



Dear Mayor and Council Members:

On behalf of City Manager Ed Shikada, please find below the staff responses to questions made by Councilmember Tanaka regarding the **Monday, April 17 Council Meeting** consent agenda items:

Item 9: Approve Substantial Amendments to the Community Development Block Grant (CDBG) FY2021-22 and FY2022-23 Annual Action Plans and the Associated Budget Amendment and Resolution

1. **The report states that Staff deemed that improving the ADA ramp improvement project was the best place that the \$300,000 be reallocated to. How big of a problem is the standard of these ramps in our community, and what other options were considered that were CDBG eligible?**

Staff response: The identified ramp improvements are based on the sidewalk assessment study Public Works Engineering did with Nichols Consulting Engineers (NCE) in 2017 and the ADA Transition Plan. The ADA improvements will be focused in the Downtown North and University South neighborhoods (Palo Alto Avenue to Embarcadero Road and Alma Street to Middlefield Road) in coordination with the Sidewalk, Curb, and Gutter Repairs Program. These two neighborhoods have the highest density of curb ramps that need to be upgraded.

As noted in the CMR, staff looked into other private “public facilities improvement” projects that could be eligible for funding and there were no projects that could be identified. For this reason, staff reached out to Public Works and determined that the City has a beneficial and qualifying project that the unallocated funds could support. This CDBG allocation helps the City meet its spending timeliness requirements as per 24 CFR 570.902, which is important for the CDBG program implementation.

2. **Is all of the \$300,000 in funding necessary for the improvement of 70 ADA ramps? Could you provide the price breakdown for this \$300,000 of how much it takes to improve a single ramp?**

Staff response: The \$300,000 would be fully utilized for the project. The estimated project cost of approximately \$511,000 exceeds the proposed reallocation amount of \$300,000. The typical cost of a curb ramp ranges from \$5-6K and on average 100 SF (estimated at \$20/SF) of adjacent concrete sidewalk needs to be removed and replaced in order to achieve the grade requirements for ADA compliance. If CDBG federal funds were not used, the project would need other City funds.

3. **For Table 1 about the CDBG Project Description at 525 E. Charleston Road, the target area is listed as Citywide. However, if this project focuses solely on one housing community and affects only around 50 families, why was the target area deemed Citywide?**

Staff response: During the 2020-2025 Consolidated Plan preparation process, HUD required projects to be identified as benefiting the community in two ways: Citywide or Target Area. A target area must be designated, described, and mapped as part of the Consolidated Plan. In 2020, with the Consolidated Plan process, it was determined there were no designated “Target Areas” in Palo Alto and, therefore, this project area is deemed Citywide.

4. **For the Eden Housing project at 525 E. Charleston Road, the target date was pushed back for 6 months. Could you provide reasoning as to why this was the case?**

Staff response: Eden Housing is applying for Low Income Housing Tax Credits (LIHTC) in April 2023. This process takes 6-8 months to find out approval status and award. At this time, the project's financial proforma relies upon obtaining LIHTC, as well as, other grant and traditional financing resources.

5. **The new wording of the description of the housing project on 525 E. Charleston Road states that the CDBG Funds will be used for the improvement of public facilities near the proposed site. What specific public facilities will these funds go towards?**

Staff response: The public facilities improvements will include sidewalks, curbing, ADA accessibility, and stormwater facilities within current and future public right of way areas near or adjacent to Mitchell Park Place development.

Item 10: Staff Recommends that Council Approve Bringing the Water and Wastewater Rate Proposals to Council on June 19, 2023, Pending Proposition 218 Notifications, for a Public Hearing to Consider Two Resolutions: 1) Approving the Fiscal Year 2024 Wastewater Collection Utility Financial Plan, Proposed Reserve Transfers, and Increasing Wastewater Collection Utility Rates by Amending Wastewater Collection Rate Schedules S-1, S-2, S-6 and S-7; 2) Approving the Fiscal Year 2024 Water Utility Financial Plan, Proposed Reserve Transfers, and Increasing Water Rates by Amending Water Rate Schedules W-1, W-2, W-3, W-4, and W-7; CEQA Status: Not a project under Public Resources Code 15378(b)(5)

1. **A 9% increase in wastewater rates and a 6% increase in water rates will have a direct impact on the cost of living and doing business in the area. Are there any provisions in place to assist low-income or vulnerable customers who may struggle to pay the higher rates?**

Staff response: Although the water and wastewater rate increases may seem high, the median customer bills are only expected to rise by approximately 3% when compared to the rates effective as of January 1, 2023. The City offers a [rate assistance program](#) discount of 25% on electric and gas rates, free energy and water efficiency upgrades through the [Residential Energy Assistance Program](#), and extended payment plan arrangements for those in need.

2. **The report states that the drivers of the rate changes include rising costs of construction inflation, commodity prices and the rising cost to transport water. How does the proposed rate increase compare to rates in other neighboring cities that are impacted by similar issues?**

Staff response: For Palo Alto, most of the water rate increases in FY 2024 are driven by increases in the SFPUC's water commodity rate, which will be raised by 9.6%, while the distribution rates proposed by Palo Alto will be increased by only 2%. From a recent water survey, most water agencies in other neighboring cities around the Bay Area are seeing similar rate increases, around 4-8%. Linked below are the FY23-24 Financial Plans for Water and Wastewater.

- [FY23-24 Water Financial Plan as seen by the Finance Committee on March 7, 2023; review page 18, competitiveness, section F4](#)

- [FY23-24 Wastewater Financial Plan as seen by the Finance Committee on March 7, 2023; review page 13, competitiveness, section F4](#)

3. The proposal includes transfers from the Capital Improvement Program Reserve and the Rate Stabilization Reserve to the Operations Reserve. How will this impact funding for other projects and programs?

Staff response: This financial plan includes the necessary funding for the proposed capital improvement program investment in the City's budget, even with these proposed transfers. The Capital Improvement Program Reserve transfer relates to the City's strategy of doing a large water main project every other year for efficiency purposes, so the City makes a contribution one year and a withdrawal in the subsequent year. Therefore, these reserve transfers do not impact funding for other projects and programs.

4. How much revenue is expected to be generated from the proposed rate changes, and how will this revenue be allocated and used?

Staff response: The revenue from the proposed rate changes are as follows, as described in study session staff report 2304-1247:

- A \$12 million increase or 6% compared to FY 2023 levels in the Electric Fund (excluding expected monies to be received from the CVPIA payment).
- Sales revenues for the Gas Utility in FY 2024 are projected to increase by roughly \$5.7 million or 8% compared to FY 2023 levels as a result of the proposed rate increases, not including fluctuations in commodity revenue/cost.
- Staff projects estimated revenue for the Water Utility in FY 2024 to increase by \$2.9 million or 6% compared to FY 2023 levels. This estimate includes the SFPUC wholesale rate increase of 11.6% (projected by SFPUC in February 2023; staff expects the Commission to approve a final wholesale water rate increase in May 2023).

OR (Updated) Staff projects estimated revenue for the Water Utility in FY 2024 to increase by \$2.5 million or 5% compared to FY 2023 levels. This estimate includes the SFPUC wholesale rate increase of 9.6% (projected by SFPUC in April 2023; staff expects the Commission to approve a final wholesale water rate increase in May 2023).

- For Wastewater Collection, staff projects revenues in FY 2024 to increase by approximately \$1.8 million or 9% compared to FY 2023 levels because of the proposed rate changes.

The revenue will be used to cover the costs of utilities operation in each utility, and to cover the drivers of cost increases for each utility noted in staff report 2304-1247.