the Premises for which City requires a certificate of completion, then upon completion of any such construction, improvement or alteration, Consultant shall submit to the City Manager a Certificate of Inspection, verifying that such construction, improvement or alteration was completed in conformance with Title 20 of the California Code of Regulations for residential construction, or in conformance with Title 24 of the California Code of Regulations for non-residential construction, as applicable.

12.4 As Built Plans. Consultant shall provide the City Manager with a complete set of reproducible "as built plans" reflecting actual construction within or upon the Premises upon completion of any: (i) new construction or (ii) structural alterations.

SECTION 13. ASBESTOS NOTIFICATION. Consultant acknowledges that City has advised Consultant that the Premises contains, or because of its age, is likely to contain asbestos-containing materials ("ACMs"). If Consultant undertakes any alterations, additions, or improvements to the Premises, Consultant shall do so in a manner that avoids disturbing any ACMs present on the Premises. If ACMs are likely to be disturbed in the course of such work, Consultant shall encapsulate or remove the ACMs in accordance with an asbestos-removal plan approved by the City and otherwise in accordance with all applicable laws, including giving all notices required, if any, by California Health and Safety Code §§ 25915-25919.7, as may be amended.

SECTION 14. MATERIAL CASUALTY

14.1 Damage and Repair. If a Material Casualty (as defined herein) occurs, then the City shall determine, in its sole and absolute discretion, whether it wishes to continue to operate the Premises as an animal shelter. The City's failure to provide written notice to Consultant of such election within thirty (30) days after the occurrence of a Material Casualty or other damage or destruction of the Premises shall constitute the City's election to continue the operation of the Premises as an animal shelter. If the City elects (or is deemed to elect) to continue the operation of the Premises as an animal shelter after a Material Casualty, or if the Premises is damaged but such damage does not constitute a Material Casualty, then the City shall promptly reconstruct or repair the destroyed or damaged portion of the Premises. City shall pay all costs of repairing and reconstructing the Premises. A "Material Casualty" is a total destruction of the Premises or any damage to the Premises the repair of which would exceed the City Manager's Council-delegated contracting authority under Palo Alto Municipal Code section 2.30.210, depending on the applicable contract types in relation to the repairs required.

14.2 Termination. If City notifies Consultant in writing within thirty (30) days after the occurrence of a Material Casualty that the City elects to not continue the operation of the Premises as an animal shelter after such Material Casualty, then the Agreement shall immediately terminate as of the date such notice is delivered to Consultant. In the event of such termination, (i) City shall pay Consultant's reasonable costs in winding down the operations at the Premises, including, but not limited to, any costs

associated with the termination of employees by Consultant and (ii) Consultant shall be entitled to retain its prorated compensation amount for the quarter in which termination occurs (prorated for the number of days in such quarter that elapsed up to the date of termination).

14.3 Continuation. If the City elects (or is deemed to elect) or is obligated to reconstruct or repair the damaged portions of the Premises because such damage does not constitute a Material Casualty pursuant to Section 14.1 ("Damage and Repair"), the City and Consultant shall make a determination as to whether the Premises will continue to operate during the reconstruction/repair period. If the parties mutually determine (in their respective reasonable discretion) that the Premises will operate during such period, this Agreement shall remain in full force and effect. Otherwise, Consultant's obligations to provide animal shelter services under this Agreement shall be suspended during such period. In the event of such suspension, (i) City shall pay Consultant's reasonable costs incurred by Consultant during any such suspension of operations and (ii) Consultant shall be entitled to retain its prorated compensation amount for the quarter in which suspension occurs (prorated for the number of days in such quarter that elapsed up to the date of suspension). City shall further pay all reasonable costs incurred by Consultant due to such suspension. If the parties desire, during the suspension period, the parties may negotiate in good faith to try to provide for animal shelter services to the best of the parties' reasonable abilities under the circumstances of such a suspension.

SECTION 15. CITY IMPROVEMENTS TO PREMISES. The City has worked with Consultant to identify improvements to the Premises. The City shall improve the Premises as follows, subject to the Contingencies described in this section:

15.1 Expansion of Existing Medical Suite. The City shall expand the medical suite at the Premises to accommodate more animals and offer more privacy to customers. The remodeled medical suite shall expand into the office area for the shelter and shall offer separate entrances for medical customers, separate treatment, recovery, and preparation areas, as well as a lobby for medical customers. The expansion will not be inconsistent with the plans entitled "Floor Plan – New Medical Area" that Consultant provided to City, attached as (Exhibit D-1), to the extent practicable and feasible based on site requirements and architectural- or engineering-based considerations. The City shall abate asbestos and lead paint within the medical suite area of the Premises.

Expected Timeline:

Design and Review Timelines:

A/E Consultant Procurement: November 8 – December 30, 2018

Schematic Design / Design Development: January 2, 2019 – February 25, 2019

Construction Documents: February 28 – March 22, 2019

Building Permit: April 4 – May 5, 2019

Procurement and Construction Timelines:

General Contract Bidding/Procurement: April 25 – July 7, 2019

Construction: July 24 – November 14, 2019

Note: During construction, the building will be closed, and staff will need alternative worksites. All other parts of the building should still be open.

15.2 Addition of New Modular Building. The City shall place a modular building on the site to supplement the existing building. The building shall be used for offices as well as for meetings and educational programs for the public. The modular building shall be connected to utilities and will likely require a concrete pad. The modular building will not be inconsistent with Exhibit D-2, to the extent practicable and feasible based on site requirements and architectural- or engineering-based considerations. The City will place one (1) construction-type trailer within sixty (60) days as temporary accommodations until the modular building is installed and operational.

Expected Timeline:

Design and Review Timelines:

Design: November 8, 2018 – February 25, 2019

ARB Review: January 10, 2019 – February 8, 2019

Building Permit (concurrent): January 11, 2019 – May 4, 2019

Procurement and Construction Timelines:

Procurement (9 steps): February 28 – May 12, 2019

Construction (4 major steps): May 1, 2019 – July 28, 2019

15.3 Renovation of Existing Dog Kennels. The City shall renovate the existing dog kennels located at the Premises to ensure that all kennels are operable and expected that this work shall be done by March 15, 2019. The renovation shall be as described in Exhibit D-3, to the extent practicable and feasible based on site requirements and architectural- or engineering-based considerations.

15.4 Construction of New Dog Kennels. The City shall construct 16 new kennels on the Premises. Construction is expected to be complete by July 30, 2020. The new kennels will be constructed of galvanized steel, will be air-conditioned and heated, and located as close as possible to the existing dog kennels and medical area, to the extent practicable and feasible based on site requirements and architectural- or engineering-based considerations. Interior and exterior runs shall be of material size and quality not inconsistent with the applicable items as set forth on Exhibit D-4, to the extent practicable and feasible based on site requirements, architectural- or engineering-based considerations, and procurement requirements applicable to the City as a public entity.

15.5 Total Cost. The total cost of these improvements above is expected to be approximately \$3.4 million, not including staff time, as estimated at the time as of the execution of this Agreement, and shall be fully paid for by the City of Palo Alto.

15.6 Contingencies. The Parties acknowledge that the improvements in this Section are subject to conditions which may alter the scope of the aforementioned improvements and could prevent one, some, or all of them from being constructed. These conditions include, but are not limited to:

- (a) Permitting and architectural review;
- (b) Appropriation of sufficient funds, as decided by the City Council;
- (c) Compliance with all laws, regulations, permits, and conditions, including CEQA; and
- (d) Changes in the prices for construction and materials.

15.7 Additional Compensation for Renovation Delays. Due to facility inadequacies, that would be remedied by the completion of the renovations outlined in sections 15.1, 15.2, and 15.3, the City will provide additional compensation to Consultant up to five-thousand dollars (\$5,000) per month, should the City be unable to substantially complete the renovations in the time periods outlined in sections 15.1, 15.2, and 15.3. The additional compensation must be specifically documented and related to costs Consultant incurs as a result of facility inadequacies that would be remedied by the completion of renovations.

15.8 All work performed by the City shall be performed in a workmanlike manner, in compliance with all applicable laws., City shall take reasonable steps to perform such work in a manner which results in minimal disruption to Consultant's activities in the Premises. Consultant will take reasonable steps to accommodate City's work. The City shall enforce all applicable third party warranties at the request of Consultant. City shall promptly obtain final certificates of occupancy for all applicable portions of the Premises.


15.9 Renovation Timeline Updates. City shall provide renovation timeline updates to Consultant on a quarterly basis or more frequently upon request. Six months after the commencement of the construction of the improvements detailed in this Agreement, the parties will meet to review whether the renovation timelines stated herein are on track. City shall provide renovation timeline updates to

Consultant on a quarterly basis or more frequently upon request. If, in Consultant's reasonable determination, there is excessive delay in any renovation timelines stated herein, and City is not diligently pursuing completion of the improvements detailed in Section 15.1, 15.2, or 15.3, Consultant may terminate this Agreement upon sixty (60) days' written notice to City.

Palo Alto Animal Shelter
3281 East Bayshore Rd., Palo Alto, CA

Item 3

Attachment B - Pets in Need
Contract, Executed with Signatures

 **Premises**





CITY OF
**PALO
ALTO**

City Council Staff Report

Report Type: CONSENT CALENDAR

Lead Department: City Clerk

Meeting Date: March 27, 2023

Report #:2303-1153

TITLE

Approval of Minutes from March 13, 2023 Meeting

RECOMMENDATION

That the minutes be reviewed and approved as attached.

ATTACHMENTS

Attachment A: March 13, 2023 Draft Minutes

APPROVED BY:

Lesley Milton



CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting
Monday, March 13, 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, Kou, Lauing, Lythcott-Haims, Stone, Tanaka, Veenker
Present Remotely: None
Absent: None

STUDY SESSION

1. Comprehensive Economic Development Strategy Update and Study Session (Continued from February 13, 2023)

ACTION: None Taken

2. Prescreening Study Session Regarding a Rezone Request to Amend Planned Community 2343 (PC 2343) for the Property Located at 2901-2905 Middlefield Rd and Rezone 702 Ellsworth Place to R1 Zone for Development of a One-Story Single-Family Residence

ACTION: None Taken

AGENDA CHANGES, ADDITIONS AND DELETIONS

None.

PUBLIC COMMENT

CONSENT CALENDAR

Council Member Lythcott-Haims, Tanaka, Burt requested to pull Item 4 and registered no votes on the item.

DRAFT ACTION MINUTES

Council Member Burt registered a no vote on Agenda Item Number AA1.

MOTION: Vice Mayor Stone moved, seconded by Mayor Kou to approve Agenda Item Numbers 3, 4, 5 & AA1.

3. Approve Minutes from February 6, 2023 and February 27, 2023 Meetings
4. SECOND READING: Parks and Recreation Commission Recommendation to Adopt an Ordinance Amending PAMC Section 22.04.220 to Regulate Electric Bicycles and Electric Coasting Devices in Parks and Open Spaces
5. Adopt an Ordinance Adding an On-Demand Transit Fare Fee to the FY 2023 Municipal Fee Schedule – CEQA Status – Not a Project

AA1. Approval of the Office of the City Auditor FY2023 Task Orders

MOTION PASSED Items 3, 5: 7-0

MOTION PASSED Item AA1: 6-1, Burt no

MOTION PASSED Item 4: 4-3, Lythcott-Haims, Burt, Tanaka no

CITY MANAGER COMMENTS

ACTION ITEMS

6. 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))

MOTION: Council Member Lauing moved, seconded by Council Member Burt to table this item to take up Item AA2.

MOTION PASSED: 7-0

The Council took up Item AA2 then returned to Item 6.

MOTION: Council Member Tanaka moved, seconded by Vice Mayor Stone to continue this item to a future meeting.

MOTION PASSED: 7-0

AA2. Review Revised list of Applicants for open Board and Commission Openings on the Historic Resources Board, Human Relations Commission, Parks and Recreation Commission,

DRAFT ACTION MINUTES

Planning and Transportation Commission, Utilities Advisory Commission and provide direction for interviews and appointments.

MOTION: Vice Mayor Stone moved, seconded by Council Member Veenker to interview applicants that received two or more nominations from Council Members and add that each Council Member may make one additional “wildcard” nomination after seeing the list.

MOTION PASSED: 7-0

COUNCIL MEMBER QUESTIONS, COMMENTS, ANNOUNCEMENTS

ADJOURNMENT: The meeting was adjourned at 11:43 P.M.

ATTEST:

APPROVED:

City Clerk

Mayor

NOTE: Action minutes are prepared in accordance with Palo Alto Municipal Code (PAMC) 2.04.160(a) and (b). Summary minutes (sense) are prepared in accordance with PAMC Section 2.04.160(c). Beginning in January 2018, in accordance with [Ordinance No. 5423](#), the City Council found action minutes and the video/audio recordings of Council proceedings to be the official records of both Council and committee proceedings. These recordings are available on the City’s website.



City Council Staff Report

From: City Manager
Report Type: CONSENT CALENDAR
Lead Department: Community Services

Meeting Date: March 27, 2023
Report #:2303-1151

TITLE

Adopt an Ordinance to Expand the Human Relations Commission (HRC) from Five to Seven Members; CEQA status – not a project

RECOMMENDATION

Staff recommends that the City Council adopt the attached ordinance to expand the Human Relations Commission from five to seven members.

BACKGROUND AND ANALYSIS

On March 6, 2023, the City Council moved to increase the membership of the City's Human Relations Commission from five to seven members. In June 2020, this Commission was reduced from seven members to five at the direction of Council.¹ Staff return with the attached ordinance to make the change and increase the membership of the HRC to seven members. The ordinance will stagger the two new seats so that only a portion of the Commission will change each year. The term of these seats will remain three (3) years.

Existing Staggering Schedule: Two Seats end in 2023, Three Seats end in 2025

Seat	Current Term Expiration Date	Next Term
1	March 31, 2023	April 2023-March 2026
2		
3	March 31, 2025	April 2025-March 2028
4		
5		

¹ See staff report from June 22, 2020 at <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-11424.pdf?t=72303.63>

New Staggering Schedule: Two new seats will end in 2024, then will have regular three-year terms.

Seat	Current Term Expiration Date	Next Term
1	March 31, 2023	April 2023-March 2026
2		
3 (new)	March 31, 2024	April 2024-March 2027
4 (new)		
5	March 31, 2025	April 2025-March 2028
6		
7		

If this ordinance is approved, Council may select four commissioners in the current recruitment process – two commissioners that will have three-year terms (Seats 1 and 2), and two commissioners that will have one-year terms (Seats 3 and 4). The two commissioners appointed to one-year terms will start their terms upon the effective date of this ordinance or upon appointment by Council, whichever is later.

FISCAL/RESOURCE IMPACT

Increasing the commission size to seven members will increase demands on staff to support the administration of the HRC. Staff are responsible for scheduling, doing research to answer Commissioner questions, and ensuring compliance with the Brown Act and local bylaws and rules. Staff will have to dedicate additional time to accommodate two additional members. This will be absorbed within existing staff levels.

STAKEHOLDER ENGAGEMENT

This item is being put forth at Council’s request from March 6, 2023. No additional stakeholder engagement was performed.

ENVIRONMENTAL REVIEW

Approving this ordinance is not a project within the meaning of CEQA.

ATTACHMENTS

Attachment A: Ordinance Expanding the Human Relations Commission from Five to Seven Members

APPROVED BY:

Kristen O’Kane, Community Services Director

Not Yet Approved

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending PAMC Section
2.22.010 to Expand the Human Relations Commission from Five to Seven
Members

Item 5
Attachment A - Ordinance
Expanding the Human
Relations Commission
from Five to Seven
Members

The Council of the City of Palo Alto ORDAINS as follows:

SECTION 1. The City Council finds and declares as follows:

- A. The City has a Human Relations Commission as detailed in Chapter 2.22 of the Palo Alto Municipal Code.
- B. The City Council desires to expand the membership of the Human Relations Commission from five to seven members.
- C. The two new members shall initially have one-year terms in order to stagger the introduction of new members as detailed in Section 3 of this ordinance.

SECTION 2. Section 2.22.010 (Membership) of Chapter 2.22 (Human Relations Commission) of the Palo Alto Municipal Code (PAMC) is hereby amended and restated as follows (deleted text is in ~~strike through~~, new text is underlined):

2.22.010 Membership.

There is created a human relations commission composed of ~~five~~seven members who are not council members, officers or employees of the city, who are residents of the city, and who shall be appointed by the city council.

SECTION 3. The two new seats on the Human Relations Commission created by this ordinance shall initially have shortened terms to expire on March 31, 2024, subject to extension under the provisions of PAMC 2.22.020 (Term of office). After that, successive terms shall be consistent with the term lengths in PAMC section 2.22.020 and any other applicable section of the PAMC. This Section 3 shall be uncodedified.

SECTION 4. If any section, subsection, clause or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Ordinance. The Council hereby declares that it should have adopted the Ordinance and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid.

Not Yet Approved

Item 5
Attachment A - Ordinance
Expanding the Human
Relations Commission
from Five to Seven
Members

SECTION 5. The Council finds that this project is exempt from the California Environmental Quality Act ("CEQA"), pursuant to Section 15061 of the CEQA Guidelines, because it can be seen with certainty that there is no possibility that the ordinance will have a significant effect on the environment.

SECTION 6. This ordinance shall be effective on the thirty-first day after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director, Community Services Department



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: City Auditor

Meeting Date: March 27, 2023

Report #:2303-1075

TITLE

Consent of the Macias, Gini & O'Connell's Single Audit Report for the Fiscal Year Ended June 30, 2022

RECOMMENDATION

The Office of the City Auditor and Staff recommend that the City Council consent to the audit reports for the fiscal year ended June 30, 2022, prepared by Macias Gini & O'Connell ("MGO"). These reports are collectively referred to as the Single Audit.

1. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards.
2. Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Federal Awards Required by the Uniform Guidance.

BACKGROUND

At the [January 23, 2023 City Council Meeting, the City Council approved the following audit reports prepared by MGO:](#)

- a. Auditor's Report to the City Council (the "Management Letter")
- b. Cable TV Franchise, Independent Auditor's Report and Statements of Franchise Revenues and Expenses for the years ended December 31, 2021 and 2020
- c. Palo Alto Public Improvement Corporation (a component unit of the City of Palo Alto) Annual Financial Report for the year ended June 30, 2022
- d. Regional Water Quality Control Plant, Independent Auditor's Report and Financial Statements for the year ended June 30, 2022
- e. Independent Accountant's Report on Applying Agreed-Upon Procedures related to the Article XIII-B Appropriations (GANN) Limit for the year ended June 30, 2022

At that time, guidance necessary for the completion of the Single Audit had not yet been released by Federal Office of Management and Budget. The Single Audit report has since been completed, thus the recommended action within this report.

