

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, May 6 Council Meeting](#).

Item 7: Approval for Increased Purchase Orders for Electric Distribution Transformers in Support of the Grid Modernization Project

- 1. Given the significant global supply chain challenges impacting critical infrastructure projects, what are the City Manager's specific contingency plans and risk mitigation strategies that have been developed to manage these supply chain risks? Additionally, how will these plans ensure that the Grid Modernization Project not only remains on schedule and within budget but also avoids unforeseen expenses and delays that could impact Palo Alto taxpayers?**

Staff Response: The City has implemented several contingency plans and risk mitigation strategies to navigate global supply chain challenges for the Grid Modernization Project. These include prequalifying and diversifying suppliers, adding new procurement resources, and leveraging local utilities if needed. In addition, strategic vendor partnerships and regular communication with suppliers help anticipate and address potential disruptions. Given the swings in lead time, staff is forecasting, ordering, and monitoring inventory on a regular basis.

- 2. Considering the substantial increase in expenditure for upgrading electrical infrastructure, what cost-effective alternative strategies has the City evaluated? For instance, has the City considered significantly expanding energy efficiency programs or enhancing the integration of renewable energy sources? How can the City Manager explain how these alternatives were considered in the decision-making process and provide a comparative analysis demonstrating that the current approach is the most economically and environmentally sustainable option for Palo Alto residents?**

Staff Response: The City conducted an electrification study to evaluate the impacts of projected electrification loads on Palo Alto's distribution and substation transformers, primary/secondary distribution circuits, and to propose upgrades needed to mitigate overloads. The estimated cost to construct the necessary electric system upgrades for a 100% electrification scenario is between \$220 million to \$306 million, depending on the approach. The first approach mitigates substation transformer overloads by constructing additional distribution circuit ties where possible, while the second approach mitigates overloads by replacing substation transformers with larger capacity units. The City is electing the first approach because it's more cost-effective and less risk due to lengthy lead times and complexities in replacing substation transformers. The City maintains a number of energy efficiency and demand side management programs to help customers save money, use energy and water efficiently, and reduce carbon emissions. High-touch programs such as the Home Efficiency Genie, a customer service program that provides great educational value to Palo Alto residents but delivers small energy efficiency savings. Non-residential energy efficiency programs are significantly more effective in energy savings and costs than residential programs. The City needs to upgrade the distribution infrastructure to enable integration of renewable energy resources to the electric grid. The current approach was deemed the most economically and

environmentally sustainable option for Palo Alto residents, balancing immediate electrification needs with long-term S/CAP and resiliency goals.

- 3. With the rapid advancements in energy technology, what specific measures and contractual safeguards has the City implemented to mitigate the risk of the newly purchased transformers becoming obsolete prematurely? How can the City Manager elaborate on how these measures ensure the city remains adaptable to technological changes without incurring unnecessary costs or requiring frequent future upgrades, thus protecting taxpayer investments?**

Staff Response: Grid modernization allows the City to advance technological assets and improve grid functionality. Specifically, Palo Alto intends to utilize “smart grid” automation by installing two-way communication and enhanced control systems, allowing enhancements to demand reduction efforts. There will be new capabilities, such as providing nearly real time data on energy consumption and voltage information through advanced metering. Additional benefits from real time data includes improving fault detection and isolation, thus improving response time for restoration, and overall reliability. A number of manufacturers are developing solid state technologies to transform voltages on the distribution system; however, these transformers are not available for commercial use at this time. As we rebuild the fiber backbone further into the neighborhoods, it will allow us to have capabilities of connecting fiber directly to switches, transformers, and capacitor banks. The electrical system operators will have the ability to operate the system faster, safer, and more effective during outages and other emergencies. Some of the newer technologies will be evaluated as the project progresses and implemented.

Item 9 Staff Report: Contract Approval for Leasing New Printing Equipment to Upgrade City Print Shop Operations

- 1. As the City Council is poised to approve a significant contract for leasing advanced printing equipment, which will likely increase paper usage, how does the City justify this decision in light of our environmental goals? Are there sustainable alternatives or digital solutions that could be considered to reduce our paper footprint and better align with our commitment to environmental sustainability?**

In light of the rapid advancements in digital technology and a clear trend towards digital document management systems that significantly reduce costs and environmental impact, why has the City chosen to commit \$382,165 to traditional paper-based printing solutions in this contract? Furthermore, how does this align with our City's strategic goals of technological advancement and sustainability?

Staff response: The new Xerox copiers will use 100% recycled paper which is consistent with the City's goal to use recycled paper. In recent years there has been an effort by City departments to shift to more digital document reproduction solutions and use. As a result, it is common practice to store documents electronically in PDF or other format rather than print paper documents for storage, which is a more sustainable approach. At the same time, there are still important community communications that are best offered in paper format even though also provided in digital format in many cases. These include community event mailings, class and program offerings, playbills for theater productions, community mailers, boards and commission packets, planning

notifications, utility notifications, and Council packets. While the City has various electronic communication channels, having a paper option allows the City to reach the community in a format that is more accessible for some community members.

