

Dear Mayor and Council Members,

On behalf of City Manager Ed Shikada, please see staff responses below for questions from Council Member Tanaka on the [Monday, September 9 Council Meeting](#).

Item 3: Approval Request for Increased Carbon Permit Budget in Response to Rising Compliance Costs

- 1. Considering the recurring nature of our compliance costs, can you explain why the staff report does not propose a multi-year emission reduction strategy to mitigate the need for future budget increases? Specifically, what steps have been taken to ensure we won't be in a similar position next year, facing another request for additional funds?**

Staff response: The Sustainability and Climate Action Plan (S/CAP) is the multi-year emissions reduction strategy intended to achieve the community's climate goals, and it has the side effect of mitigating compliance costs for the carbon allowances the State requires us to purchase on behalf of our gas customers. In each year's budget, staff updates its projections of compliance costs to reflect changing cap and trade program market conditions.

- 2. The staff report emphasizes immediate financial compliance, but why does it lack a detailed analysis of alternative strategies, such as investments in energy efficiency or renewable projects, that could reduce our carbon footprint and long-term costs? Can you clarify why these alternatives were not fully explored or integrated into the proposal, given their potential to lower our reliance on carbon permits?**

Staff response: These strategies are being pursued in parallel via the S/CAP. The ability to avoid the cost of purchasing carbon allowances is included in financial analyses of S/CAP programs.

- 3. Given Palo Alto's reputation as a leader in sustainability, why doesn't the staff report address the potential reputational risks of relying heavily on permit purchases without a corresponding increase in direct emission reduction initiatives? How does the proposal align with our city's long-term environmental goals and the expectations of our community and partners, who look to us for leadership in climate action?**

Staff response: As long as the community still uses natural gas, and as long as the enabling legislation is in place, the California Air Resources Board will require the City's gas utility to purchase these allowances. This is unavoidable. The City will continue to aggressively seek to reduce emissions via its S/CAP programs. Future reports on the topic of carbon allowance purchases can note this.

Item 5: Approval for Purchase of Emergency Portable Generators for Water Utility Backup in High-Risk Zones

- 1. The staff report indicates that the city plans to invest nearly \$480,000 in diesel-powered generators, yet there is no clear analysis of their alignment with Palo Alto's aggressive climate action goals or potential financial risks due to future emissions regulations. Can the city manager clarify why renewable options, such as solar or hybrid generators, weren't seriously considered, especially given the evolving regulatory landscape around diesel emissions? How does this decision prepare us for future environmental obligations and potential carbon taxes?**

Staff response: The project aligns with Climate Goal S7 of the City of Palo Alto 2022 Sustainability and Climate Action Plan (Collaborate on Reducing Wildfire Hazards) and the project aligns with the City of Palo Alto Utilities Wildfire Mitigation Plan. Emission and fuel regulations and requirements have been identified and portable trailer generators were selected instead of permanent generators based on compliance requirements. The project includes emission permitting and equipment maintenance for a 3-year period. The purchase price for the generators is less than the cost to rent the generators for the same 3-year period. Staff considered alternative solutions, however, the alternatives are either not feasible at the site (such as solar) or not cost effective (such as batteries). Generators are for emergency standby and as part of emergency handling it is important that equipment is aligned citywide for response efficiency (for example, the City owns a diesel tanker that can be used for emergency refueling if needed).

- 2. The staff report does not mention any public consultations or outreach to environmental groups, particularly given the size of this investment and its long-term implications for the community. Can you explain why there wasn't a formal public engagement process, especially with residents living in areas that would be directly affected by the generator deployment? What mechanisms does the city have to ensure community input is factored into large-scale decisions like this, especially in a city as committed to environmental leadership as Palo Alto?**

Staff response: This project was included in the City of Palo Alto Utilities Wildfire Mitigation Plans and follows industry best practices. The two sites are abutting park land, residents will experience no additional impact when the equipment is used. There are no residents within ¼-mile of site #1; a standby generator is already leased and on standby at Site #2,. The impact to residents for not doing the project is water loss during an extended public safety power shutoff (PSPS) and reduced wildfire protection. Alternative Long-term implication would be no back-up power supply and loss of water in an emergency to two pressure zones