MGO reports the following within the Single Audit Report:

- Unmodified opinions as it pertains to both the Financial Statements and to Federal Awards
- No material weaknesses or significant deficiencies in internal controls over financial reporting or over major programs
- No findings or questioned costs

FISCAL/RESOURCE IMPACT

There is no resource impact associated with this report.

STAKEHOLDER ENGAGEMENT

This report has been prepared by the Office of the City Auditor in coordination with the Administrative Services Department.

ENVIRONMENTAL REVIEW

This consent is exempt from CEQA and requires no further environmental review.

ATTACHMENTS

Attachment A: City of Palo Alto Single Audit Reports FY 2022

APPROVED BY:

Adriane McCoy, City Auditor

CITY OF PALO ALTO

Single Audit Reports

For the Year Ended June 30, 2022



Certified
Public
Accountants

CITY OF PALO ALTO
Single Audit Reports
For the Year Ended June 30, 2022

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and Members of the
City Council of the City of Palo Alto
Palo Alto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palo Alto, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 16, 2022



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and Members of the
City Council of the City of Palo Alto
Palo Alto, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Palo Alto, California's (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States (*Government Audit Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulation Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 16, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Walnut Creek, California
March 16, 2023

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CITY OF PALO ALTO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Grantor/Pass-Through Grantor/Federal Program Title	Grantor Identifying Number	Assistance Listing Number	Federal Expenditures	Subrecipients Expenditures
U.S. Department of Housing and Urban Development				
Direct:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	--	14.218	\$ 293,377	\$ 137,663
COVID-19 - Community Development Block Grants/Entitlement Grants	--	14.218	140,427	121,448
Subtotal - CDBG - Entitlement Grants Cluster			433,804	259,111
Total U.S. Department of Housing and Urban Development			433,804	259,111
U.S. Department of Justice				
Direct:				
Bulletproof Vest Partnership Program	--	16.607	9,588	-
Total U.S. Department of Justice			9,588	-
U.S. Department of Transportation				
Direct:				
Airport Improvement Program	3-06-0182-015-2020	20.106	6,895,124	-
Airport Improvement Program	3-06-0182-018-2021	20.106	152,500	-
Subtotal - Airport Improvement Program			7,047,624	-
Pass-through from State of California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	75LX335-00180000017	20.205	74,164	-
Highway Planning and Construction	BRLS-5100(017)	20.205	107,487	-
Pass-through from Santa Clara Valley Transportation Authority:				
Highway Planning and Construction	SCL 170021	20.205	4,005	-
Subtotal - Highway Planning and Construction Cluster			185,656	-
Total U.S. Department of Transportation			7,233,280	-
U.S. Department of Treasury				
Direct:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	--	21.027	8,241,043	-
Pass-through from California State Water Resources Control Board:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Not Available	21.027	413,642	-
Pass-through from California Department of Community Services and Development:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Not Available	21.027	735,969	-
Subtotal - Coronavirus State and Local Fiscal Recovery Funds			9,390,654	-
Total U.S. Department of Treasury			9,390,654	-
National Endowment for the Humanities				
Direct:				
Museums for America	MA-10-17-0327-17	45.301	71,047	-
Museums for America	MA-10-19-0583-19	45.301	145,333	-
Museums for America	MA-24-91-45OMS-21	45.301	14,400	-
Museums for America	MA-40-18-0555-18	45.301	46,391	-
Subtotal - Museums for America			277,171	-
COVID-19 - National Leadership Grants	CAGML-247827-OMLS	45.312	70,887	-
Total National Endowment for the Humanities			348,058	-
U.S. Department of Homeland Security				
Direct:				
Staffing for Adequate Fire and Emergency Response (SAFER)	EMW-2020-FF-01734	97.083	339,192	-
Total U.S. Department of Homeland Security			339,192	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 17,754,576	\$ 259,111

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF PALO ALTO

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Palo Alto, California (City), and its component unit as disclosed in the notes to the basic financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of measurement focus applied. The Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in governmental funds and the accrual basis of accounting for program expenditures accounted for in proprietary funds. Expenditures of federal awards reported in the Schedule are recognized when incurred and all eligibility requirements have been met. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs. Expenditures funded from the following acts are denoted by the prefix COVID-19 in the federal program title in the Schedule (as applicable):

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

NOTE 3 – DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of federal award programs when related expenditures are incurred.

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds or as expenses/capital assets in the proprietary funds. Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

CITY OF PALO ALTO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

No

None reported

Noncompliance material to the financial statements noted?

No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

No

None reported

Type of auditor's report issued on compliance for the major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of major federal programs:

Assistance Listing Numbers

20.106
21.027

Name of Federal Program or Cluster

Airport Improvement Program
Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

Yes

Section II Financial Statement Findings

None reported.

Section III Federal Awards Findings

None reported.

CITY OF PALO ALTO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Prior audit findings were not reported.



Council Consent Agenda Responses

Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below responses from the City Auditor and staff to questions from Councilmember Tanaka regarding the [Monday, March 27 Council Meeting](#) consent agenda items.

Item 6, Consent of the Macias, Gini & O'Connell's Single Audit Report for the Fiscal Year Ended June 30, 2022

1. **Can you explain the purpose and scope of the tests performed by the auditors on the City's internal control and compliance with specific provisions of laws, regulations, contracts, and grant agreements? Why was the data for these tests not disclosed? Please share the results of these tests.**

City Auditor response: The role of the external auditor is to provide an opinion as to the assertions that management has made relative to periodic financial statements. The external auditor opines on the assertions. The audits are conducted in accordance with AICPA (aka GAAS) and the GAO Yellow Book government auditing standards.

The role of the internal auditor is to evaluate the city's internal control environment through reviewing operations, compliance with laws, regulations, agreements, policies, processes, and procedures.

2. **The Staff reports said that the auditors gave "Unmodified opinions as it pertains to both the Financial Statements and to Federal Awards". This is true for the Federal awards, however, the auditors did not express an opinion on the effectiveness of the City's internal control or on compliance with specific provisions. I am concerned about why the auditors chose to conduct these tests but refrained from providing an opinion based on the results. Can you explain?**

City Auditor response: The scope of work conducted by the external financial statement auditors does not include an opinion regarding the effectiveness of internal controls as this would be outside of the scope of their engagement. The tests conducted to opine on the financial statements are limited to the statements themselves. For public companies required to be audited under the PCAOB standards, you will find an "integrated audit" in the format you are making inquiries. The PCAOB standards do not apply to governments, such as Palo Alto.

3. **Why is there a mismatch between the staff report and the auditor report on the opinion of internal controls and compliance? Essentially, the auditor gave a "Disclaimer of Opinion" but the staff claimed it was an "Unmodified opinion" which is a big difference.**

City Auditor response: The external auditor's opinion is only relative to the presentation of the financial statements presented by management. MGO did not issue an opinion on internal controls over compliance as that was not the objective of their audit. A disclaimer of opinion is very different, as it is a negative result when an auditor's objective is to audit the effectiveness of internal controls but is unable to give an opinion on effectiveness.

4. **Why did the auditors decide not to express an opinion (i.e. Disclaimer of Opinion) on the effectiveness of the City's internal control and compliance matters, despite conducting tests and reporting no significant findings? Should the City get an Unmodified opinion?**

City Auditor response: This is not applicable based on the explanations previously provided.

5. **How does the work the City Auditor does match up with the work MGO does in terms of testing and giving opinions for internal controls or compliance?**

City Auditor response: The City Auditor conducts internal audits in accordance with the IIA Professional Practice Standards and the GAO Yellow Book audit standards. The scope of these audits includes operational, compliance, information technology, program and performance audits.

MGO conducts audits of financial statements and certain compliance requirements (such as expenditures of federal awards under the Single Audit) to express an opinion on the accuracy, completeness, presentation, valuation, existence and rights and obligations of assets, liabilities and equity of the governmental organization such that the statements can be relied upon by the public.

6. **Is this approach to testing and reporting on internal control and compliance matters in accordance with standard auditing practices? If so, can you provide more information on the rationale behind this approach?**

City Auditor response: The role of the independent external auditor and the internal auditor has been defined by professional auditing standards for the conduct of audits performed for governmental organizations. These standards include the AICPA, IIA, GAO Yellow Book standards.

Item 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.

1. **If Palo Alto residents can access all the information found on the Enjoy Activity Guide on the city website, to minimize environmental impact and costs, is it necessary to print and send this information by paper?**

Staff response: There is a high demand for printed copies of the Enjoy catalog. CSD customer service staff receive numerous inquiries both by phone and in-person, as to when the guides will be arriving in the mail. Some residents prefer to plan out their activities at home and then bring in their guides to a community center and ask our front desk staff to help them register. This is especially important for those who do not have access to or are not comfortable using the internet. Prior to the pandemic, staff eliminated printed versions of the Enjoy catalog except the Summer Camp guide and noticed a drop in enrollment during seasons when a printed catalog was not mailed to each household.

This is a service provided by the City for residents, and may be revisited each year through the budget process. At some point in the future there may be greater community acceptance of online-only program catalogs. Staff monitors customer feedback and forwards recommendations accordingly.

2. To measure the efficiency of these paper guides, is there data that shows people are registering for activities or using information from the printed guides (such as from different website links or survey questions)?

Staff response: Staff have not captured this information.

3. Why are there 4 different optional rate schedules on the 2020-2023 contract? What determines the difference between the unit pricing options to print the Enjoy Activity Guides, and how are options chosen?

Staff response: The different options were included to provide the City with options on number of pages of the catalog and quality of paper for the cover. In the Amendment, there is only one option for 64 pages and one type of paper.

4. Percentage increase vs inflation?

Staff response: The cost per guide in the contract extension is based on increased cost of paper since the start of the original contract. The 2023-2026 prices are at a roughly 5% increase per guide per year.

5. Does the number of households in Palo Alto match the number of printed copies of the Enjoy Activity Guides? If there are more copies than households, what is being done with the excess? If there are fewer copies than households, what determines which households receive the guides?

Staff response: We print roughly 900 more copies than the number of households in Palo Alto. These additional copies are available at all Community Centers, Libraries, the Palo Alto Art Center, the Children's Theatre, and the Junior Museum & Zoo. The majority of these are picked up by non-residents, which accounts for roughly 12-15% of revenue from these programs.

6. Why were 1,000 more Enjoy Activity Guides printed for the summer during the 2020-2023 contract?

Staff response: These were additional guides to be placed at the different centers described in the previous question. After assessing the needs of each center, current staff lowered the number of copies.

Item 8, Approval of Contract Amendment Number One (1) with Team Sheeper, 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

1. Can the staff provide a detailed explanation of the calculations and projections that demonstrate how the proposed one-time payment of \$85,000 to Team Sheeper, Inc. during the 45-day closure period makes good financial sense for the city in the long term? Please show the financial ROI analysis that justify this investment despite the significant difference between the payment amount and the revenue share of \$15,085 received in Fiscal Year 2022.

Staff response: The cost of Team Sheeper's payroll during winter months is \$53k per 28-day period, or \$1892.85 per day. The total payroll for 45 days was calculated using this rate. The company cannot afford to continue to pay staff during this time and absorb the loss in revenue. This would not be a viable scenario for Team Sheeper to continue operating in Palo Alto. The contract states that a facility will be provided in order to operate the pool. The Rinconada Pool is a valued City asset that many residents rely on for their physical and mental health, especially for those who are not able to do other types of exercises due to physical limitations. Continuing the

programming at the pool is very important to residents as they continue to pursue their health and well-being.

2. **Can the staff address concerns regarding the necessity of providing financial assistance to Team Sheepier, Inc. for employee salaries during the cold and rainy season, when it's assumed that there would be less demand for swimming facilities and potentially reduced staffing needs?**

Staff response: The facility is open the same number of hours regardless of the weather and how many people come to the pool. There is a minimum number of staff that must be employed to ensure the safety and management of the pool. In the winter months, revenue is completely generated from lap swimming, Masters swimming and rental revenue from Palo Alto Stanford Aquatics. The payroll numbers used for the calculation are based on winter months and not summer months, when the costs are much higher.

3. **Can the staff explain how the proposed financial assistance to Team Sheepier, Inc. for employee salaries will help retain staff, considering that the approval for this amendment is being sought halfway through the 45-day closure period? Is it not too late for this assistance to effectively support staff retention?**

Staff response: To rehire permanent, full time people is extremely hard to do. It is very challenging to find good, reliable, committed full time employees in an aquatics facility. It could take weeks to reopen the pool with the proper staffing in place. The full time staff employed by Team Sheepier have all served the community of Palo Alto for years, since the start of the Team Sheepier contract. Staff and Team Sheepier have negotiated the recommended amendment, and Team Sheepier has retained its staff at its own risk should Council not approve the amendment.

4. **Can the staff provide information on the percentage of Team Sheepier, Inc. employees and users who are Palo Alto residents, as the city's financial assistance aims to support the community? It would be helpful to understand how this payment will directly benefit local residents.**

Staff response: As shown in Team Sheepier's annual report that is included in the staff report as a link, 76% of lap swim members are residents while 64% of Masters members are residents. Full time employees who work at Rinconada Pool do not live in Palo Alto; however, most of the part time lifeguard staff (generally high school age) live with their families in Palo Alto.



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Community Services

Meeting Date: March 27, 2023

Report #:2302-0972

TITLE

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.

RECOMMENDATION

Staff recommends the City Council approve and authorize the City Manager or their designee to execute Amendment No. 1 to Contract S20176706 with FolgerGraphics, Inc. (Attachment A) for an additional three years to March 15, 2026 and to increase the not-to-exceed amount by \$235,200 to a total of \$447,045 for professional printing and distribution services of the City's Enjoy Activity Guide.

BACKGROUND

The Enjoy Activity Guide that is produced by the Community Services Department (CSD) provides the community with information about class and program offerings, special events, facility rental information, locations and features of parks and open space preserves throughout the City, as well as information on programming for other City departments (for example, Library, Fire, Utilities) and community partners. FolgerGraphics prints roughly 160,000 Enjoy Activity Guides per year (40,000 prints of four activity guides) and prepares the activity guide for mail distribution and delivers the copies to the Post Office.

DISCUSSION

A Request for Proposals was released from October 21, 2019 through November 12, 2019. Four bids were received and the contract was awarded to FolgerGraphics. The current contract term is March 16, 2020 to March 15, 2023 with a total not-to-exceed amount of \$211,845. Amendment 1 covers the term of March 16, 2023 through March 15, 2026, for a not-to-exceed amount of \$235,200. This is in alignment with the fees set forth by FolgerGraphics Inc., in which the catalogs will increase at a printing rate of \$0.02 per catalog per year.

Printing Year	Cost per Catalog	Fall Classes – 40,000 prints	Winter Classes - 40,000 prints	Summer Camp – 40,000 prints	Spring Classes – 40,000 prints	Total
March '23-March '24	\$0.47	\$18,800	\$18,800	\$18,800	\$18,800	\$75,200
March '24-March '25	\$0.49	\$19,600	\$19,600	\$19,600	\$19,600	\$78,400
March '25-March '26	\$0.51	\$20,400	\$20,400	\$20,400	\$20,400	\$81,600
						\$235,200

Staff is making the recommendation to extend the existing contract instead of issuing a new RFP to ensure that marketing for the Community Services Departments programming, special events, and resource list for the community, continues to reach all residents of the City without interruption. From discussions with other Community Services Departments and Recreation staff within Santa Clara County, staff learned that other vendors would not be able to meet the City's Zero Waste Program requirements. Staff also assessed the time and resources required to transition to a different printing and distribution provider and doing so would create a delay in mailing out the Community Services Departments Enjoy! Activity Guides to Palo Alto residents. In consideration of maintaining direct and continual communication with our community, staff is recommending a renewal of the contract with FolgerGraphics Inc.

Community Services Department staff is satisfied with the performance from FolgerGraphics Inc. FolgerGraphics Inc., currently complies with the City's Environmentally Preferred Purchasing policies and the requirements of the City's Zero Waste Program.

FISCAL/RESOURCE IMPACT

The Community Services Department's FY2023 Adopted Operating Budget has sufficient funding to absorb the cost of the contract, with no additional budget action being required for the current fiscal year. Funding for future years will be subject to Council's adoption of future budgets, and if necessary, requests for additional funding in alignment with escalating contract costs will be brought forward as a part of the City's annual budget development process.

STAKEHOLDER ENGAGEMENT

As stated above, CSD staff have reached out to other Recreation staff to identify other possible vendors and learned that other vendors would not meet the City's Zero Waste Program requirements.

ENVIRONMENTAL REVIEW

Approval of this contract amendment is not considered a Project as defined by the California Environmental Quality Act (CEQA).

ATTACHMENTS

Attachment A: Amendment No. 1 with FolgerGraphics, Inc. in the Amount of \$235,200 for Professional Printing and Distribution Services of the Enjoy Activity Guide for an Additional Three Years

APPROVED BY:

Kristen O'Kane, Community Services Director

**AMENDMENT NO. 1 TO CONTRACT NO. S20176706
BETWEEN THE CITY OF PALO ALTO AND FOLGERGRAPHICS**

This Amendment No. 1 (this "Amendment") to Contract No. S20176706 (the "Contract" as defined below) is entered into as of March 27, 2023, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and FOLGERGRAPHICS INC., a California corporation, located at 21093 Forbes Avenue, Hayward, CA 94545 ("CONTRACTOR"). CITY and CONTRACTOR are referred to collectively as the "Parties" in this Amendment.

RECITALS

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of providing printing and distribution of four (4) issues annually of the Enjoy Catalog for the Community Services Department, as detailed therein.

B. The Parties now wish to amend the Contract in order to extend the term by three years to March 15, 2026 and increase the compensation by two hundred thirty-five thousand two hundred dollars (\$235,200), from a total not to exceed compensation of two hundred eleven thousand eight hundred forty-five dollars (\$211,845) to four hundred forty-seven thousand forty-five dollars (\$447,045), as detailed herein.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. S20176706 between CONSULTANT and CITY, dated March 16, 2020.
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 3. "TERM" of the Contract is hereby amended to read as follows:

"3. TERM. The term of this Agreement is from March 16, 2020 to March 15, 2026 inclusive, subject to the provisions of Sections R and W of the General Terms and Conditions."

SECTION 3. Section 5. "COMPENSATION FOR ORIGINAL TERM" of the Contract is hereby amended to read as follows:

"5. COMPENSATION FOR ORIGINAL TERM. CITY shall pay and CONTRACTOR agrees to accept as not-to-exceed compensation for the full performance of the Services and reimbursable expenses, if any:

- A sum calculated in accordance with the fee schedule set forth at Exhibit C, for a total maximum compensation amount of Four Hundred Forty Seven Thousand Four Hundred dollars (\$447,045.00).