- 2. Given the substantial environmental and financial implications of the proposed \$382,165 lease for new printing equipment, provide detailed insights on how the broader community and external stakeholders were involved in the decision-making process. With such significant expenditures on the horizon, how has the City assessed whether there is actual demand or desire for increased printing services among our residents? Moreover, considering the potential impacts, how does the City plan to ensure that future decisions are made with full transparency and inclusivity, truly reflecting the community's values and needs?**

Staff response: The Xerox copiers that this contract provides will allow the City to continue to offer printed communications to the community as a compliment to electronic communications to best reach all members of the community. These Xerox machines will also continue to offer digital reproduction options when large volume documents that exist in paper format need to be digitized as these machines can do large volume scanning which compliments the City's continued shift to digital document storage and use. Stakeholder departments regularly provide feedback to the Print Shop regarding their printing needs that reflect community needs for printed communication options. The Print Shop will continue to be responsive to these needs including as they require digital reproduction options.

Item 14 Staff Report: "Amendment to Extend and Increase Funding for AECOM Contract on Rail Grade Separation Projects"

- 1. Considering that each subsequent amendment to the AECOM contract has resulted in a cumulative increase of nearly \$3 million, how can the City Manager explain how these escalating expenses demonstrate prudent fiscal management? Furthermore, in light of the community's growing concern over the allocation of its resources, what accountability measures are in place to ensure that this continued financial commitment is justified and beneficial?**

Staff response: The City of Palo Alto's contract with AECOM for the Grade Separation project has indeed led to a series of amendments. These amendments are primarily driven by the evolving requirements of the project—such as accommodating Caltrain's updated standards and four-tracking plans and addressing complex technical and environmental challenges unique to each rail crossing. Each amendment reflects necessary adaptations to ensure that project outcomes align with the technical standards and community expectations.

Prudent fiscal management is demonstrated through contract negotiations to ensure value for services and by maintaining transparent, competitive bidding processes when this project was originally bid. The City also closely monitors all expenditures against the project's budget and timeline.

To ensure that the financial commitment towards the Grade Separation project remains justified and beneficial, the City has several accountability measures:

- **Regular Reporting:** AECOM is required to submit detailed progress reports and financial statements, which are reviewed by City staff.
- **Stakeholder Engagement:** Continuous engagement with the community through public meetings and feedback sessions ensures that the project aligns with public interest and receives direct input from stakeholders and affected residents.
- **Oversight by the Rail Committee:** The Rail Committee plays a crucial role in overseeing project progress and adherence to city and regional transportation objectives, providing another layer of accountability.
- **Performance Metrics:** The contract includes specific deliverables and milestones tied to payment, ensuring that payments are made only for work satisfactorily completed.

2. **Given the substantial ongoing investment in the rail project, can the City Manager provide a detailed rationale and evidence that supports continuing to prioritize this project's funding over other critical community initiatives that target housing, education, or health services? Additionally, what measurable benefits has the community received from this project to date, and how do these compare to the potential immediate impacts of funding alternative projects?**

Staff response: The rationale for prioritizing funding for the Grade Separation project in Palo Alto stems from its strategic significance in enhancing safety, reducing congestion, and preparing for future transportation needs. According to the Expanded Community Advisory Panel (XCAP) report:

1. **Safety Improvements:** Grade separations at key intersections such as Churchill Avenue, Meadow Drive, and Charleston Road are imperative to mitigate the risks associated with at-grade crossings. With Palo Alto's rail corridor witnessing considerable daily traffic, the separation of road and rail traffic significantly diminishes the likelihood of accidents and fatalities.
2. **Congestion Reduction:** As Caltrain intensifies its services post-electrification, the frequency of train crossings will increase, exacerbating congestion at grade crossings. Grade separations are critical in ensuring the uninterrupted flow of vehicular and pedestrian traffic, which will become increasingly vital as train frequencies rise.
3. **Future-proofing Infrastructure:** With the potential expansion of High-Speed Rail (HSR) and increases in Caltrain services, the existing infrastructure will become inadequate. Grade separations are a proactive measure to accommodate future increases in rail traffic and the associated demands on Palo Alto's transportation network.
4. **Support for Public Transit and Environmental Goals:** Enhancing Caltrain's efficacy through grade separations aligns with broader environmental goals by promoting public transit usage over personal vehicle reliance, thereby reducing greenhouse gas emissions and traffic congestion.

To date, the community benefits from the Grade Separation project include:

1. **Enhanced Community Engagement and Planning:** The extensive planning and community engagement efforts, as detailed in the XCAP report, have fostered a deeper understanding of the project's impact and collected comprehensive community input that shapes the project's direction.
2. **Preparatory Work for Future Enhancements:** While tangible construction benefits are yet to be realized, the preparatory work including detailed analyses and designs will expedite future construction phases, reducing overall project duration and disruption.

3. **Alignment with Long-term City Goals:** The project supports key objectives of the Palo Alto Comprehensive Plan, including improving transportation infrastructure to support growth and enhance connectivity across the city.

Comparatively, while projects targeting housing, education, or health services also warrant investment, the Grade Separation project addresses critical public safety and infrastructure needs that have long-term implications for city planning and operational efficiency. The choice to prioritize this project is based on its potential to significantly impact city-wide transportation dynamics and safety, essential for supporting the city's growth and quality of life.

This strategic prioritization does not diminish the importance of housing, education, or health but reflects a necessary investment in critical infrastructure to support all aspects of community welfare. It's important to note that the grade separation project is funded through dedicated funding sources such as Measure B Grade Separation Funding, Measure K Grade Separation Funds, specific Grade Separation grants etc. and therefore these funds cannot be redirected to other community priorities such as health services, housing, or education. However as noted above, the Grade Separation project is expected to offer broader benefits by enhancing traffic flow, safety, and emergency response of the city's transportation network, and reflects City Council direction in the context of other city priorities.