CITY OF PALO ALTO

City Council Staff Report

From: City Manager
Report Type: ACTION ITEMS
Lead Department: Public Works

Meeting Date: June 5, 2023
Report #:2303-1158

TITLE
Adoption of a Resolution Approving an Addendum to the 2017 Comprehensive Plan Environmental Impact Report and Adopting the Sustainability and Climate Action Plan (S/CAP); Approval of the 2023-2025 S/CAP Workplan; and Review of the 2023 Earth Day Report

RECOMMENDATION
Staff and the Council Sustainability and Climate Action Plan (S/CAP) Ad Hoc Committee recommend that Council:

1. Certify the Comprehensive Plan Environmental Impact Report Addendum: Update to the Sustainability and Climate Action Plan
2. Adopt a Resolution Approving an Addendum to the Comprehensive Plan Environmental Impact Report and Adopting the Sustainability and Climate Action Plan (Attachment C)
3. Approve the 2023-2025 S/CAP Work Plan (Attachment D)
4. Review the 2023 Earth Day Report (Attachment E)

EXECUTIVE SUMMARY
Consistent with Council's adoption of "Climate Change & Natural Environment: Protection and Adaptation" as one of the four priorities for calendar year 2023, staff updated the Sustainability and Climate Action Plan (S/CAP) to help the City meet its sustainability goals, including its goals of reducing greenhouse gas (GHG) emissions 80 percent below 1990 levels by 2030 (the "80 x 30" goal) and achieving carbon neutrality by 2030.

On October 3, 2022, City Council accepted Goals and Key Actions for the Sustainability and Climate Action Plan (S/CAP)[1]. Staff commenced California Environmental Quality Act (CEQA) evaluation of the S/CAP, including the Work Plan elements described in this staff report, shortly

[1] City Council, October 3, 2022; Agenda Item #9; SR #14720
https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20221003/20221003accsm-amended-presentations.pdf#page=131

thereafter. Attachment A provides a detailed history of the S/CAP development to date. The S/CAP is an ambitious plan to reduce the City and community's GHG emissions, while also guiding how we use our land and natural resources in ways that ensure quality of life for future generations. The full S/CAP report can be found in Attachment B. The Resolution Approving an Addendum to the Comprehensive Plan Environmental Impact Report and Adopting the Sustainability and Climate Action Plan can be found in Attachment C.

The S/CAP lists the detailed actions needed to achieve the City's 80x30 goal,[2] but does not provide guidance on task prioritization or implementation timeline. The 2023-2025 S/CAP Work Plan is meant to guide staff efforts on the S/CAP over the next three years by prioritizing and providing more detail on implementation of the Key Actions accepted by Council on October 3, 2022.

The 2023-2025 S/CAP Work Plan is split between a Climate Action section, which focuses on work items that achieve the City's 80x30 goal, and a Sustainability section, which focuses on improving the City's environmental impact in ways that are not primarily focused on reducing greenhouse gas emissions but focus on critically important co-benefits that contribute to overall climate action. The 2023-2025 S/CAP Work Plan can be found in Attachment D.

Cities represent the single greatest opportunity for tackling climate change, as they are responsible for 75 percent of global energy-related carbon dioxide emissions[3]. In 2021, Palo Alto emitted an estimated 359,312 metric tons (MT) of carbon dioxide equivalent (CO_2e) from the residential, commercial, industrial, transportation, waste, water, and municipal sectors.[4] In comparison to the 1990 base year emissions (which were about 780,000 metric tons), that is a 53.9 percent decrease in total community emissions, despite a population increase of 19.5 percent during that same time period. For our progress towards carbon neutrality, if we include natural gas (methane) carbon offsets, then we are at 71.3% emissions reductions.

The full 2021 GHG inventory can be found in Attachment E. A comparison between the 1990 and 2021 inventories can be found in Attachment F.

BACKGROUND

In April 2016, City Council adopted the goal of reducing GHG emissions 80 percent below 1990 levels by 2030[5] (the "80 x 30" goal), and in October 2022 Council adopted the ambitious goal of

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[2] Achieving 80% reductions in greenhouse gas emissions from 1990 levels by 2030.