CONTRACTOR agrees that it can perform the Services for an amount not to exceed the total maximum compensation set forth above. Any hours worked or services performed by CONTRACTOR for which payment would result in a total exceeding the maximum amount of compensation set forth above for performance of the Services shall be at no cost to CITY.

- CITY has set aside the sum of Zero dollars (\$0.00) for Additional Services. CONTRACTOR shall provide Additional Services only by advanced, written authorization from the City Manager or designee. CONTRACTOR, at the CITY's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONTRACTOR's proposed maximum compensation, including reimbursable expense, for such services. Compensation shall be based on the hourly rates set forth above or in Exhibit C (whichever is applicable), or if such rates are not applicable, a negotiated lump sum. CITY shall not authorize and CONTRACTOR shall not perform any Additional Services for which payment would exceed the amount set forth above for Additional Services. Payment for Additional Services is subject to all requirements and restrictions in this Agreement."

SECTION 4. The following exhibit(s) to the Contract is/are hereby amended or added, as indicated below, to read as set forth in the attachment(s) to this Amendment, which is/are hereby incorporated in full into this Amendment and into the Contract by this reference:

- a. Exhibit "A" entitled "SCOPE OF SERVICES, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS.
- b. Exhibit "C" entitled "SCHEDULE OF FEES, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS.

SECTION 5. Legal Effect. Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 6. Incorporation of Recitals. The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

SIGNATURES OF THE PARTIES

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

CITY OF PALO ALTO

FOLGERGRAPHICS INC.

Officer 1

City Manager

By: Kirk Folger

Name: Kirk Folger

Title: V.P. of Sales

APPROVED AS TO FORM:

City Attorney or Designee

Officer 2

By: Ten Tansen

Name: Ten Tansen

Title: General Manager

Attachments:

Exhibit "A" – entitled "SCOPE OF SERVICES, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS

Exhibit "C" – entitled "SCHEDULE OF FEES, AMENDMENT NO. 1", AMENDED, REPLACES PREVIOUS

EXHIBIT A
SCOPE OF SERVICES, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

Contractor shall provide printing and distribution of four (4) issues annually of the Enjoy Catalog for the Community Services Department.

1. Scope of Services

1.1. Printing quality must be sharp and clear, centered and level on page, consistent ink coverage, etc.

1.2. Printer is to receive camera-ready art and deliver approximately 37,000 (38,000 for the summer catalog) printed catalogs to the United States Postal Service (USPS) in East Palo Alto 2085 (E. Bayshore Road, East Palo Alto, CA 94303) for Every Door, Direct Mail (EDDM) for the specified Palo Alto zip codes: 94301, 94303, 94304, and 94306. The balance of the printed material, approximately 3,000 is to be delivered to Palo Alto Community Services Department at Cubberley Community Center (4000 Middlefield Road, T2, Palo Alto, CA 94301) on the same date.

1.3. Sample production schedule for 2019 – 2020:

Item Deadline	Winter 2019-20	Summer Camps	Spring & Summer 2020	Fall 2020
All copy due in ActiveNet/Rec Connect	September 3rd	November 5th	December 3rd	June 2nd
First Draft Available for Proofing	September 16-20th	November 18-22nd	December 16-20th	June 15-19th
Front Cover	Children's Theatre	Camps	JMZ	Open Space/Parks
Cover Final Due	September 18th	November 20th	December 18th	June 17th
Second/ FINAL Available for Proofing	September 30 - October 4th	December 9-13th	January 6-10th	July 6-10th
Guide Delivered to Printer	October 11th	December 20th	January 17th	July 17th
Guide Delivered to Community Centers	October 25th	January 10th	January 31st	July 31st
Guide Mailed out via USPS	First week of Nov	Second week of February	Last week of February	Second week of August

2. ENJOY CATALOG:

2.1. QUANTITY:

2.1.1. FALL, WINTER, SPRING ISSUES: APPROXIMATELY 40,000 COPIES OF EACH ISSUE.

Vers.: Aug. 5, 2019

2.1.2. SUMMER CAMPS AND AQUATICS: APPROXIMATELY 41,000 CO
ISSUE.

2.2. PAGE COUNT: APPROXIMATELY 64 PAGES

2.3. COVER: 4CP + GAQ THROUGHOUT, 80# GLOSS BOOK

2.4. FINISH/ASSEMBLY: FOLD, STITCH AND TRIM, STRING TIE, SKID PACK. CRT SORT 37,106

2.5. FINISH DIMENSIONS: 8.25" X 10.75"

2.6. INKS: CMKY COVER AND INSIDE; BLEEDS

2.7. DELIVERY: 37,000 CATALOGS (38,000 FOR THE SUMMER CATALOGS) DELIVERED TO
DISTRIBUTION POINT (EAST PALO ALTO USPS) 3,000 DELIVERED TO COMMUNITY SERVICES
ADMIN (PALO ALTO)

AMENDMENT NO. 1 (For catalogs starting with the Fall 2023 edition):

Contractor shall provide printing and distribution of four (4) issues annually of the Enjoy Catalog for the Community Services Department.

1. Scope of Services

1.1. Printing quality must be sharp and clear, centered and level on page, consistent ink coverage, etc.

1.2. Printer is to receive camera-ready art and deliver approximately 37,000 (38,000 for the summer catalog) printed catalogs to the United States Postal Service (USPS) in East Palo Alto 2085 (E. Bayshore Road, East Palo Alto, CA 94303) for Every Door, Direct Mail (EDDM) for the specified Palo Alto zip codes: 94301, 94303, 94304, and 94306. The balance of the printed material, approximately 1,000 is to be delivered to Palo Alto Community Services Department Admin at Lucie Stern Community Center (1305 Middlefield Rd. Palo Alto, CA 94301) on the same date.

1.3. Sample production schedule for 2023 – 2024:

Item Deadline	Fall 2023	Winter 2024	Summer Camp 2024	Spring 2024
All copy due in CivicRec	June 30	Oct 6	Nov 16	Jan 4
First Draft Available for Proofing	July 13	Oct 17	Dec 6	Jan 16
Front Cover	Children's Theatre	Camps	JMZ	Open Space/Parks
Cover Final Due	July 13	Oct 17	Dec 6	Jan 16
Second/ FINAL Available for Proofing	July 20	Oct 25	Dec 18	Jan 24
Guide Delivered to Printer	July 27	Nov 1	Dec 21	Feb 1

Vers.: Aug. 5, 2019

Item 7
 Attachment A
 Amendment No. 1 with
 FolgerGraphics, Inc. in the
 Amount of \$235,200 for
 Professional Printing and
 Distribution Services of
 the Enjoy Activity Guide
 for an Additional Three
 Years

Guide Delivered to Community Centers	Aug 15	Nov 15	Jan 17	
Guide Mailed out via USPS	Second week of Aug	Second week of Nov	Second week of Jan	

- 2.2. PAGE COUNT: APPROXIMATELY 64 PAGES
- 2.3. COVER: 4CP + GAQ THROUGHOUT, 80# GLOSS BOOK
- 2.4. FINISH/ASSEMBLY: FOLD, STITCH AND TRIM, STRING TIE, SKID PACK. CRT SORT 37,106
- 2.5. FINISH DIMENSIONS: 8.25" X 10.75"
- 2.6. INKS: CMKY COVER AND INSIDE; BLEEDS
- 2.7. DELIVERY: 37,000 CATALOGS (38,000 FOR THE SUMMER CATALOGS) DELIVERED TO DISTRIBUTION POINT (EAST PALO ALTO USPS) 1,000 DELIVERED TO COMMUNITY SERVICES ADMIN (PALO ALTO)

EXHIBIT C
SCHEDULE OF FEES, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

For 2020 through the Summer 2023 edition: CITY shall pay CONTRACTOR according to the following rate schedule. There are four (4) optional rate schedules for each year, in which the CITY shall have the right to pick from at any given task and/or year. The maximum amount of compensation to be paid to CONTRACTOR, including both payment for services and reimbursable expenses, shall not exceed the amounts of Seventy Thousand Six Hundred Fifteen dollars (\$70,615.00) per year, or Two Hundred Eleven Thousand Eight Hundred Forty Five dollars (\$211,845.00) for a three year period. Any services provided or hours worked for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to CITY.

Detailed Rate Schedule

Year 1: March 16, 2020 – March 15, 2021 (Option 1: 56 +Cover Newsprint)

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.32487
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.32487
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.32487
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.32378

Year 1: March 16, 2020 – March 15, 2021 (Option 2: 64 +Cover Newsprint)

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.34125

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the Enjoy Activity Guide
for an Additional Three
Years

Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000		34125
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000		34125
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.34012

Year 1: March 16, 2020 – March 15, 2021 (Option 3: 56 +Cover 35# Electrobite(80))

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.36713
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.36713
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.36713
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.36524

Year 1: March 16, 2020 – March 15, 2021 (Option 4: 64 +Cover 35# Electrobite(80))

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.39938
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.39938

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Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000		.39938
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000		.39683

Year 2: March 16, 2021 – March 15, 2022 (Option 1: 56 +Cover Newsprint)

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.32487
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.32487
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.32487
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.32378

Year 2: March 16, 2021 – March 15, 2022 (Option 2: 64 +Cover Newsprint)

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.34125
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.34125
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.34125

Vers.: Aug. 5, 2019

Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	34012
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Year 2: March 16, 2021 – March 15, 2022 (Option 3: 56 +Cover 35# Electrobite(80))

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.36713
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Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.36713
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.36524

Year 2: March 16, 2021 – March 15, 2022 (Option 4: 64 +Cover 35# Electrobite(80))

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.39938
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.39938
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.39938
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.39683

Year 3: March 16, 2022 – March 15, 2023 (Option 1: 56 +Cover Ne

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit	Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.32487
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.32487
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.32487
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.32378

Year 3: March 16, 2022 – March 15, 2023 (Option 2: 64 +Cover Newsprint)

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.34125
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Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.34125
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.34012

Year 3: March 16, 2022 – March 15, 2023 (Option 3: 56 +Cover 35# Electrobite (80))

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
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Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000		.36713
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000		.36713
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.36713
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.36524

Year 3: March 16, 2022 – March 15, 2023 (Option 4: 64 +Cover 35# Electrobite(80))

Scope	Enjoy Catalog Printing Services	Estimated Number of Catalogs	Unit of Measure	Unit Pricing
Task 1 Fall Issue Catalog Printing	Contractor to print and distribute catalogs for the Fall Issue	40,000	Each	\$0.39938
Task 2 Winter Issue Catalog Printing	Contractor to print and distribute catalogs for the Winter Issue	40,000	Each	\$0.39938
Task 3 Spring Issue Catalog Printing	Contractor to print and distribute catalogs for the Spring Issue	40,000	Each	\$0.39938
Task 4 Summer Issue Catalog Printing	Contractor to print and distribute catalogs for the Summer Issue to include Summer Camps and Aquatics Section	41,000	Each	\$0.39683

Amendment No. 1 (For catalogs starting with the Fall 2023 edition):

CITY shall pay CONTRACTOR according to the following rate schedule. The maximum amount of compensation to be paid to CONTRACTOR, including both payment for services and reimbursable expenses, shall not exceed the amounts of Eighty One Thousand Six Hundred dollars (\$81,600) per year, or Two Hundred Thirty Five Thousand Two Hundred dollars (\$235,200) for a three year period. Any services provided or hours worked for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to CITY.

Detailed Rate Schedule

Vers.: Aug. 5, 2019

Item 7

Attachment A

Amendment No. 1 with
FolgerGraphics, Inc. in the
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Years

64 +Cover 35# Electrobite (80)

Printing Year	Cost per Catalog	Fall Classes – 40,000 prints	Winter Classes - 40,000 prints	Summer Camp – 40,000 prints	S C 4 prints	
March '23-March '24	\$0.47	\$18,800	\$18,800	\$18,800	\$18,800	\$75,200
March '24-March '25	\$0.49	\$19,600	\$19,600	\$19,600	\$19,600	\$78,400
March '25-March '26	\$0.51	\$20,400	\$20,400	\$20,400	\$20,400	\$81,600
Total						\$235,200



Council Consent Agenda Responses

Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below responses from the City Auditor and staff to questions from Councilmember Tanaka regarding the [Monday, March 27 Council Meeting](#) consent agenda items.

Item 6, Consent of the Macias, Gini & O'Connell's Single Audit Report for the Fiscal Year Ended June 30, 2022

- 1. Can you explain the purpose and scope of the tests performed by the auditors on the City's internal control and compliance with specific provisions of laws, regulations, contracts, and grant agreements? Why was the data for these tests not disclosed? Please share the results of these tests.**

City Auditor response: The role of the external auditor is to provide an opinion as to the assertions that management has made relative to periodic financial statements. The external auditor opines on the assertions. The audits are conducted in accordance with AICPA (aka GAAS) and the GAO Yellow Book government auditing standards.

The role of the internal auditor is to evaluate the city's internal control environment through reviewing operations, compliance with laws, regulations, agreements, policies, processes, and procedures.

- 2. The Staff reports said that the auditors gave "Unmodified opinions as it pertains to both the Financial Statements and to Federal Awards". This is true for the Federal awards, however, the auditors did not express an opinion on the effectiveness of the City's internal control or on compliance with specific provisions. I am concerned about why the auditors chose to conduct these tests but refrained from providing an opinion based on the results. Can you explain?**

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City Auditor response: The City Auditor conducts internal audits in accordance with the IIA Professional Practice Standards and the GAO Yellow Book audit standards. The scope of these audits includes operational, compliance, information technology, program and performance audits.

MGO conducts audits of financial statements and certain compliance requirements (such as expenditures of federal awards under the Single Audit) to express an opinion on the accuracy, completeness, presentation, valuation, existence and rights and obligations of assets, liabilities and equity of the governmental organization such that the statements can be relied upon by the public.

6. **Is this approach to testing and reporting on internal control and compliance matters in accordance with standard auditing practices? If so, can you provide more information on the rationale behind this approach?**

City Auditor response: The role of the independent external auditor and the internal auditor has been defined by professional auditing standards for the conduct of audits performed for governmental organizations. These standards include the AICPA, IIA, GAO Yellow Book standards.

Item 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.

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Staff response: There is a high demand for printed copies of the Enjoy catalog. CSD customer service staff receive numerous inquiries both by phone and in-person, as to when the guides will be arriving in the mail. Some residents prefer to plan out their activities at home and then bring in their guides to a community center and ask our front desk staff to help them register. This is especially important for those who do not have access to or are not comfortable using the internet. Prior to the pandemic, staff eliminated printed versions of the Enjoy catalog except the Summer Camp guide and noticed a drop in enrollment during seasons when a printed catalog was not mailed to each household.

This is a service provided by the City for residents, and may be revisited each year through the budget process. At some point in the future there may be greater community acceptance of online-only program catalogs. Staff monitors customer feedback and forwards recommendations accordingly.

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Staff response: The different options were included to provide the City with options on number of pages of the catalog and quality of paper for the cover. In the Amendment, there is only one option for 64 pages and one type of paper.

4. Percentage increase vs inflation?

Staff response: The cost per guide in the contract extension is based on increased cost of paper since the start of the original contract. The 2023-2026 prices are at a roughly 5% increase per guide per year.

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Staff response: These were additional guides to be placed at the different centers described in the previous question. After assessing the needs of each center, current staff lowered the number of copies.

Item 8, Approval of Contract Amendment Number One (1) with Team Sheeper, 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

1. Can the staff provide a detailed explanation of the calculations and projections that demonstrate how the proposed one-time payment of \$85,000 to Team Sheeper, Inc. during the 45-day closure period makes good financial sense for the city in the long term? Please show the financial ROI analysis that justify this investment despite the significant difference between the payment amount and the revenue share of \$15,085 received in Fiscal Year 2022.

Staff response: The cost of Team Sheeper's payroll during winter months is \$53k per 28-day period, or \$1892.85 per day. The total payroll for 45 days was calculated using this rate. The company cannot afford to continue to pay staff during this time and absorb the loss in revenue. This would not be a viable scenario for Team Sheeper to continue operating in Palo Alto. The contract states that a facility will be provided in order to operate the pool. The Rinconada Pool is a valued City asset that many residents rely on for their physical and mental health, especially for those who are not able to do other types of exercises due to physical limitations. Continuing the

programming at the pool is very important to residents as they continue to pursue their health and well-being.

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Staff response: The facility is open the same number of hours regardless of the weather and how many people come to the pool. There is a minimum number of staff that must be employed to ensure the safety and management of the pool. In the winter months, revenue is completely generated from lap swimming, Masters swimming and rental revenue from Palo Alto Stanford Aquatics. The payroll numbers used for the calculation are based on winter months and not summer months, when the costs are much higher.

3. **Can the staff explain how the proposed financial assistance to Team Sheepier, Inc. for employee salaries will help retain staff, considering that the approval for this amendment is being sought halfway through the 45-day closure period? Is it not too late for this assistance to effectively support staff retention?**

Staff response: To rehire permanent, full time people is extremely hard to do. It is very challenging to find good, reliable, committed full time employees in an aquatics facility. It could take weeks to reopen the pool with the proper staffing in place. The full time staff employed by Team Sheepier have all served the community of Palo Alto for years, since the start of the Team Sheepier contract. Staff and Team Sheepier have negotiated the recommended amendment, and Team Sheepier has retained its staff at its own risk should Council not approve the amendment.

4. **Can the staff provide information on the percentage of Team Sheepier, Inc. employees and users who are Palo Alto residents, as the city's financial assistance aims to support the community? It would be helpful to understand how this payment will directly benefit local residents.**

Staff response: As shown in Team Sheepier's annual report that is included in the staff report as a link, 76% of lap swim members are residents while 64% of Masters members are residents. Full time employees who work at Rinconada Pool do not live in Palo Alto; however, most of the part time lifeguard staff (generally high school age) live with their families in Palo Alto.



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Community Services

Meeting Date: March 27, 2023

Report #:2303-1081

TITLE

Approval of Contract Amendment Number One (1) with Team Sheepar, 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.

RECOMMENDATION

Staff recommends that City Council approve and authorize the City Manager to execute the contract amendment between the City of Palo Alto and Team Sheepar, Inc., for compensation in the amount of \$85,000 for salaries associated with the Rinconada Pool 45-day closure for replastering. During this closure, Team Sheepar, Inc. will be unable to offer programming for both the play and performance pools at Rinconada Park.

BACKGROUND/DISCUSSION

The City of Palo Alto's Public Works Department will oversee the replastering project of the performance and play pools at Rinconada¹. The project started the week of March 6, 2023 and is scheduled for 45 calendar days.