3. **The staff report mentions West Coast Energy Systems as the contractor of choice, yet it omits a detailed analysis of their qualifications for handling public utility infrastructure projects of this magnitude. Given their limited reviews, prior licensing issues, and unclear experience with projects critical to public safety, what guarantees does the city have that they are equipped to manage this effectively? Additionally, what specific performance metrics, penalties, or contingencies are built into the contract to ensure accountability and protect the city from delays, cost overruns, or performance failures?**

Staff response: West Coast Energy Systems exceeds qualifications for this work. In 2011, Water Utility Engineering Staff obtained letters of recommendation for a similar generator projects from other utilities and have since successfully completed multiple generator projects at Palo Alto water utility facilities, over the past 13 years. Performance metrics for power supply and voltage drop and overall performance are specified by manufacturer. Performance failures are covered by manufacturers warranties and guarantees. Failure to furnish generators to site, test, and permit generators will result in no payment to West Coast Energy Systems.

Item 7: Approval of Southern Palo Alto Bicycle and Pedestrian Railroad Crossing Project Contract

1. **Considering the limited exploration of alternative solutions in the staff report, can you specify what other approaches, such as enhanced at-grade crossings or different location options, were evaluated for improving safety and connectivity in Southern Palo Alto? How did the city ensure that the chosen solution is the most strategically sound and cost-effective, particularly considering long-term urban planning and infrastructure needs?**

Staff response: The work of this alternatives analysis is the exploration of alternatives, including an evaluation of enhanced at-grade crossings and different location options. The City has not chosen a solution, and this project will engage with the public to identify possible solutions for community and Council consideration.

2. **The staff report doesn't provide a detailed projection of long-term maintenance costs for the proposed grade-separated crossings. Can you provide specific figures or estimates on these future costs and explain how they align with the city's broader fiscal strategy? How does the city plan to mitigate the risk of these ongoing expenses potentially diverting funds from other critical infrastructure needs or services?**

Staff response: Long-term maintenance costs and other expenses will be evaluated in Task 4.2 (Evaluation Framework and Criteria) and further detailed in Task 5.4 (Implementation Plan), once design concepts for the grade-separated crossings are developed.

3. **Given that the staff report emphasizes the project's benefits for Southern Palo Alto without addressing broader citywide impacts, how has the city assessed the potential risk of public perception issues, particularly in areas that may feel underserved by this decision? What strategic measures are in place to ensure this project does not inadvertently create or exacerbate perceived inequities across different neighborhoods in Palo Alto?**

Staff response: The analysis builds on citywide planning studies showing that crossing opportunities are more abundant in northern areas, particularly downtown. This project aims to address the geographic imbalance disadvantaging Southern Palo Alto.

Item 10: Approval of Construction Contract for Cubberley Field Restroom and Repairs

1. **The staff report mentions initial community engagement, yet it does not account for the strategic importance of re-engaging the public now that the project details are clearer. How do we ensure that moving forward without additional consultation won't lead to strategic misalignment with community expectations, potentially resulting in delays or increased project costs due to subsequent revisions or public dissatisfaction?**

Staff response: Staff conducts community engagement to receive community input that helps to determine the scope of a project. Once the scope of the project is approved by Council, staff's further engagement is focused on communicating the impacts and progress of the work.

2. **In light of the significant cost variability, the lack of a comprehensive risk assessment on the contractor's capability to handle this project, and the missed opportunity for strategic community re-engagement, how can we proceed with this approval without exposing the city to unnecessary financial and reputational risks? What strategic measures have been put in place to address these potential vulnerabilities, and how do we justify moving forward under these conditions?**

Staff response: While the bids do exhibit variability, soliciting multiple bids is intended to save the City money, as is the case in this instance. Staff does not see potential vulnerabilities as stated in the question.

3. **Given the substantial discrepancies in cost estimates for key components such as mobilization and demolition, which deviate significantly from industry standards and other bids, how confident are we that the lowest bid accurately captures the true scope of work? Specifically, what safeguards are in place to prevent these potential underestimations from resulting in costly change orders or budget overruns later in the project?**

Staff response: It is very common for individual components of bids to deviate substantially from the Engineer's bid estimates. Staff does not believe that this bid requires any additional safeguards as the contractor is required to complete the scope of work within the bid amount.