[3] UN Environment Programme, Cities and Climate Change; https://www.unep.org/explore-topics/resource-efficiency/what-we-do/cities/cities-and-climate-change

[4] Carbon dioxide equivalent is a unit of measure that normalizes the varying climate warming potencies of all six GHG emissions, which are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6). For example, one metric ton of nitrous oxide is 210 metric tons of CO_2e.

[5] City Council, April 18, 2016; Agenda Item #10; SR #6754, https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2016/id-6754.pdf

achieving carbon neutrality by 2030[6]. In November 2016, Council adopted the S/CAP Framework[7], which has served as the road map for achieving Palo Alto's sustainability goals. In December 2017, Council accepted the 2018-2020 Sustainability Implementation Plan "Key Actions" as a summary of the City's work program[8].

In early 2020, the City launched an S/CAP update to determine the goals and key actions needed to meet its sustainability targets, including the 80 x 30 goal. While GHG emissions reduction is not the only goal of the S/CAP, it is the major one. Attachment A provides a detailed history of the S/CAP to date.

Staff began California Environmental Quality Act (CEQA) review of the S/CAP upon Council's October 3, 2022 acceptance of the S/CAP Goals and Key Actions. In parallel, the 2023-2025 Work Plan was reviewed by the Council Ad Hoc S/CAP Committee and Working Group and will guide staff work after adoption.

As a result of various City-led initiatives, programs, and activities focused on climate change and sustainability, by the end of 2021 Palo Alto reduced GHG emissions an estimated 53.9 percent from the 1990 baseline, despite a population increase of 19.5 percent during that same time.

ANALYSIS

The City is fully committed to a sustainable future. The City owns, operates, and maintains a full-service utilities portfolio that provides electric, natural gas, fiber, water, refuse, and wastewater services to residents and businesses in Palo Alto. Palo Alto's continued leadership in advancing sustainability commitments has succeeded mainly because of the continued collaboration of community stakeholders, City departments, and the leadership of the City Council.

CEQA evaluation of the S/CAP

Staff commenced CEQA evaluation of the Sustainability and Climate Action Plan (S/CAP), including the Work Plan elements described in this staff report, upon Council's October 3, 2022 acceptance of the proposed S/CAP Goals and Key Actions. Due to the wide-reaching potential for some S/CAP elements, the City's consultant, AECOM, prepared an Addendum to the City of Palo Alto Comprehensive Plan Final Environmental Impact Report (EIR)[9] in order to evaluate the

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[6] City Council, October 3, 2022; Agenda Item #9; SR #14720 https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20221003/20221003accsm-amended-presentations.pdf#page=131

[7] City Council, November 28, 2016; Agenda Item #9; SR 7304 https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2016/id-7304.pdf

[8] 2018-2020 Sustainability Implementation Plan, 2017; https://www.cityofpaloalto.org/files/assets/public/sustainability/policies-and-plans/2018-2020-sustainability-implementation-plan-with-council-amendments.pdf

[9] Comprehensive Plan Environmental Impact Report Addendum: Update to the SCAP, May 2023; https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2023/2023comprehensive-plan-environmental-impact-report-addendum-update-to-the-scap.pdf

impacts of the proposed S/CAP. The Comprehensive Plan EIR considered the environmental impacts of implementing the Comprehensive Plan by 2030 and can serve as the CEQA document for future projects that align with the Comprehensive Plan. As the Comprehensive Plan EIR has been certified, the environmental impacts of subsequent activities proposed under the Comprehensive Plan, including the S/CAP, which is an implementation program of the Comprehensive Plan, must be examined in light of the impact analysis in the certified Comprehensive Plan EIR to determine whether additional CEQA documentation must be prepared. AECOM found that the S/CAP meets the substantive and procedural recommendations for a GHG reduction plan per CEQA guidelines. By incorporating the goals and measures of the S/CAP into the Comprehensive Plan EIR through the EIR Addendum, the City is ensuring future development and planning activities within the city conform to the objectives of the S/CAP and climate change legislation adopted by the State of California.