The replastering project is necessary as the surface is failing in both pools and could result in a shutdown by the Santa Clara County Health Department until improved. In addition to the replastering, other maintenance upgrades include servicing the sand filters, and replacing plumbing valves, basket strainers, pump impellers, float valves, make up water valves and light fixtures in the pool. The project will require both pools at Rinconada to be closed during this period.

Team Sheepar provides swim lessons and other aquatics programs at the Rinconada Pool under

¹ See staff report from December 19, 2022 at <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20221219/20221219pccsm-amendedtime.pdf#page=26>

a revenue contract with the City.² The City does not pay Team Sheeper directly for its services; rather, Team Sheeper's compensation comes directly from the fees it charges for its programs. The City receives a percentage of this based on yearly revenue. In Fiscal Year 2022, the City's revenue share was \$15,085. Team Sheeper provides an annual report to the Parks and Recreation Commission in January of each year³.

The amendment is intended to allow Team Sheeper to maintain their staffing and bridge this period when it will have no revenue during the temporary closure. Team Sheeper employs 78 people to serve Palo Alto, of which 6 are shared with other programs. Many of Team Sheeper's staff who provide direct services to Palo Alto residents are full time, salaried employees and will be impacted by the Rinconada shutdown. Ensuring continuity of their employment during this shutdown period not only supports employees of the small business but will also allow for a swift and smooth opening with staff ready to resume services once the maintenance work is complete. If staff were to be laid off or resign due to the closure, the pool would need to be closed for a longer period, or reopened on a limited schedule until Team Sheeper could recruit and hire more staff. During the closure period, pool managers are working on summer programming and several of Rinconada Pool staff are assisting at Burgess Pool in Menlo Park as needed. This does not increase revenue at Burgess Pool because no additional programs have been added.

The amount of \$85,000 has been developed cooperatively between staff and Team Sheeper in order to meet payroll obligations only and does not include other costs such as health insurance, workers' compensation, dues and subscriptions for registration software, payroll services, and other costs that Team Sheeper will still incur during this period.

FISCAL/RESOURCE IMPACT

A Budget Amendment was brought forward and approved by Council on February 13, 2023, as a part of the Mid-Year Budget Review Process (CMR 2212-0515). \$85,000 in additional funding was appropriated to the Community Services Department Operating Budget for FY 2023 specifically for this purpose. No additional budgetary action is required.

STAKEHOLDER ENGAGEMENT

Team Sheeper has been communicating with users of Rinconada Pool and will continue to provide updates on the status of the project through their webpage and newsletter. They have created an FAQs page on their website here: <https://paloaltoswim.com/welcome/pool-replaster-project-faq/> including a list of other pools available for use. To recognize the impact to residents who utilize Rinconada on a regular basis, Team Sheeper will be offering a reopening

² See staff report from December 10, 2018 at <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/9909.pdf?t=62283.26>

³ 2022 Aquatics Annual Report (for the period January – October 2022) can be found at <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/parks-and-recreation-commission/agendas-minutes/2023-agendas-and-minutes/1-jan/2022-palo-alto-aquatics-annual-report.pdf>

special to all Palo Alto Resident Lap and Masters swimmers of 30% off their monthly membership for one month.

ENVIRONMENTAL REVIEW

Approval of this amendment does not constitute a Project as defined by the California Environmental Quality Act.

ATTACHMENTS

Attachment A: Team Sheepen, Inc. Contract; C19173035 Amendment No. 1

APPROVED BY:

Kristen O'Kane, Community Services Director

**AMENDMENT NO. 1 TO CONTRACT NO. C19173035
BETWEEN THE CITY OF PALO ALTO AND TEAM SHEEPER, INC.**

This Amendment No. 1 (this “Amendment”) to Contract No. C19173035 (the “Contract” as defined below) is entered into as of March 6, 2023, by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and TEAM SHEEPER, INC., a California corporation, located at 501 Laurel Street, Menlo Park, CA 94025 (“CONTRACTOR”). CITY and CONTRACTOR are referred to collectively as the “Parties” in this Amendment.

RECITALS

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of providing aquatics services for the City of Palo Alto offered at Rinconada Pool, 777 Embarcadero Road, Palo Alto, CA 94301 and other pools in Palo Alto. as detailed therein.

B. The Parties now wish to amend the Contract in order to increasing the compensation by \$85,000 for costs associated with the Rinconada Pool closure for replastering.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

- a. **Contract.** The term “Contract” shall mean Contract No. C19173035 between CONSULTANT and CITY, dated November 26, 2018
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 5. COMPENSATION FOR ORIGINAL TERM. of the Contract is hereby amended to read as follows:

“5. COMPENSATION FOR ORIGINAL TERM. CITY shall pay and CONTRACTOR agrees to accept as not-to-exceed compensation for the full performance of the Services and reimbursable expenses, if any:

- CITY SHALL PAY CONTRACTOR: Eighty Five Thousand Dollars (\$85,000.00) as a one-time payment related to the Rinconada Pool closure in Spring 2023.
- CONTRACTOR SHALL PAY CITY: See Exhibit C – Schedule of Fees

Vers.: Aug. 5, 2019

Item 8

Attachment A - Team
Sheeper, Inc. Contract;
C19173035 Amendment
No. 1

SECTION 3. Legal Effect. Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 4. Incorporation of Recitals. The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

Vers.: Aug. 5, 2019

Item 8

Attachment A - Team
Sheeper, Inc. Contract;
C19173035 Amendment
No. 1

SIGNATURES OF THE PARTIES

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

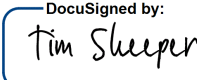
CITY OF PALO ALTO

TEAM SHEEPER, INC.

City Manager

Officer 1

APPROVED AS TO FORM:

DocuSigned by:
By: 
Name: Tim Sheeper
Title: CEO

City Attorney or designee

Officer 2 (Required for Corp. or LLC)

DocuSigned by:
By: 
Name: Carole Hayworth
Title: CFO

Attachments: None



Council Consent Agenda Responses

Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below responses from the City Auditor and staff to questions from Councilmember Tanaka regarding the [Monday, March 27 Council Meeting](#) consent agenda items.

Item 6, Consent of the Macias, Gini & O'Connell's Single Audit Report for the Fiscal Year Ended June 30, 2022

1. **Can you explain the purpose and scope of the tests performed by the auditors on the City's internal control and compliance with specific provisions of laws, regulations, contracts, and grant agreements? Why was the data for these tests not disclosed? Please share the results of these tests.**

City Auditor response: The role of the external auditor is to provide an opinion as to the assertions that management has made relative to periodic financial statements. The external auditor opines on the assertions. The audits are conducted in accordance with AICPA (aka GAAS) and the GAO Yellow Book government auditing standards.

The role of the internal auditor is to evaluate the city's internal control environment through reviewing operations, compliance with laws, regulations, agreements, policies, processes, and procedures.

2. **The Staff reports said that the auditors gave "Unmodified opinions as it pertains to both the Financial Statements and to Federal Awards". This is true for the Federal awards, however, the auditors did not express an opinion on the effectiveness of the City's internal control or on compliance with specific provisions. I am concerned about why the auditors chose to conduct these tests but refrained from providing an opinion based on the results. Can you explain?**

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Staff response: The cost of Team Sheepier's payroll during winter months is \$53k per 28-day period, or \$1892.85 per day. The total payroll for 45 days was calculated using this rate. The company cannot afford to continue to pay staff during this time and absorb the loss in revenue. This would not be a viable scenario for Team Sheepier to continue operating in Palo Alto. The contract states that a facility will be provided in order to operate the pool. The Rinconada Pool is a valued City asset that many residents rely on for their physical and mental health, especially for those who are not able to do other types of exercises due to physical limitations. Continuing the

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City Council Staff Report

Report Type: ACTION ITEMS
Lead Department: Public Works

Meeting Date: March 27, 2023
Report #:2303-1143

TITLE

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

RECOMMENDATION

This item was pulled from Consent Agenda on February 13, 2023 by Council Members Veenker, Lythcott-Haims and Tanaka.

The staff report can be found at the attached link:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=61652&repo=r-704298fc>

ANALYSIS

The following additional information relevant to the purchase of the chipper trucks is provided for Council's consideration:

1. Timing constraints for recommended Purchase Order
The formal expiration date of the quote for the chipper trucks occurred prior to the February 13, 2023 Council meeting, but the vendor had verbally agreed to honor the pricing through that date. If Council approves the purchase of the chipper trucks, staff will request an updated quote, and rely on the recommended contingency amount to cover likely cost increases. Given current market conditions, it typically takes 12 to 24 months to place a new truck in service following approval of a purchase order.
2. Additional opportunities for fleet electrification
Staff is planning for electrification of the City fleet. Given the size of the fleet, there are multiple opportunities in most years for potential electrification. Replacement of passenger sedan vehicles with electric models is already required, except where specific factors make use of an electric vehicle infeasible. Although electric options are not yet

available for the chipper truck replacements, a greater availability of electric medium and heavy-duty trucks is expected in the coming years as the market adapts to upcoming California Air Resources Board regulations. The following are the number of medium and heavy-duty trucks currently scheduled for replacement in the next several fiscal years:

- Fiscal Year 2024: 12 vehicles
- Fiscal Year 2025: 5 vehicles
- Fiscal Year 2026: 4 vehicles

ATTACHMENTS

None

APPROVED BY:

Brad Eggleston



City Council Staff Report

From: City Clerk

Report Type: ACTION ITEMS

Lead Department: Planning and Development Services

Meeting Date: March 27, 2023

Report #:2303-1166

TITLE

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)

RECOMMENDATION

This item was agendaized and discussed during the March 13, 2023 City Council meeting and was continued to a future meeting.

The staff report is available at the following link:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=65258&repo=r-704298fc>

ATTACHMENTS

None.

APPROVED BY:

Lesley Milton



City Council Staff Report

From: City Manager
Report Type: ACTION ITEMS
Lead Department: Utilities

Meeting Date: March 27, 2023
Staff Report: 2303-1034

TITLE

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*

RECOMMENDATION

Staff recommends City Council:

1. Approve a residential natural gas rebate program intended to mitigate extraordinarily high January 2023 natural gas costs, with a calculation option of either:
 - a. A consumption based rebate equivalent to 20% of the January 2023 gas bill
 - OR**
 - b. A flat rate of \$80.78 on an average January gas bill of \$403.90.
2. Amend the Fiscal Year 2023 Budget Appropriation (requires a 2/3 majority vote):
 - a. In the General Fund by:
 - i. Increasing the Transfer to the Gas Fund by \$1,771,586, and
 - ii. Decreasing the Budget Stabilization Reserve by \$1,771,586;
 - b. In the Gas Fund by:
 - i. Increasing the Transfer from the General Fund by \$1,771,586, and
 - ii. Decreasing Revenue from Residential Customers by \$1,771,586.

EXECUTIVE SUMMARY

In January 2023, natural gas commodity prices spiked to levels not seen since 2001, from an average of \$1 per therm to \$4 per therm. Since then, the March 2023 gas commodity price has decreased back to the average 2022 price of \$0.77 per therm.

As a result of the extraordinary high natural gas price spike, many residential customers in Palo Alto are suffering the economic burden of extreme and unexpectedly high gas bills. Given the General Fund surplus from FY 2022, City Council directed staff on February 13, 2023 to propose a rebate to gas residential customers of up to 20% based on the highest month of bills. In

response, staff analyzed January 2023 residential natural gas bills with service periods of January 1, 2023 through January 31, 2023.

This report outlines the total number of residential gas customers, average bill amounts, and different rebate options for Council's consideration. There are several ways to establish this type of a program. Two options for Council consideration are:

Option 1: A consumption-based rebate for all January 2023 residential natural gas customers equivalent to 20% of their January 2023 gas bill;

Option 2: A flat rebate of \$80.78 for all January 2023 residential natural gas customers based on an average January residential gas bill of \$403.90.

Both options would be funded by a General Fund transfer to the Gas Fund of up to \$1,771,586 which includes 600 customers who terminated service from the City since January 2023. As an alternative, Council could consider not including these customers, which would reduce the total rebate by approximately \$243,340 for option 1 or \$50,000 for option 2.

In addition, this report provides an update on the City's recent settlement agreement in *Green v. City of Palo Alto*, which will result in refunds to most City gas customers if the settlement is approved by the courts.

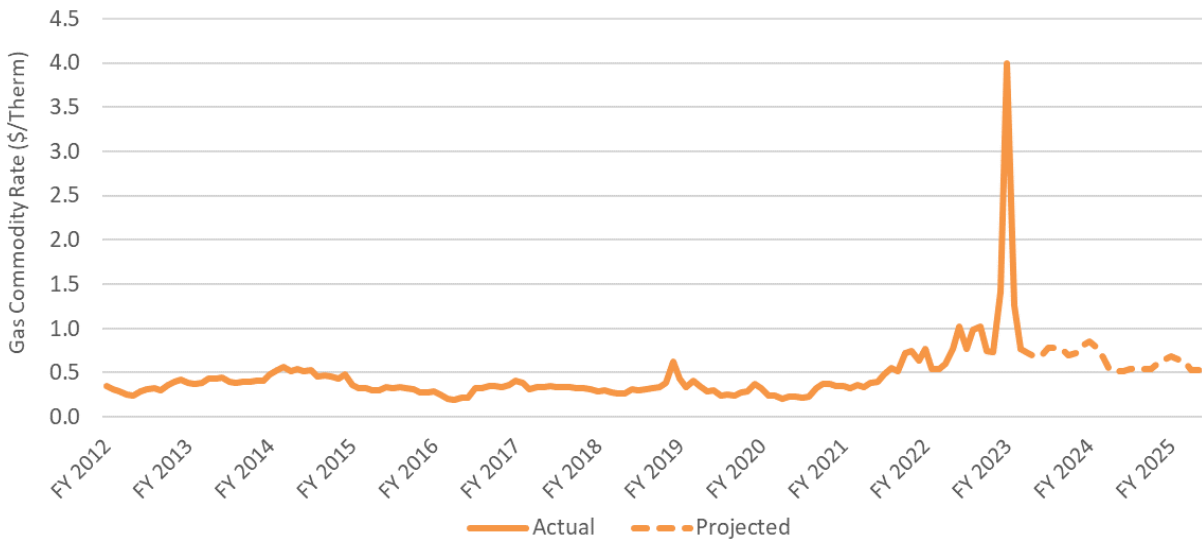
BACKGROUND

In 2000-01 the California energy crisis occurred, causing major disruptions to gas supply costs. Wholesale gas prices rose over 500% between January 2000 and January 2001. The Council approved drawing down reserves to provide ratepayer relief and, for two years following the crisis, City of Palo Alto Utilities (CPAU) rates were above PG&E's as reserves were replenished.

In April 2001 the Council approved a hedging practice of buying fixed price gas one to three years into the future. After reaching a low point in October 2001, prices continued to rise, and the CPAU hedging strategy frequently resulted in a wholesale supply cost advantage compared to PG&E, until prices began to decline steeply in mid-2008. At that point the City's gas wholesale supply costs became higher than market gas prices due to fixed price contracts entered into prior to 2008. As a result, the City's gas wholesale supply costs were higher than PG&E's for several years.

In 2012 Council approved a plan to discontinue the hedging strategy and purchase all gas on the short-term ("spot") markets. Since July 1, 2012, the commodity portion of the gas rates changes every month based on the spot market gas price. As shown below, from 2012 until late 2022, gas commodity rates were very stable.

Historical and Projected Natural Gas Market Prices



Natural gas market prices were extremely high in January 2023; much higher than last year's winter prices, and the highest since the 2001 energy crisis. Gas commodity prices for January 2023 were five times higher than January 2022 gas prices, tripling some customers' gas bills. The February and March 2023 gas commodity rates are \$1.26 and \$0.77 per therm; significantly lower than January 2023 rate of \$4.00 per therm. CPAU's monthly gas commodity and volumetric rates are available on the Utility's residential rates page.¹

Gas customers across California are experiencing similar impacts. Gas market prices can fluctuate greatly from month to month due to trade issues, weather, and supply or production challenges. The unusually high prices this winter have been attributed to historically cold weather, high gas demand, low regional gas storage levels, constraints on gas supplies flowing into California, and an increased reliance on natural gas in the electric power sector as a result of the ongoing drought's impact on hydroelectric supplies. CPAU purchases natural gas for its customers at market prices, and does not control those market prices, nor mark-up the cost of the gas purchased on behalf of its customers.

Even with the City using reserves (\$2.5 million) to mitigate the price increases and not passing the full cost of January gas through to customers, residents are greatly impacted by these cost increases. The City is providing free access to the Home Efficiency Genie program, sharing energy saving tips, enrolling eligible customers to the rate assistance program, and offering special payment plan arrangements for those who need extra time paying their winter gas bills for six to eight months. The stability of current and future gas rates is important to CPAU customers. As

¹ Utility's Residential Rates <https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilites/monthly-gas-commodity-rates.pdf>

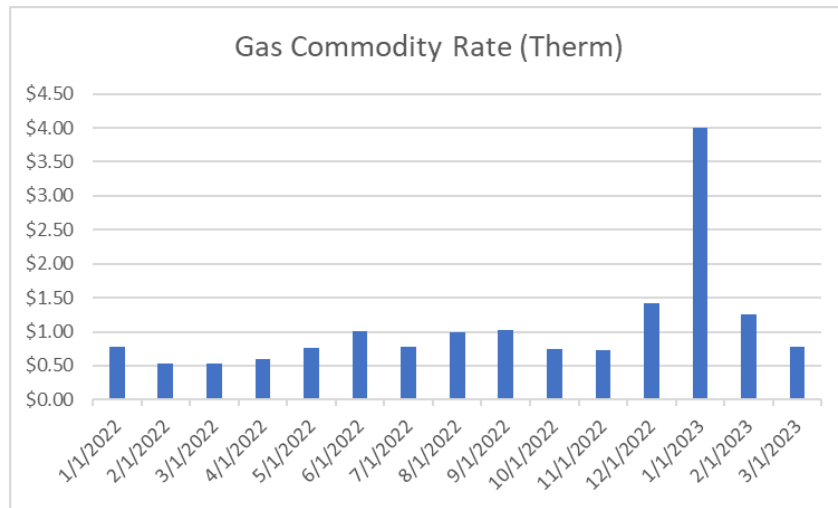
such, staff plans to propose seasonal hedging alternatives to Council that could mitigate future gas commodity market price spikes.

ANALYSIS

Late last year, staff anticipated that the January 2023 gas commodity price would exceed the utility's commodity rate cap of \$2/therm, based on monthly forward price data suggesting it would settle around \$3.50/therm. To that end, in December, Council approved staff's recommendation to double the commodity rate cap to \$4/therm (Staff Report #15047)² effective January 1, 2023. The settled commodity price at Citygate index for January 2023 reached \$5/therm. As a result, the gas utility covered commodity costs that exceeded the \$4/therm cap by drawing down approximately \$2.5 million in Gas reserves.

² Staff Report 15047 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20221219/20221219pccsm-amendedtime.pdf>

2022 – 2023 YTD Actual Gas Market Commodity Costs Incurred by Gas Utility Customers



Staff analyzed January 2023 residential natural gas bills for the service period from January 1, 2023 through January 31, 2023. CPAU had a total of 21,931 residential gas customers in January 2023. The total January 2023 residential gas retail commodity charges were \$8.9M, compared to \$4.8M in December 2022 when the commodity cost was \$1.42 per therm. Gas residential bills for January 2023 were as follows:

Jan. 2023 Gas Residential Bill Range	% of Total Residential Gas Customers	# of Residential Gas Customers
Greater than \$1,000	4.4%	973
\$500 to \$1,000	27.5%	6,034
\$150 to \$500	43.7%	9,582
Less than \$150	24.4%	5,342

On February 13, 2023, as part of the City Council adoption of the mid-year budget actions, the Council directed staff to develop a residential gas rebate program. This report offers additional information for Council to consider adopting such a program.

Two options for consideration include:

Option 1: Consumption-based rebate for all January 2023 residential natural gas customers equivalent to 20% of their January 2023 gas bill.

The average rebate under Option 1 will range from \$2.39 for customers with January 2023 gas bills less than \$20, to \$609.50 for customers with January 2023 gas bills greater than \$2,000.

Option 2: Flat rebate of \$80.78 for all January 2023 residential natural gas customers, based on an average January residential gas bill of \$403.90.

The average residential gas customer used 76.1 therms in January 2023 and was billed \$403.90. \$80.78 represents 20% of the average residential January 2023 gas bill.

The table below shows rebate amounts under both options. The total cost to the General Fund of the rebates under either option will be up to \$1,771,586. It is important to note that 600 customers during this period have terminated service from the City since January 2023. The Council can consider not including these customers in the rebate program which would reduce program costs by \$243,340 for option 1 or \$50,000 for option 2.

Jan. 2023 Residential Gas Rebate Amounts and Costs

Jan. 2023 Gas Bill Range	Number of Accounts	% of Total Accounts	Total Gas Retail Bill Charges; Jan. 2023	Average Jan. 2023 Gas Bill	Cost of Option 1; 20% Rebate Amount	Cost of Option 2; Flat \$80.78 Rebate	Option 1; Average Customer Rebate at 20% Level	Option 2; Flat Rebate
< \$20	996	4.5%	\$ 11,885	\$ 11.93	\$ 2,377	\$ 80,457	\$ 2.39	\$ 80.78
\$20 - \$49.99	1,019	4.6%	\$ 36,822	\$ 36.14	\$ 7,365	\$ 82,315	\$ 7.23	\$ 80.78
\$50 - \$99.99	1,849	8.4%	\$ 138,420	\$ 74.86	\$ 27,684	\$ 149,362	\$ 14.97	\$ 80.78
\$100 - \$149.99	1,478	6.7%	\$ 184,444	\$ 124.79	\$ 36,889	\$ 119,393	\$ 24.96	\$ 80.78
\$150 - \$199.99	1,440	6.6%	\$ 250,927	\$ 174.25	\$ 50,185	\$ 116,323	\$ 34.85	\$ 80.78
\$200 - \$299.99	2,850	13.0%	\$ 715,232	\$ 250.96	\$ 143,046	\$ 230,223	\$ 50.19	\$ 80.78
\$300 - \$399.99	2,735	12.5%	\$ 954,365	\$ 348.95	\$ 190,873	\$ 220,933	\$ 69.79	\$ 80.78
\$400 - \$499.99	2,557	11.7%	\$ 1,146,966	\$ 448.56	\$ 229,393	\$ 206,554	\$ 89.71	\$ 80.78
\$500 - \$599.99	2,184	10.0%	\$ 1,196,926	\$ 548.04	\$ 239,385	\$ 176,424	\$ 109.61	\$ 80.78
\$600 - \$699.99	1,623	7.4%	\$ 1,049,637	\$ 646.73	\$ 209,928	\$ 131,106	\$ 129.35	\$ 80.78
\$700 - \$799.99	1,050	4.8%	\$ 784,075	\$ 746.74	\$ 156,815	\$ 84,819	\$ 149.35	\$ 80.78
\$800 - \$899.99	704	3.2%	\$ 596,422	\$ 847.19	\$ 119,284	\$ 56,869	\$ 169.44	\$ 80.78
\$900 - \$999.99	473	2.2%	\$ 447,375	\$ 945.82	\$ 89,475	\$ 38,209	\$ 189.16	\$ 80.78
\$1,000 - \$1,499.99	786	3.6%	\$ 924,556	\$ 1,176.28	\$ 184,911	\$ 63,493	\$ 235.26	\$ 80.78
\$1,500 - \$1,999.99	110	0.5%	\$ 185,125	\$ 1,682.95	\$ 37,025	\$ 8,886	\$ 336.59	\$ 80.78
> \$2,000	77	0.4%	\$ 234,657	\$ 3,047.50	\$ 46,931	\$ 6,220	\$ 609.50	\$ 80.78
Grand Total	21,931		\$8,857,834	\$ 403.90	\$ 1,771,567	\$ 1,771,586		

The City of Palo Alto also provides several financial assistance programs. As of March 2023, approximately 700 customers are on the utilities rate assistance program³, which provides a 25%

³ Rate Assistance Programs <https://www.cityofpaloalto.org/Departments/Utilities/Residential/Utilities-Assistance>

discount based medical and financial need. The City has received 185 new rate assistance enrollments since January 1, 2023.

Due to the unprecedented natural gas price spike, other gas utilities are also in the process of establishing financial relief programs.

- The City of Long Beach⁴ will develop a program with approximately \$1.5 million intended to reach those most in need. The program will focus on providing financial relief to Long Beach residential customers, particularly those who are low income, disabled and seniors on fixed income. Long Beach will divert any unplanned 5% utility user tax revenues to fund the assistance program.
- San Diego Gas & Electric (SDG&E)⁵ announced a pair of programs to help customers who have seen high utility bill increases due to wholesale natural gas price spikes. SDG&E will set aside \$6 million to provide one-time financial assistance of up to \$600 for customers who may not qualify for low-income rate assistance but are at risk of service disconnection due to arrearage. Another \$10 million will be budgeted for vulnerable and low-income residents. A total of \$16 million to fund the programs will come from shareholders, not ratepayers.

Green v. City of Palo Alto Update

The pending resolution of *Green v. City of Palo Alto* (Case No. 16CV300760), the 2016 class action lawsuit which challenged the City's gas and electric rates, will also provide refunds to most City gas customers. In June 2021, the Santa Clara Superior court judge held that the City's gas rates were taxes requiring voter approval under California's Proposition 26, because they were set at a level sufficient to fund the annual transfer to the City's general fund.⁶ The City has since negotiated a settlement with plaintiff's counsel which will allow the City to provide refunds to ratepayers more quickly than if the parties continued through the appeals process.⁷

While the precise timing is unknown, the City set aside funding sufficient to pay all refunds due under the settlement as soon as the trial court approves.

As part of the settlement, both sides jointly requested that the Court of Appeal approve a stipulated (agreed-upon) reversal of the trial court judgment, and direct the trial court to enter

⁴ The City of Long Beach

<https://www.publicnow.com/view/1651AC037FF028C6906782E18F784A7A7417A6CB?1675360833>

⁵ San Diego Gas and Electric <https://www.sdge.com/residential/pay-bill/get-payment-bill-assistance/bill-payment-options-temporary-financial-help/one-time-assistance-bill-assistance#:~:text=If%20you're%20experiencing%20temporary,visit%20211%20San%20Diego%20online>

⁶ The trial court found the City's electric rates did not violate Proposition 26.

⁷ In November 2022, City voters also approved Measure L, affirming a general fund transfer of up to 18% of gas utility revenues, effective immediately.

a new judgment consistent with the terms of the parties' settlement agreement. Those terms are as follows:

1. The City will pay \$17,337,111 in refunds to gas customers to settle 8 years of gas rate claims (September 23, 2015 – June 30, 2022), allocating funds based on the terms of gas customers consumed during the relevant periods.⁸
2. Current customers will receive refunds via on-bill credits over 2 years: one-third credited 90 days after the trial court signs the final settlement order, one-third 12 months later, and the final third 24 months after the order.
3. Former gas customers will be mailed a check for their total overpayment within 150 days after the final settlement order is signed, and current customers in ill-health or over age 65 may request refunds by check instead of on-bill credits.

Implementation of the settlement agreement and refund payments will require approval and action by both the District Court of Appeal and the trial court, with the Court of Appeal expected to rule on the parties' motion for stipulated reversal by mid-April. After that, the trial court must take several procedural steps, including consolidating the customer groups into a single class, directing the parties to give notice to the class, and entering an order approving the settlement.

If the trial court approves the settlement agreement, individual refund amounts will vary because they will be based on the amount of gas consumed during the time period covered by the lawsuit. For example, a residential customer who used the median amount of gas consumed from September 23, 2015 through June 30, 2022 would receive approximately \$156. The City hopes to receive approval to issue refunds as soon as possible, which is especially timely in light of recent gas price spikes. If the courts do not approve the parties' settlement, both sides anticipate relitigating their appeals.

FISCAL/RESOURCE IMPACT

Gas Residential Rebate Program

The City's General Fund will provide full funding of the gas residential rebate program through a transfer to the Gas Fund. The General Fund receives a five percent utility users tax (UUT) on monthly electric, gas, and water bills, under Chapter 2.35 of the Palo Alto Municipal Code. The City received \$444,438 in UUT for January 2023 gas residential bills compared to \$242,521 in December 2022. The unplanned increase in UUT revenue will be recorded in the General Fund Budget Stabilization Reserve, which will be used to fund the transfer to the Gas Fund for the rebate program.

⁸ Refunds will be allocated accordingly: 26% to customers active from September 2015-June 2016; 21% to customers active during FY 2017 and 2018, 13% to customers active during FY 2019; 23% to customers active during FY 2020; and 17% to customers active during FY 2022. No refunds are due for gas rates collected in FY 2021 and after June 30, 2022 because the gas utility operated at a loss for those years, even excluding the general fund transfer. Customers who opted to be excluded from the settlement, as well as the judge assigned to the case, will not receive refunds.

Green v. City of Palo Alto

The resolution of *Green v. City of Palo Alto* will also have fiscal impacts for the City's gas ratepayers and the general fund. If the trial court approves the settlement agreement, individual refund amounts will be based on the amount of gas consumed during the time period covered by the lawsuit. For example, a residential customer who used the median amount of gas consumed from September 23, 2015 through June 30, 2022 will receive approximately \$156. The City has set aside funding in the General Fund sufficient for a claims administrator to pay all refunds (approximately \$17.4M) due under the settlement as soon as the trial court approves, via on-bill credits and refund checks, as applicable.

TIMELINE

Gas Residential Rebate Program

Depending on whether any configuration is required in the SAP billing system, staff can post a gas rebate credit on a customer's bill in two to four weeks. Under the two weeks scenario, the rebate will appear on the customer's bill as "Miscellaneous Credit." If Council prefers to modify the rebate description on the utility bill to "Gas Rebate" or another label, it may require an additional two weeks for system configuration change, testing, and validation. After the rebates are posted, customers will begin receiving their gas rebates in mid or late April depending on their billing cycle. For those 600 customers who have terminated services, a bill credit would not be feasible; staff would explore alternatives including issuing individual checks to known forwarding information if available.

Green v. City of Palo Alto

The City expects a mid-April decision from the Court of Appeal on whether it has approved the parties' joint motion for stipulated reversal and directed the trial court to approve the parties' settlement. The trial court's timeline for notice to the class and a decision on the final settlement order is unknown, but could take several months. In the meantime, the City has set aside funding sufficient for a claims administrator to pay all refunds due under the settlement as soon as the trial court approves, via on-bill credits and refund checks, as applicable.

STAKEHOLDER ENGAGEMENT

When the City learned of the higher gas prices in late November and early December, City staff informed customers in advance through utility bill messaging, social media, Nextdoor, email newsletters, website, and other community forums, to take action and save energy to try to avoid surprisingly high utility bills.

As noted above, the City's Utilities Director shared a message on the City's community message portal at medium.com about the high gas utility costs with information on ways the City can assist residents through this challenging time. The message also answers community questions about the unprecedented high gas costs. For this communication go here⁹: <https://medium.com/paloaltoconnect/in-the-public-interest-28a7d9ecb0df>

⁹ City Community Message Portal <https://medium.com/paloaltoconnect/in-the-public-interest-28a7d9ecb0df>

The City is offering resources to help customers with higher than anticipated utility bill costs this winter, with access to free home efficiency assessments through the Home Efficiency Genie, payment arrangements, tips for no-cost and low-cost energy efficiency at cityofpaloalto.org/efficiencytips¹⁰, and more. Customers are encouraged to contact Utilities Customer Service at [\(650\) 329-2161](tel:6503292161) or UtilitiesCustomerService@cityofpaloalto.org if they have questions about their utility bill or need assistance.

ENVIRONMENTAL REVIEW

Council's approval of the rebate programs described in this report does not meet the definition of a project for the purposes of the California Environmental Quality Act under Public Resources Code 21065. Environmental review is not required.

APPROVED BY:

Dean Batchelor, Director Utilities

Staff: Jonathan Abendschein, Assistant Director Utilities

¹⁰ City Energy Efficiency Tips <https://www.cityofpaloalto.org/Departments/Utilities/Residential/Home-Efficiency-Genie/Efficiency-Tips>



CITY COUNCIL STAFF REPORT

From: City Manager

Report Type: Information

Lead Department: City Manager

Meeting Date: March 27, 2023

Report #: 2212-0561

TITLE

Palo Alto Homekey Project Update – March 2023

RECOMMENDATION

This is an informational report and no Council action is required at this time.

EXECUTIVE SUMMARY

This report provides a status update on the Palo Alto Homekey project. Staff will return to Council in the coming months to review updated plans, review the lease, and discuss project funding. This report is also intended to share resources with the community about ways they can support the project. <https://www.classy.org/give/332343/>

BACKGROUND

Project Homekey is a program of the State of California Department of Housing and Community Development (HCD) that funds eligible applicants (such as municipalities) and facilitates partnerships with the State to quickly acquire, rehabilitate, or master lease a variety of housing types. Once developed, these projects provide interim or permanent housing for persons experiencing homelessness and at risk of health concerns. To get people housed, Project Homekey provides many exemptions and requires adherence to rapid deadlines.

The following timeline highlights some Council and staff actions taken to apply for Project Homekey, receive the grant award, and move forward the Palo Alto Homekey site located at 1237 North San Antonio Road. It includes information around sharing cost escalations in recent reports.

Date	Action
September 2021 ¹	<ul style="list-style-type: none">Declaration of an emergency shelter crisis.

¹ September 27, 2021 Council Action Minutes: <https://bit.ly/3mNX9ez>

Date	Action
	<ul style="list-style-type: none"> Authorization to apply for Project Homekey funds in conjunction with LifeMoves for an 88-unit emergency shelter on a portion of the former Los Altos Treatment Plant (LATP) site at 1237 North San Antonio Road, known as “Palo Alto Homekey”.
November 2021 ²	<ul style="list-style-type: none"> Amended authorization for Project Homekey application to reflect updated capital and estimated operating expenses.
December 2021	<ul style="list-style-type: none"> City applied, with LifeMoves, for Project Homekey grant for an 88-unit two story interim supportive housing project, noting the need to reorganize “Area C” of the LATP site to allow for continued GreenWaste (GW) sorting operations.
June 2022	<ul style="list-style-type: none"> Approved three-story design option for Palo Alto Homekey.
July 2022	<ul style="list-style-type: none"> Provided courtesy review and comments on Palo Alto Homekey at Architectural Review Board (ARB).³
August 2022	<ul style="list-style-type: none"> Received \$26.6 million grant award for Palo Alto Homekey.⁴ Received authorization to sign a Standard Agreement with the State for Palo Alto Homekey. Coordinated regular project meetings between LifeMoves and City staff.
September 2022	<ul style="list-style-type: none"> Engaged in conversations with LifeMoves, Santa Clara County’s Office of Supportive Housing (OSH), and the Santa Clara County Housing Authority (Housing Authority) to partner on Palo Alto Homekey.⁵
October 2022	<ul style="list-style-type: none"> Received \$4 million Challenge Grant from Santa Clara County Board of Supervisors for Palo Alto Homekey project.
November 2022	<ul style="list-style-type: none"> Initiated project scope re-examination in response to significant cost increases as a result of economic uncertainty, high inflation, and supply chain issues.

² November 1, 2021 Council Action Minutes: [20211101amccs.pdf \(cityofpaloalto.org\)](https://cityofpaloalto.org/2021/11/01/20211101amccs.pdf)

³ July 21, 2021 ARB Minutes: [Agenda - Thursday, September 1, 2022 \(cityofpaloalto.org\)](https://cityofpaloalto.org/2021/07/21/Agenda-Thursday-September-1-2022) In previous Council discussion about Palo Alto Homekey, the Council agreed that, though not required, the project will be heard by the ARB. The ARB’s discussion would be a courtesy review and provide the public a forum to offer comments on the design. Accordingly, there will be no review of the project for adherence to the Architectural Review Findings in PAMC 18.76.020 since they do not apply.

⁴ August 15, 2022 Council Action Minutes: <https://cityofpaloalto.primegov.com/Public/CompiledDocument?meetingTemplateId=9029&compileOutputType=1>

⁵ The County Office of Supportive Housing, the City, and LifeMoves will partner on the operations at the site once construction is complete. The Housing Authority and the City will partner during and after construction to ensure the site is well maintained. This builds operating oversight support for the City and allows us to leverage the skills of trained professionals, in addition to our existing partnership with LifeMoves.

Date	Action
December 2022	<ul style="list-style-type: none"> Onboarded new architect and contractor with updated cost estimate and proposed cost savings measures (e.g., deferring some items pending additional funding, reconfiguring space). Approved amendment to Comprehensive Plan to bring alignment between use of the land and its designation, allowing GreenWaste to fully use their new site after relocation.⁶ Notified Council of cost challenges and work underway with LifeMoves to address these impacts.
February 2023	<ul style="list-style-type: none"> Mid-year budget review of potential additional costs related to Palo Alto Homekey.

ANALYSIS

Project Update

To address economic uncertainty, inflation, and supply chain concerns which have caused increased project costs, LifeMoves brought in a new development team focused on identifying ways to save costs while meeting project goals of Palo Alto Homekey. Devcon, the new contractor with its own in-house architect, identified cost savings measures such as deferring some items pending additional funding and reconfiguring space. With proposed savings, the team was able to bring the capital cost estimates down significantly, while still resulting in a safe project that meets the original Council intentions and parameters of the State Homekey grant.