The EIR Addendum evaluated the potential changes to environmental impacts since the adoption of Comprehensive Plan EIR and confirms that the proposed S/CAP would not alter the conclusions of the Comprehensive Plan EIR. Additionally, no new information of significant importance was identified that suggests the potential for the proposed S/CAP to result in any significant or substantially more severe effects beyond what was previously analyzed in the Comprehensive Plan EIR. Instead, the EIR Addendum finds that the changes would provide beneficial actions promoting green building practices such as increasing the use of renewable energy sources, promoting energy efficiency, reducing vehicle miles traveled, and promoting sustainable development. In addition, the Addendum permits CEQA streamlining of future projects that conform to the S/CAP.

Sustainability and Climate Action Plan (S/CAP)

Consistent with Council's adoption of "Climate Change & Natural Environment: Protection and Adaptation" as one of the four priorities for calendar year 2023, staff updated the Sustainability and Climate Action Plan (S/CAP) to help the City meet its sustainability goals, including its goals of reducing greenhouse gas (GHG) emissions 80 percent below 1990 levels by 2030 (the "80 x 30" goal) and achieving carbon neutrality by 2030. The S/CAP is a comprehensive document laying out the City's strategy to achieve these ambitious carbon reduction goals, while improving our natural environment, adapting to climate impacts, and increasing livability for Palo Alto residents. While reducing emissions is a priority for the City, Palo Alto believes in a comprehensive view of sustainability. Full implementation of the S/CAP will not only drastically reduce carbon emissions, but will also improve the health, safety, and quality of life for the community. Attachment A provides a detailed history of the S/CAP development to date. The full S/CAP report can be found in Attachment B. Council authorization is needed to certify the Comprehensive Plan Environmental Impact Report Addendum Update to the S/CAP and to adopt the S/CAP. The Resolution Approving an Addendum to the Comprehensive Plan Environmental Impact Report and Adopting the S/CAP can be found in Attachment C.

2023-2025 S/CAP Work Plan

There are two sections to the draft 2023-2025 S/CAP Work Plan: Climate Action and Sustainability. The 2023-2025 S/CAP Work Plan can be found in Attachment D.

The Climate Action section focuses on launching higher potential, lower cost emissions reduction programs, building community confidence in the S/CAP, and laying the foundation for post-2025 work. The Sustainability section focuses on reducing waste, creating a sustainable and holistically managed water system, adapting to a changing climate, and enhancing the City's thriving urban canopy. The climate action section has five priorities:

Climate Action

P1. Complete grid modernization plan and begin construction to increase reliability and transformer capacity for electrification
P2. Launch effective programs for emissions reductions with highest impact and lowest cost: single-family electrification, strategic promotion of EVs, commercial rooftop HVAC, and expanded transportation alternatives
P3. Build community awareness and confidence in electrification through engagement, addressing concerns, and program results
P4. Identify an additional 9% in emissions reduction opportunities to achieve the 80x30 goal
P5. By 2024 identify funding needed and potential funding sources for full scale implementation of highest impact emissions reductions

Table 1 below summarizes how these priorities are implemented in 2023-2025. Staff will focus on increasing electric grid capacity while launching high potential, lower cost programs focused on residential heat pump water heaters (HPWH), commercial packaged rooftop heating, ventilation, and air conditioning (HVAC), and previously funded transportation programs. Funding needs and sources for these high potential programs will be evaluated. Studies on accelerating EV charger penetration in multi-family buildings (including affordable housing) and providing EV chargers in workplaces and business districts will be completed. Publicly-owned EV charging may also be part of the solution; and the Bicycle/Pedestrian Plan will be updated. A study of potential multi-family and non-residential electrification opportunities will be completed. This work will be performed with the intent of building community confidence in the City's emissions reduction efforts, which will require results, engagement, and some focus on electric system reliability and resiliency.