Attachment A contains the proposed cost savings measures which include removing the fire loop road and creating two separate entrances (one for GreenWaste, one for Palo Alto Homekey) and setting buildings back from San Antonio Road to avoid impacting an existing gas line. This compares to the original site plan where there was a fire loop lane included and the buildings came all the way forward to the street on San Antonio Road.

Devcon prepared a new site plan (see **Attachment B**) and rendering (see **Attachment C**) similar to what the Council saw at its June 21, 2022 meeting regarding a 3-story design option. Devcon also provided a draft logistics plan (see **Attachment D**) and conceptual landscape plan (see **Attachment E**).

After the cost savings described in **Attachment A**, the remaining capital funding gap is approximately \$6 million. This \$6 million does not include permitting fees or the elements removed when seeking to reduce costs. The Council may want to add some of these elements back into the project scope (namely approximately \$2 million to fund: a different type of

⁶ December 19, 2022 Council Action Minutes:
<https://cityofpaloalto.primegov.com/Public/CompiledDocument?meetingTemplateId=8734&compileOutputType=1>

fencing, sunshade sails, and solar and EV chargers). Additionally, as with any construction project, staff expects there will likely be unanticipated costs found once construction begins.

Therefore, to address the \$6 million capital funding cap, it is expected that:

- The City anticipates needing to contribute \$2 million,
- LifeMoves has committed an additional \$2 million (already has over 50% of the funds committed), and
- LifeMoves is working with the City to identify funding including other partners and private donations for the remaining \$2 million.

Staff anticipates the need for the City to contribute up to an additional \$0.5 million to \$2.5 million beyond any contribution towards the \$6 million capital funding gap to address the cost of permit fees and the potential reintroduction of any removed cost savings elements. This would result in \$2.5 million to \$4.5 million in additional City support depending on decisions made.

Since this project aligns with the intentions adopted by the Council for Measure K, those revenues could be a potential funding source for the City's contribution as this project relates to affordable housing for unhoused neighbors. Additionally, the Council allocated \$7 million over 7 years (which equates to \$1 million per year for 7 years) towards Palo Alto Homekey operations starting in the current fiscal year (FY 2023) through FY 2029. As the timeline below shows, the shelter will not be operational in FY 2023. Thus, the Council could carry forward this FY 2023 funding or could use the funding towards the City's contribution to the capital funding gap and extend the operating funding to FY 2030.

Timeline and Next Steps

Palo Alto Homekey's schedule has been impacted by cost increases as noted above due to economic factors, leading to a change in architect and contractor. This triggered the creation of a new schedule, site plan, and drawings. Another factor affecting the project's timeline is long lead times for critical items (e.g., electrical switchgear, a key component in an electrical power system). The original HCD deadline for the project completion would have been August 2023. However, HCD does have a process for applying for extensions due to circumstances or conditions beyond the project's control. Staff will apply for this in partnership with LifeMoves.

Staff will return to Council in the coming months, with detailed plan sets, and the Palo Alto Homekey lease for review and approval. Staff will also share ways the community can support this project, through donation opportunities as this information is finalized in partnership with LifeMoves. For the time being, the donation page for LifeMoves is www.lifemoves.org/gift.

Palo Alto Homekey ¹ Draft High-Level Schedule									
	2023				2024				2025
	Q1 ²	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Schematic design documents									
Design development documents									
Construction documents									
Permit review									
Temporary location GW site work									
Permanent location GW site work ³									
Palo Alto Homekey construction									
Mobilization									
Grading									
Joint trench									
Concrete work									
Set modules									
Decking and stairs									
Site built items									
Site work									
Final inspections/punchlist									
¹ Schedule includes GreenWaste (GW) temporary relocation during construction and permanent location post-construction—necessary components to allow for development of the Palo Alto Homekey interim supportive housing project. ² Quarter (Q) is on the calendar year. ³ Includes procurement lead time for switchgear.									

FISCAL/RESOURCE IMPACT

In August 2022 Palo Alto and LifeMoves were awarded \$26.6 million in Project Homekey funds from the California Department of Housing and Community Development (HCD), which, combined with City and Santa Clara County funding, generous local donations (including from Sobrato Philanthropies), and the dedication of over an acre of land, met the capital and operating needs as understood at that time. As previously referenced, part of the City's funding contribution includes a pledge to support operations with \$7 million, distributed at a rate of \$1 million annually for seven years. Other resources include the significant staff time dedicated to this project to date from both the City and LifeMoves. LifeMoves has secured contractors to perform design and other relevant work to keep this project moving. The City has funded

studies and reports to ensure the site is ready to build upon (e.g., Phase I, Phase II, and soil studies and reports).

This information was referenced in the Analysis Section of this report, but also briefly mentioned here: staff anticipates the need for the City to contribute up to an additional \$0.5 million to \$2.5 million beyond the \$6 million capital funding gap to address the cost of permit fees and the potential reintroduction of any removed cost savings elements. This would result in \$2.5 million to \$4.5 million in additional City support depending on decisions made.

One potential funding source for the City's additional contribution could be Measure K as this project relates to affordable housing for unhoused neighbors. Additionally, as referenced above, with no shelter operations in this fiscal year, the Council could carry forward the \$1 million in funding set aside for operating expenses in FY 2023 or could use the funding towards the City's contribution to the capital funding gap and extend the operating funding currently sunseting in FY 2029 to FY 2030.

Staff will return to Council for consideration of recommendations on this and other related project actions.

Beyond the City's contribution, LifeMoves has committed \$2 million towards the capital funding gap. That information is included in the Analysis Section above.

STAKEHOLDER ENGAGEMENT

The current stakeholder engagement includes regular and as-needed meetings between partners (e.g., LifeMoves, Office of Supportive Housing (Santa Clara County), Santa Clara County Housing Authority, GreenWaste, Google (related to easements), and the City of Mountain View). As Council consideration and project actions are finalized, staff and LifeMoves will plan a groundbreaking and other opportunities for the public to engage on project progress. For those interested in giving to LifeMoves for this project, the donation page is www.lifemoves.org/gift.

ENVIRONMENTAL REVIEW

This item is presented only for Council's information and therefore it is not a project subject to environmental review by the California Environmental Quality Act (CEQA).

ATTACHMENTS

Attachment A: Proposed Cost Savings

Attachment B: Draft Site Plan

Attachment C: Rendering

Attachment D: Draft Logistics Plan

Attachment E: Conceptual Landscape Plan

APPROVED BY:

Ed Shikada, City Manager

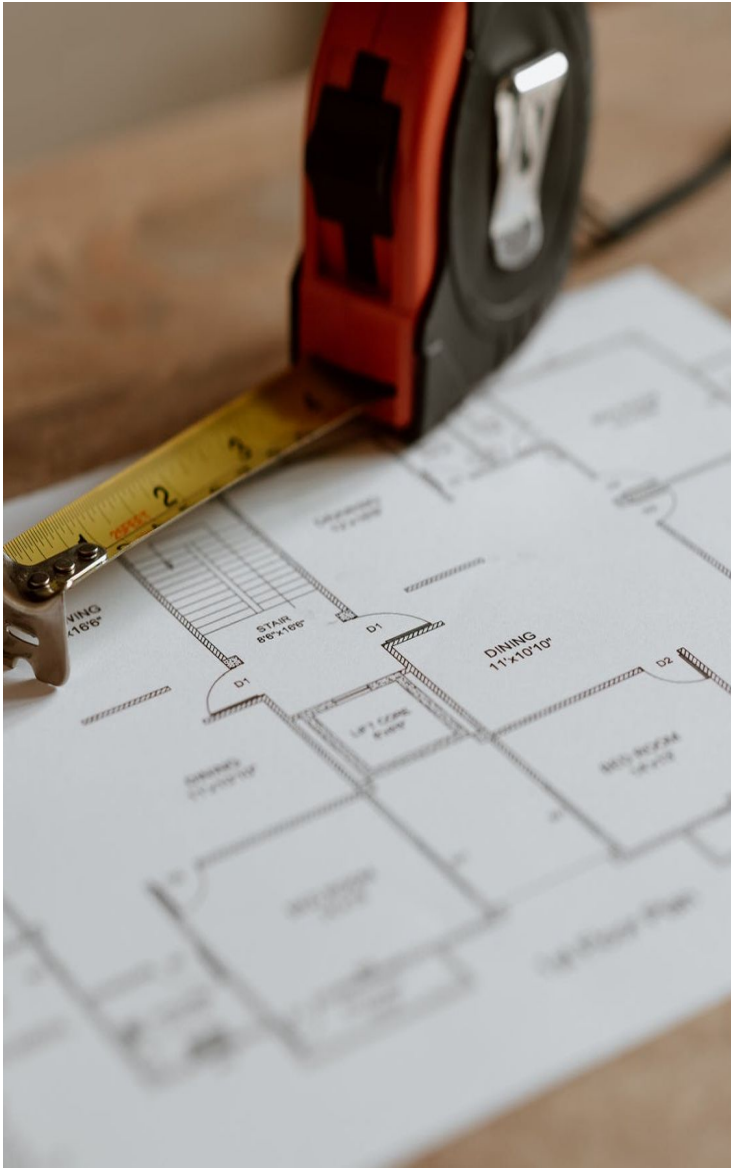
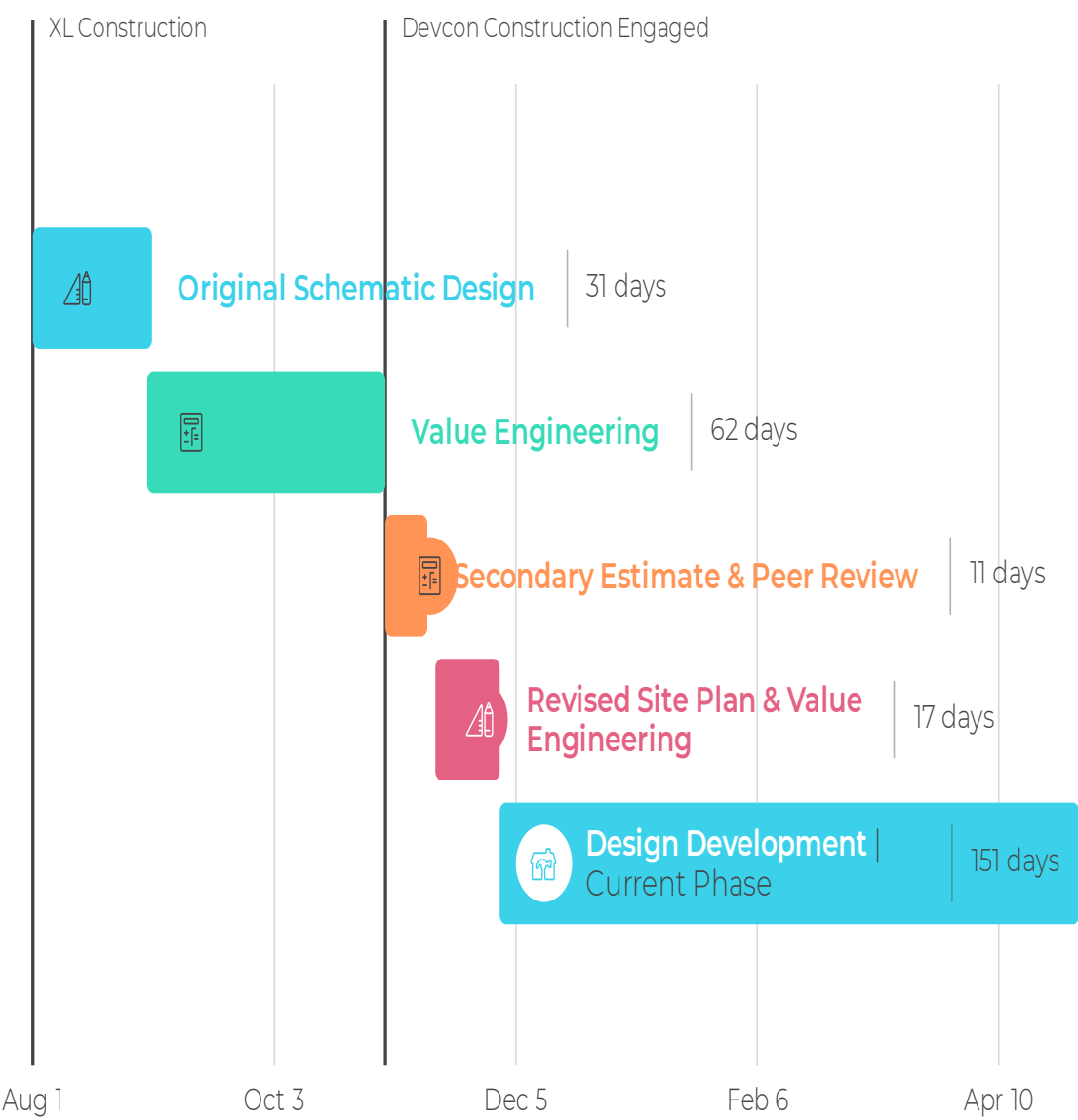


PALO ALTO | HOMEKEY

Revised Site Plan & Construction Cost Estimates

1237 N. San Antonio Rd.

Project Progress To Date



Original Site Plan vs Revised Site Plan

2D



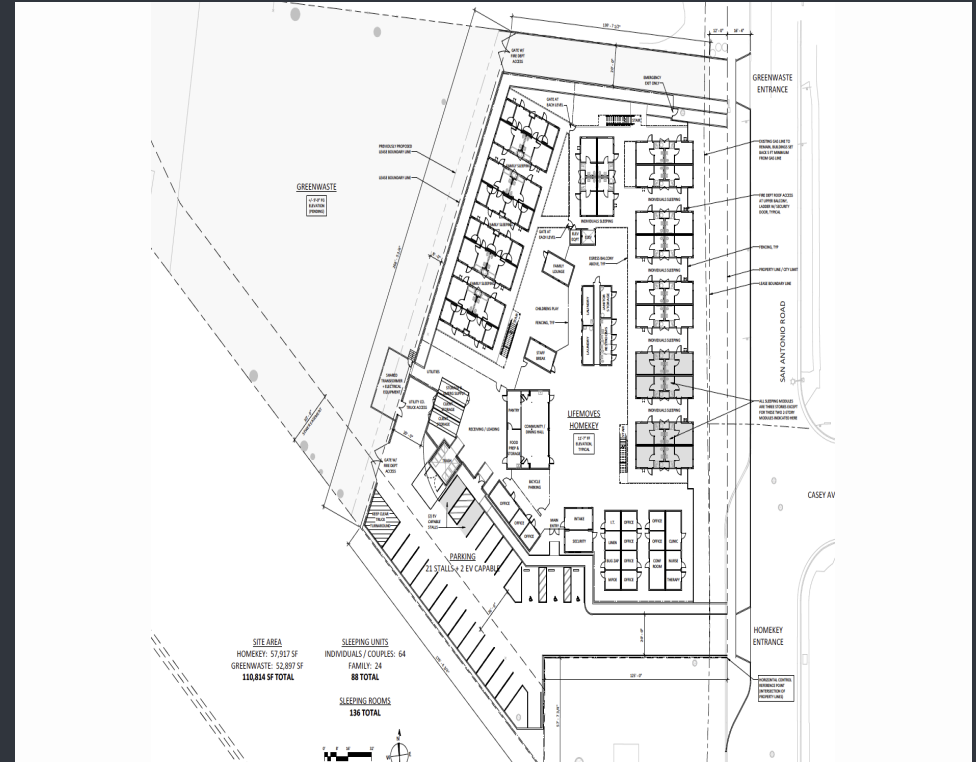
Original 3 Story Design

Fire Loop Road

Separate Family & Single Support Service space

Resident units in close proximity to street

13.1' finished floor elevation



Revised 3 Story Site Plan

Removed the Fire Loop Road; Created 1 entrance (SE Corner of Site)

Reduced the site fill to the minimum required height (11.7')

Pushed the buildings back off San Antonio to avoid the gas line

Reduction/consolidation in duplicative support service space

Previous Site Plan vs Revised Site Plan

Previous Site Plan

Site Area: 1.37 Acres
Family Modules: 24 Sleeping Units; 44 Doors; ~210 SF per Unit
Single Modules: 64 Sleeping Units; 64 Doors; ~200 SF per Unit
Sleeper Square Footage: 22,880 SF Total
Community/Dining Area: 2,000 SF Total
Support Services Area: 6,340 SF

Revised Site Plan

Site Area: 1.37 Acres
Family Modules: 24 Sleeping Units; 44 Doors; ~210 SF per Unit
Single Modules: 64 Sleeping Units; 64 Doors; ~200 SF per Unit
Sleeper Square Footage: ~22,880 SF Total
Community/Dining Area: ~1,200 SF Total
Support Services Area: ~4,940 SF

Previous Site Plan

Common Bathrooms: 5
Laundry Facilities: 2
Support Service Offices: 16
Elevators: 2
Community Building & Dining Hall
On-Site Parking Spaces: 24

Revised Site Plan

Common Bathrooms: 4
Laundry Facilities: 2
Support Service Offices: 9
Elevators: 1
Community Building & Dining Hall
On-Site Parking Spaces: 21

Main Cost Saving Drivers

Duplicative Support Space



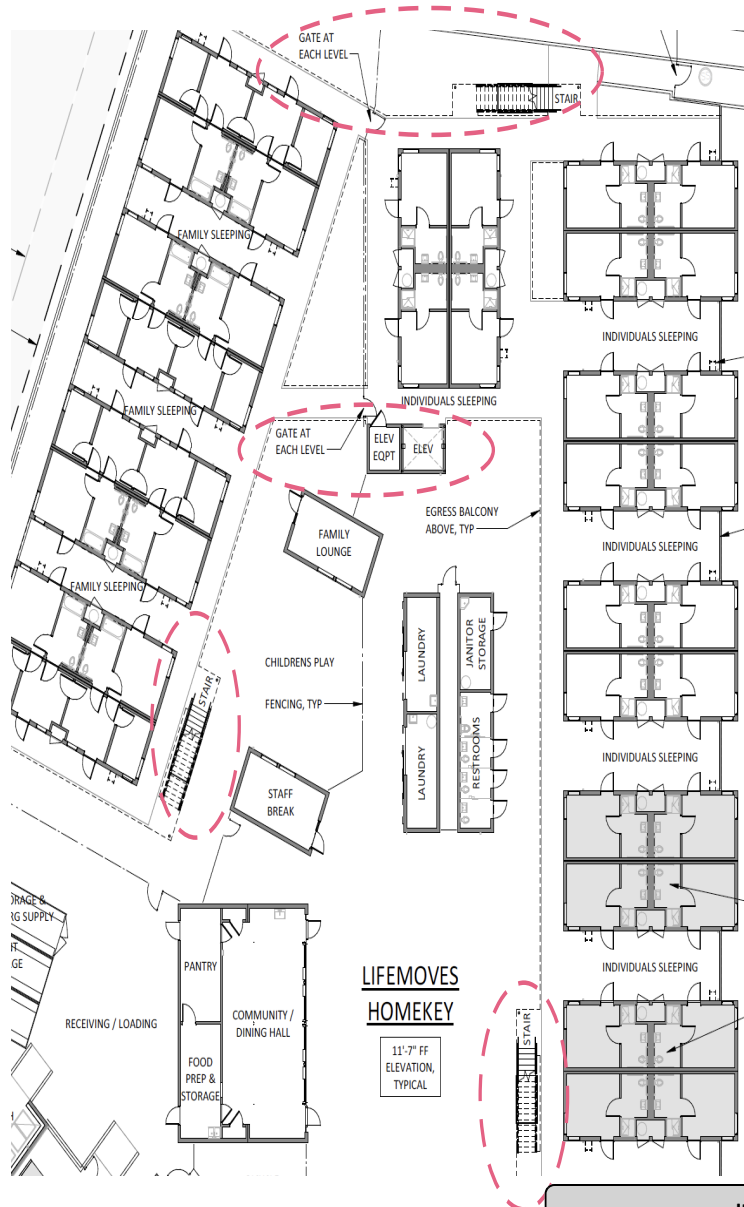
\$1.36
Million

Challenge: Increased Costs of Separating Support Service Space (Family & Singles)

Proposed Solution: 11% reduction of total usable modular space for Support Service Office Space; Removed duplicative support space

Main Cost Saving Drivers

Eliminate Stair (1) & Elevator (1)



\$444

Thousand

Challenge: Increased costs of having separate stairs and elevators for Families & Singles

Proposed Solution: Modify design to contain 3 stairways and 1 elevator, while still providing safe access to family & single units

Main Cost Saving Drivers

Retaining Wall



\$313

Thousand

Challenge: 13.1' grade elevation requirement and related costs

Proposed Solution: Reduce the amount of retaining walls by approximately 30% - based on the city's approval of FFL of 11.7' feet (11 feet + 8.4 inches)



Main Cost Saving Drivers

PV Systems and EV Chargers



\$1.3

Million

Challenge: increased costs of PV systems w/battery backups & supply chain time delays

Proposed Solution: Eliminate PV Infrastructure & System (including conduits & conductors, panels, batteries, etc); Eliminate EV Chargers; Can add in the future when additional funding is available

Main Cost Saving Drivers

Shade Sails



\$394

Thousand

Challenge: Significant cost increase associated with shade sail cost & install

Proposed Solution: Eliminate shade sails and instead explore cost efficient solutions (i.e. shade umbrellas, trees, etc.)

Main Cost Saving Drivers

Fencing

\$122

Thousand

Challenge: Significant cost associated with various fence materials

Proposed Solution: Plan to use Omega fencing along San Antonio RD. We will continue to search for cost efficient fencing that has better curb appeal



Main Cost Saving Drivers

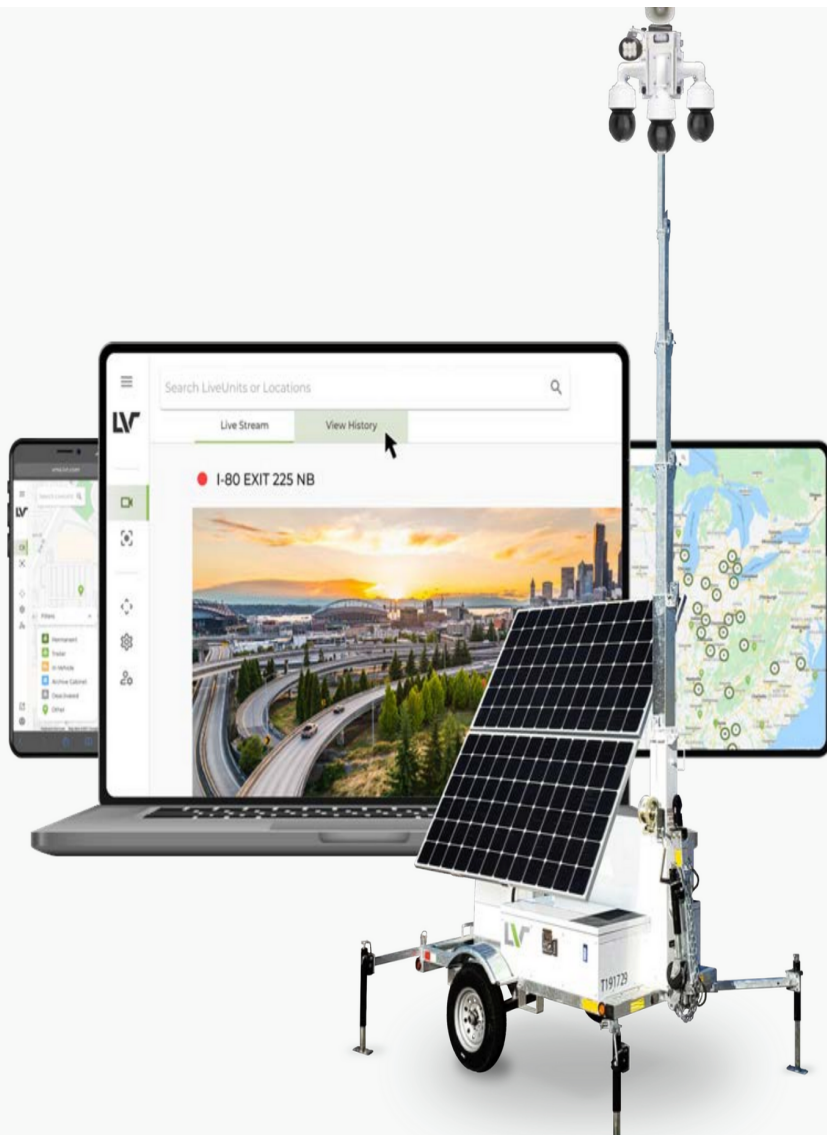
On-Site Security 24/7

\$195

Thousand

Challenge: Increased labor costs for 24/7 onsite security guards during construction

Proposed Solution: Utilize video surveillance and other methods to secure site; Mtn. View Leghorn site did not utilize 24/7 on-site security



Main Cost Saving Drivers

Traffic Control

\$192

Thousand

Challenge: Traditional traffic control costs (i.e. electrified message boards, full time flag man, etc)

Proposed Solution: Basic traffic control for several months; provide electrified boards and flag man part time as needed



Main Cost Saving Drivers

Offsite Parking- Construction Workers

\$380

Thousand

Challenge: Costs associated with renting a lot and shuttling on site workers to-and-from construction site

Proposed Solution: +/- 50 workers be allowed to park either on surface streets adjacent to the site or a lot within walking distance to the site



Main Cost Saving Drivers

Exclude Fire Pump

\$152

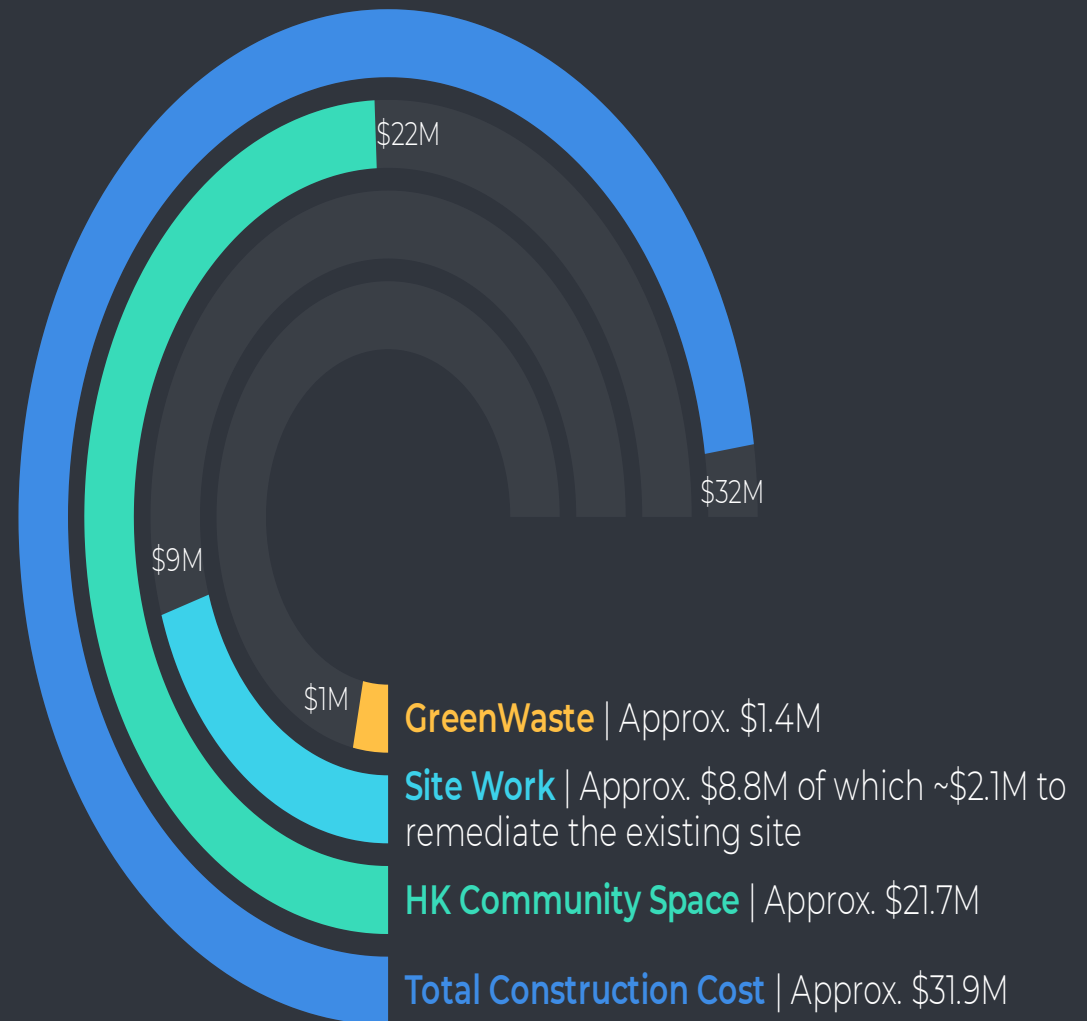
Thousand

Challenge: N/A - Water Flow Test was completed

Proposed Solution: Confirmed Fire Pump is not needed



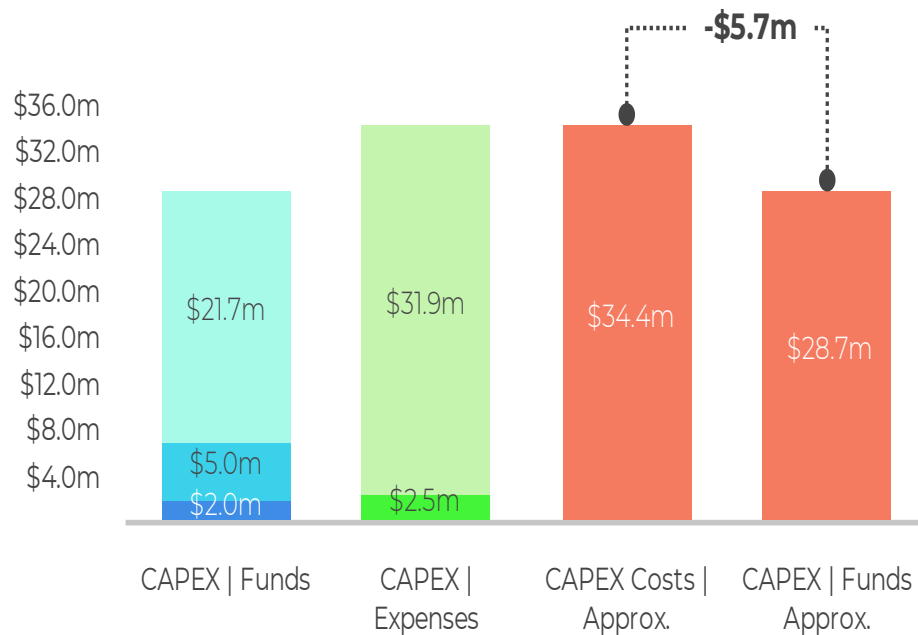
Estimated Project Construction Cost Breakdown



Current Project Proforma Breakdown

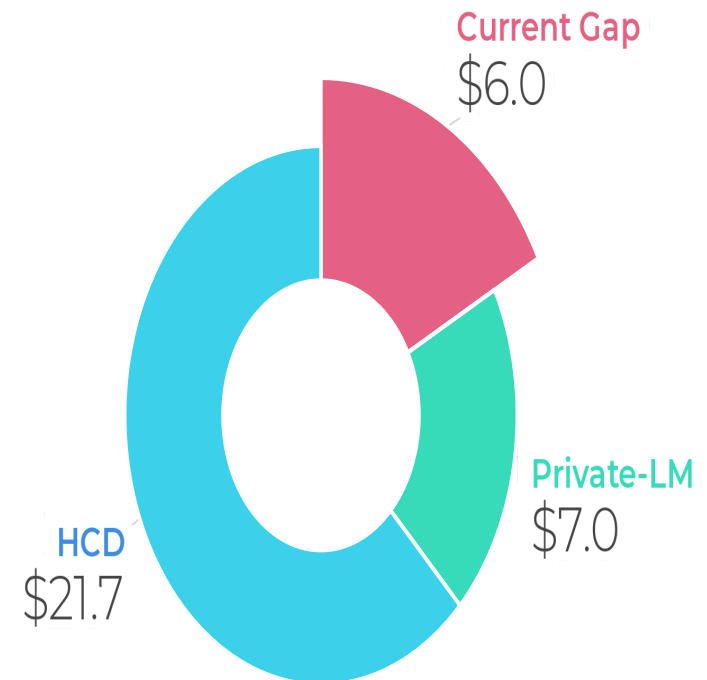
Approximate Totals

Current Projections



- HK Funds
- Private | John S.
- Private | LifeMoves
- Constr. | Gen. Contractor Costs
- Constr. | Non-Gen. Contractor Costs
- Approx. Totals (Funds & Costs)

Breakdown of CAPEX Project Funding (Approx.) ~\$35M



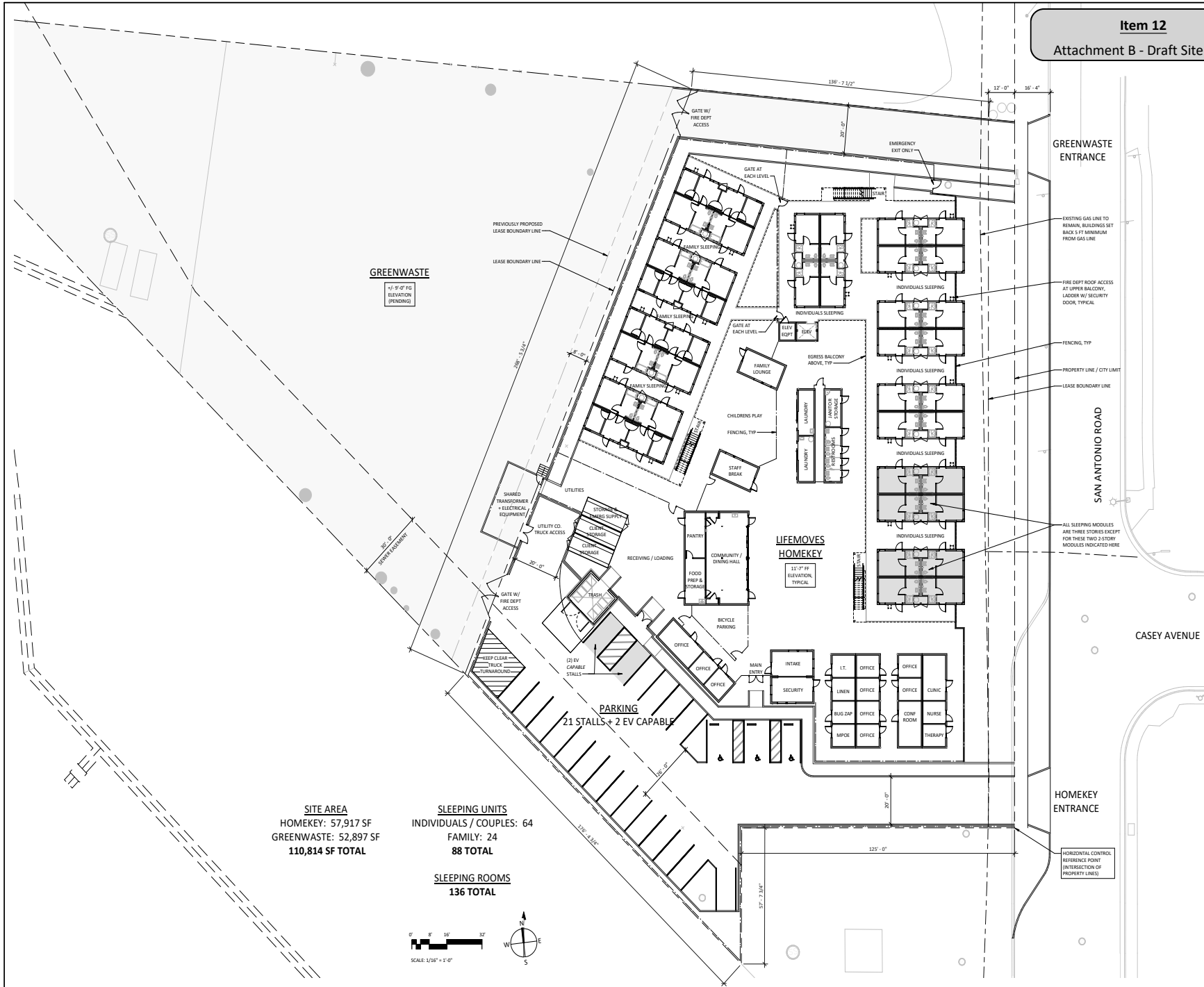
lifeMoves

HOMKEY PALO ALTO
SUPPORTIVE INTERIM HOUSING

SAN ANTONIO ROAD
PALO ALTO, CALIFORNIA 94303

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Milpitas, California 95035
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ARCHITECTURAL SITE PLAN

JOB NO. 22-183
DATE: 02/10/23
DRAWN: JL

SHEET NO.
A1.0
OF SHEETS

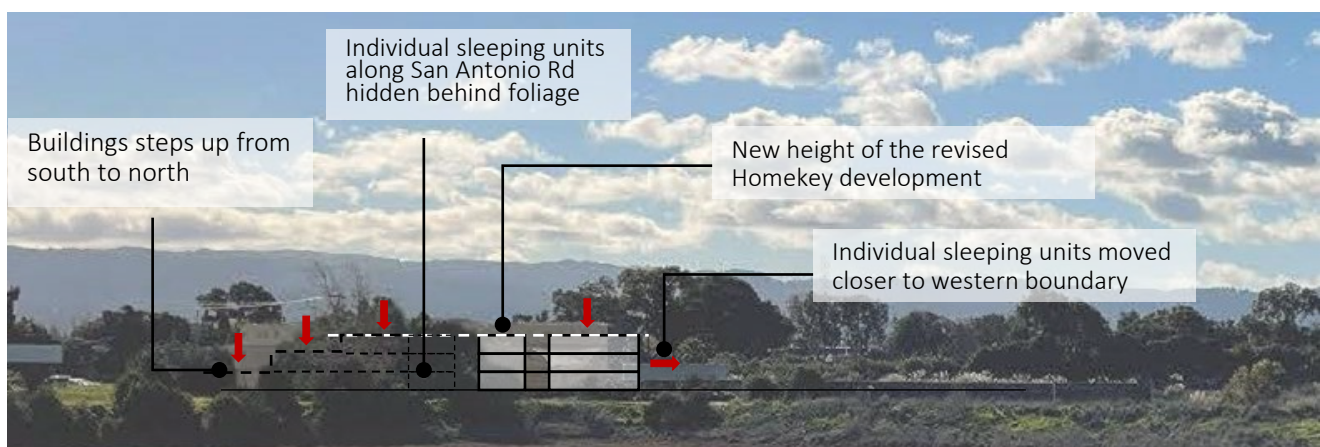


Previously provided rendering view of Palo Alto Homekey Project from Baylands Trail



- The revised site plan reduces the overall height of the development by 2 feet while reducing the overall footprint of the development by 2,200sf.
- The family units along the western boundary of the Homekey site remain unchanged at 3-stories.
- Individual sleeping units along San Antonio Road are a mix of 2 and 3 stories. They start at 2-stories along the southern portion of the site and increase to 3-stories on the northern portion of the site along San Antonio Road. The 2 feet reduction in overall height of the revised site plan allows these individual sleeping units along San Antonio Road to be hidden behind existing foliage when viewed from the Baylands Trail.
- The redundant fire lane loop was removed from site layout in favor of providing entirely separate entrances for Homekey and GreenWaste. This has allowed the family units to be moved further west towards the western boundary of the Homekey site.