Table 1: Climate Action Priorities: Summary of Work Items and Timeline

Priority	2023	2024	2025
P1 (Modernize grid)	• Grid modernization study completion, hire contractor • Reliability/Resiliency Strategic Plan	• Begin a 5-7 year construction effort to increase reliability and transformer capacity • Implement Reliability and Resiliency Strategic Plan	
P2 (Launch programs)	Design and launch programs:		
	• Full-scale HPWH program • Pilot commercial HVAC	• Single-family whole home • Full-scale commercial HVAC	Design and launch additional programs based on the 2024 studies (See

Priority	2023	2024	2025
	• Municipal electrification • Downtown parking management program • On-demand transit pilot	• Full-scale multi-family EV charger program (tentative)	P4 for other studies that may result in new programs) and the EV Strategic Plan
	Studies to guide program launches:		
	• EV Strategic Plan • Multi-family and income-qualified EV work plan • Bicycle Plan update	• Work plan for commuter and visitor EV charging and EV promotion • Vision Zero program (tentative)	
P3 (Build awareness and confidence)	Build awareness of the need for climate action and the City's services and achievements. Drive community actions to achieve S/CAP goals. Build confidence in the City's electric infrastructure. Report results from new and existing programs:		
	• New program: HPWH pilot • Existing programs: • Existing Mobility programs • Multi-family EV charger	• New programs: Full-scale HPWH program, commercial HVAC pilot • Continuation of existing programs	• New programs; Full-scale HVAC, multi-family EV charger • Continuation of programs
P4 (Additional emissions reductions)	• Seek ideas from community members and other experts • Monitor technologies and medium term opportunities	• Multi-family and non-residential electrification study • Study highest potential community ideas/technologies	• Evaluate new programs based on studies
P5 (Funding needs and sources)	• Evaluate implementation cost for full scale high impact / lower cost programs • Preliminary evaluations of potential funding sources	• Decisions on how to fund priority electrification areas • Develop financial and operational plan for gas utility	• Implement follow up from prior-year studies

During the Finance Committee's May 9, 2023 meeting, Committee members inquired about the potential to waive or reduce permit fees for electrification projects to further incentivize climate action. Multiple work items in the 2023-2025 S/CAP Work Plan include the potential for waived or reduced fees. Staff will evaluate waiving or reducing fees through development of pilot programs for whole home electrification, affordable housing EV charging and electrification, and commercial rooftop HVAC electrification. Additionally, the work item for single-family

electrification rebates implicitly includes permit fees, as rebates and fee waivers are both options for using other funding sources to reduce the cost of electrification projects for permittees. As a first step, staff will contact other cities that have implemented electrification fee waivers to learn about the structure of their programs.

Sustainability

The Sustainability section of the draft work plan implements the S/CAP goals for a sustainable natural environment (including reducing waste, creating a sustainable and holistically managed water system, and a thriving urban canopy) by:

- Reducing water consumption while exploring ways to capture and store water, and increase the availability and use of recycled water
- Developing and adopting a multi-year Sea Level Rise Adaptation Plan
- Minimizing wildland fire hazards through Foothills Fire Management Plan implementation, zoning, and collaborating with Fire agencies
- Increasing Palo Alto's Tree Canopy and reducing pesticide usage in parks and open space preserves
- Supporting the Green Stormwater Infrastructure (GSI) Plan and incorporating it in municipal projects
- Encouraging food waste reduction, prevention, and recovery and providing waste prevention technical assistance
- Eliminating single-use disposable containers and prioritizing domestic processing of recyclable materials

The Sustainability section Key Actions were prioritized based on the co-benefits analysis conducted by the City's consultant, AECOM.

The draft 2023-2025 S/CAP Work Plan implements the direction of the S/CAP Ad Hoc Committee as put forth in the October 3rd City Council Motion (October 3 Action Minutes, page 4[10]) to refer to S/CAP Ad Hoc committee to begin work on the following and present to the City Council by year end an outline of:

1. Identification of community partner organizations and how they can help support the S/CAP moving forward
2. Preliminary committee review of a prospective commercial HVAC electrification program (E2)
3. An EV strategic plan (EV1-10)

It does this by creating a work plan and timeline for taking action on the items listed above.

[10] October 3 Action Minutes, Page 4 https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20221003/20221003amccsm.pdf#page=4

Palo Alto's 2021 Greenhouse Gas Emissions Inventory

Cities represent the single greatest opportunity for tackling climate change, as they are responsible for 75 percent of global energy-related carbon dioxide emissions, with transportation and buildings among the largest contributors[11]. The first step for cities to realize their potential is to identify and measure where their emissions come from.