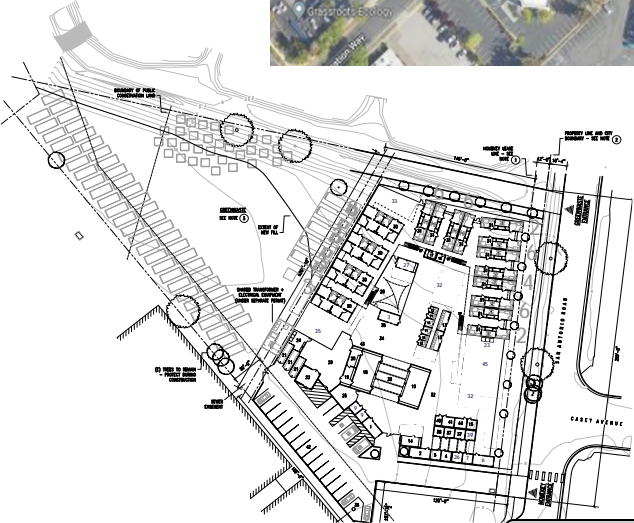
Updated view from Baylands Trail reflecting revised site plan



1237 San Antonio Road Palo Alto, California

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GreenWaste Facility Relocation & LifeMoves Construction

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CONSTRUCTION LOGISTICS PLANS

JOB NO.	SHEET NO.
DATE:	
DRAWN:	

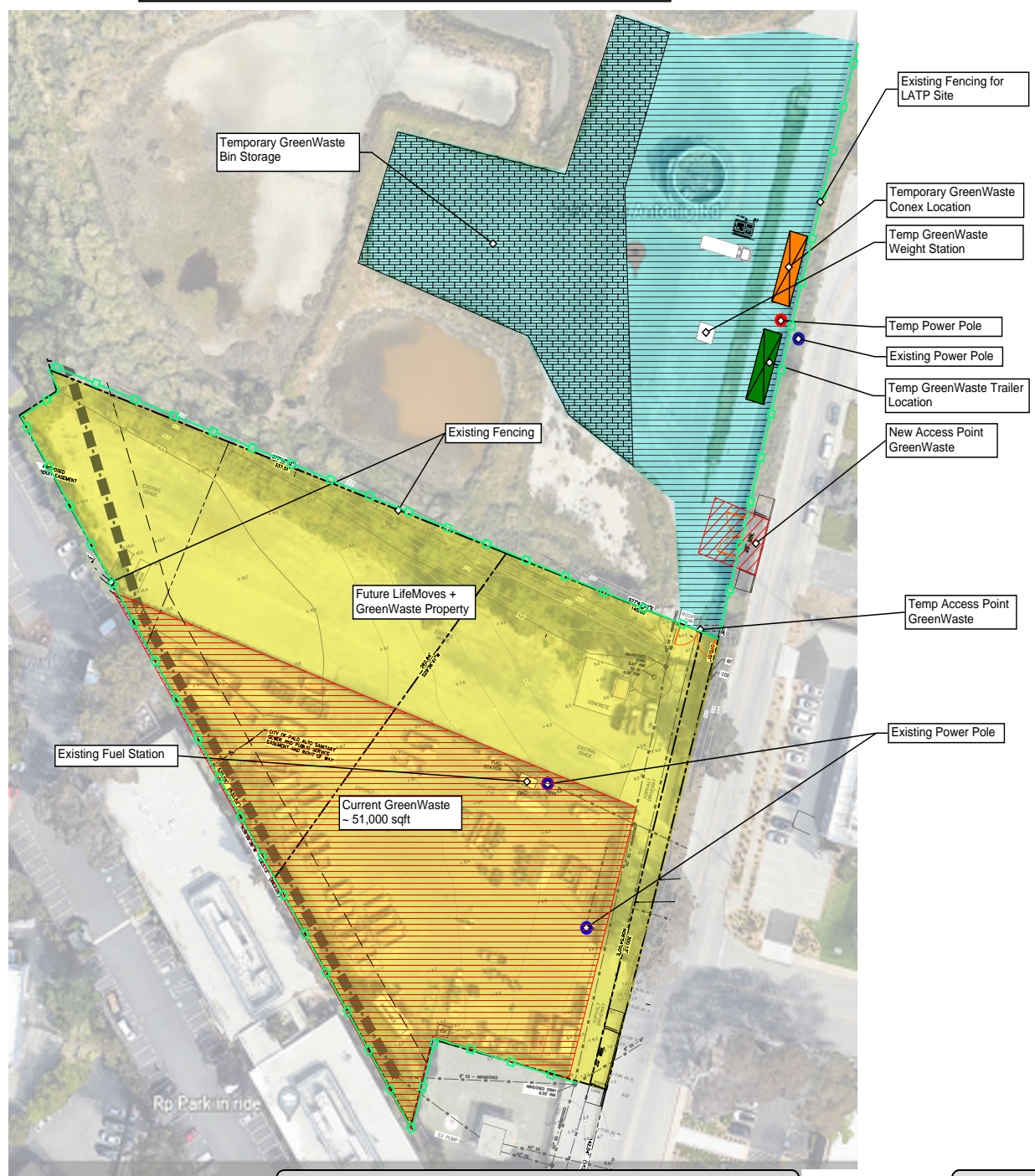
SITE LOGISTICS PLAN
PHASE I TEMP YARD GW STORAGE AND
CONSTRUCTION STAGING AND PARKING

Item 12
Attachment D - Draft Logistics Plan





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**Phase I -
GreenWaste
Facility
Relocation**

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**CONSTRUCTION LOGISTICS
PARKING & STAGING PLAN**

JOB NO.	SHEET NO.
DATE:	
DRAWN:	

Figure 1

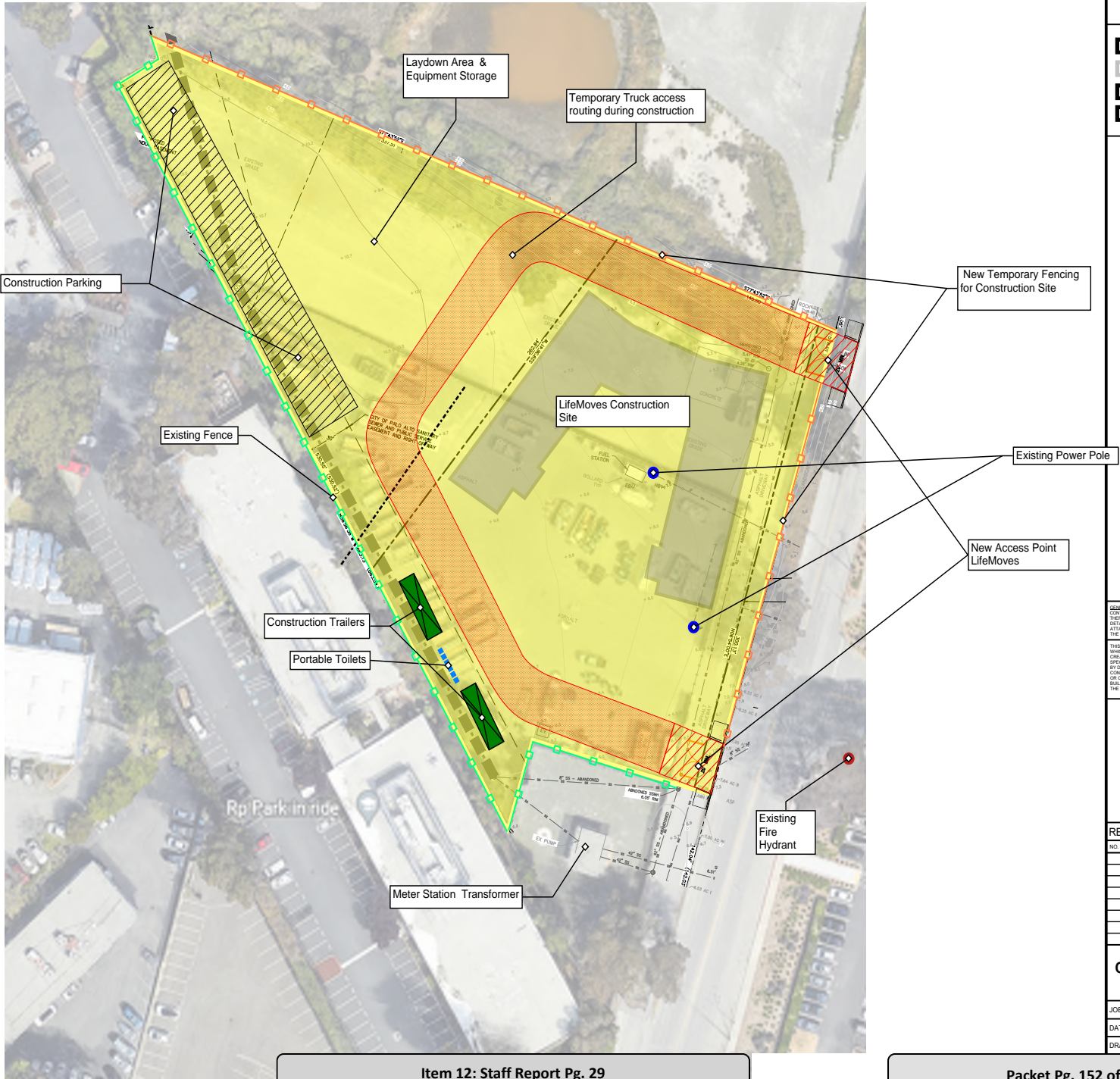
SITE LOGISTICS PLAN
PHASE II DEMO AND PREPARATION FOR GRADING

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Attachment D - Draft Logistics Plan



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Phase II - LifeMoves Construction

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CONSTRUCTION LOGISTICS PLANS

JOB NO.

DATE:

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of 158

SHEET NO.

Figure 2

SITE LOGISTICS PLAN PHASE II - MODULAR SLEEPER STAGING AND SETTING

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Attachment D - Draft Logistics Plan



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Phase II - LifeMoves Construction

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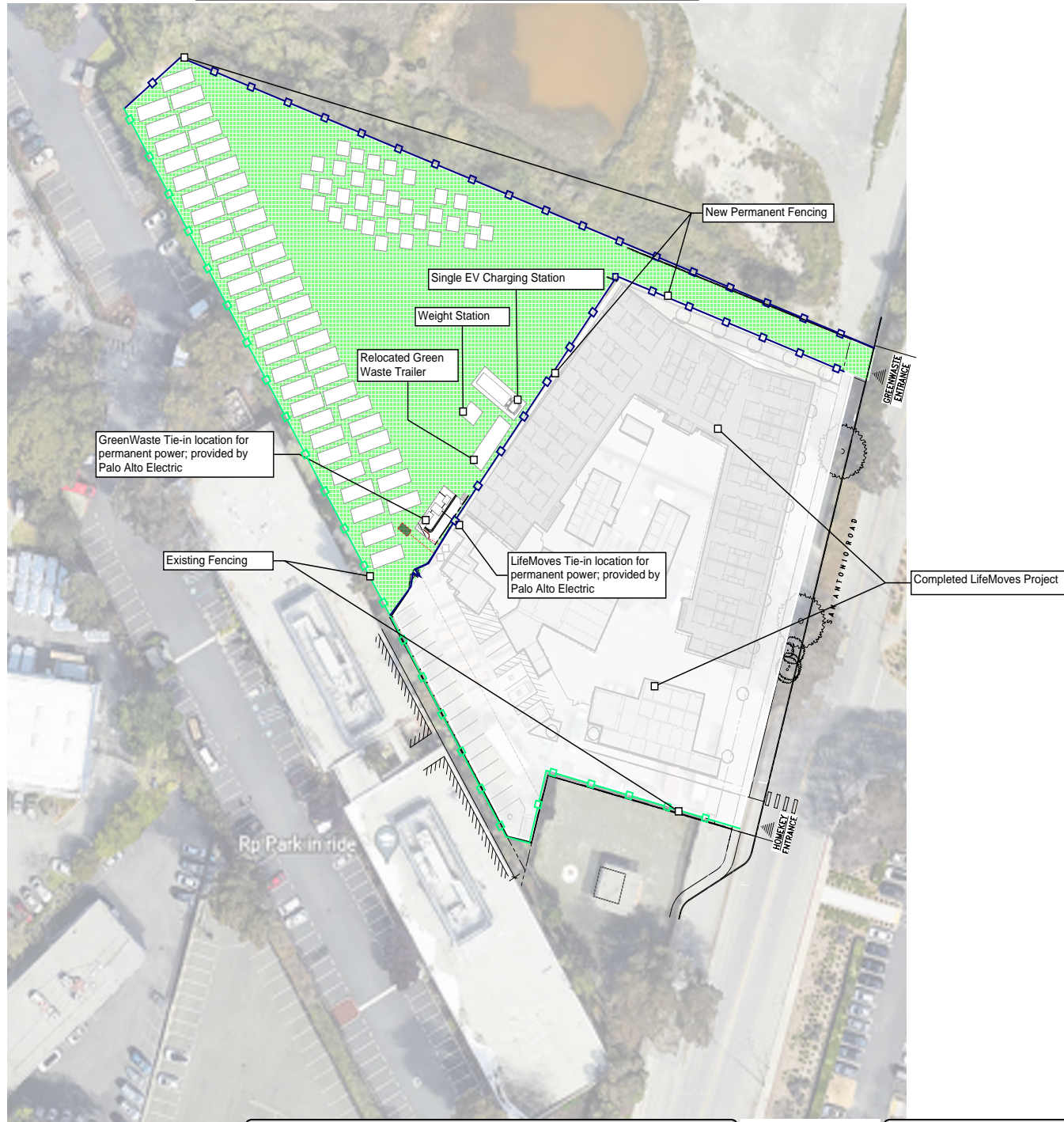
LIFEMOVES BUILD-OUT FOR TCO

JOB NO.	SHEET NO.
DATE:	
DRAWN:	

Figure 3

**SITE LOGISTICS PLAN
PHASE III - GreenWaste New Yard Relocation and
Build-out**

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Phase III - GreenWaste Construction

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GREENWASTE FINAL BUILD-OUT AND ACCEPTANCE

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DATE:	
DRAWN:	

Figure 4

SITE LOGISTICS PLAN
Overall Finished Site Plan



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Attachment D - Draft Logistics Plan

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Life Moves
Overall
Construction

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COMPLETION OF PROJECT
FOR ALL STAGES

JOB NO.	SHEET NO.
DATE:	Figure 5
DRAWN:	

TRUCK HAUL ROUTE
MATERIAL AND OFFHAUL TRUCK ROUTES

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Attachment D - Draft Logistics Plan



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**GreenWaste
Facility Relocation
& LifeMoves
Construction**

REVISIONS			
NO.	DATE	DESCRIPTION	BY

**TRUCK HAUL ROUTES
FROM PROJECT SITE**

JOB NO.	SHEET NO.
DATE:	TRUCK HAUL ROUTE MATERIAL AND OFFHAUL TRUCK ROUTES
DRAWN:	

TRUCK HAUL ROUTE MATERIAL AND OFFHAUL TRUCK ROUTES

Item 12
Attachment D - Draft Logistics Plan



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GreenWaste Facility Relocation & LifeMoves Construction

REVISIONS

NO.	DATE	DESCRIPTION	BY

TRUCK HAUL ROUTES FROM PROJECT SITE

JOB NO.	SHEET NO.
DATE:	TRUCK HAUL ROUTE
DRAWN:	MATERIAL AND OFFHAUL TRUCK ROUTES

Item 12
Attachment E - Conceptual
Landscape Plan

lifeMoves
HOMEKEY PALO ALTO
ARTIVE INTERIM HOUSING

XXX HOMEKEY WAY
PALO ALTO, CALIFORNIA 94022

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CONSTRUCTION
INCORPORATED
690 Gibraltar Drive
Milpitas, California 95035
(408)942-8200 Lic. #399163

THE
Guzzardo
Partnership, INC.
Landscape Architects | Land Planners
Pier 9, The Embarcadero, Suite 115
San Francisco, CA 94111 | www.tgp-inc.com



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CONCEPTUAL LANDSCAPE
PLAN

JOB NO. 22-183	SHEET NO.
DATE: 02.09.23	L1.0
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