In 2021, Palo Alto emitted an estimated 359,312 metric tons (MT) of carbon dioxide equivalent (CO_2e) from the residential, commercial, industrial, transportation, waste, water, and municipal sectors.[12] In comparison to the 1990 base year emissions (which were about 780,000 metric tons), that is a 53.9 percent decrease in total community emissions, despite a population increase of 19.5 percent during that same time period. Of that 53.9 percent reduction to-date, 44.2 percent came from achieving carbon neutrality for the City's electricity portfolio, 28.6 percent from declines in transportation emissions, 13.9 percent from reduction in natural gas (methane[13]) consumption, 11.5 percent from declines in solid waste emissions, and 1.7 percent from declines in wastewater-related emissions. In comparison to 2020, that is a 6.7 percent decrease in total community emissions.

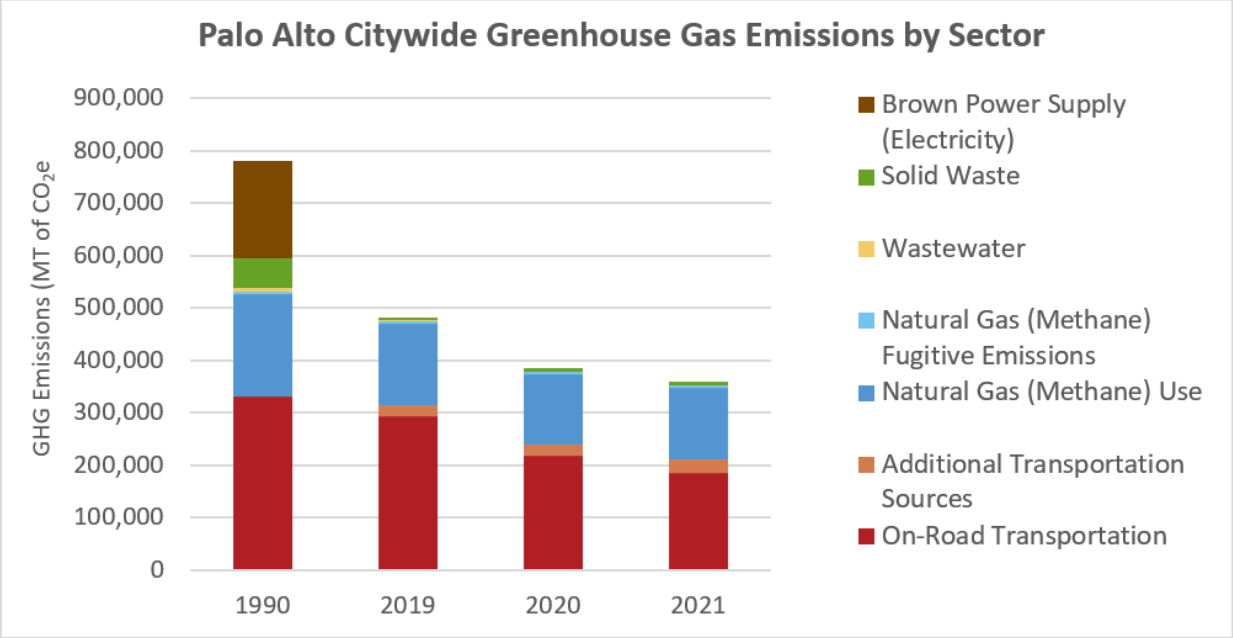
A comparison of 1990, 2019, 2020, and 2021 GHG emissions is shown in Figure 1. The full 2021 GHG inventory can be found in Attachment E. The full comparison between the 1990 and 2021 inventories can be found in Attachment F.

[11] UN Environment Programme, "Cities and Climate Change," https://www.unep.org/explore-topics/resource-efficiency/what-we-do/cities/cities-and-climate-change

[12] Carbon dioxide equivalent is a unit of measure that normalizes the varying climate warming potencies of all six GHG emissions, which are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6). For example, one metric ton of nitrous oxide is 210 metric tons of CO_2e.

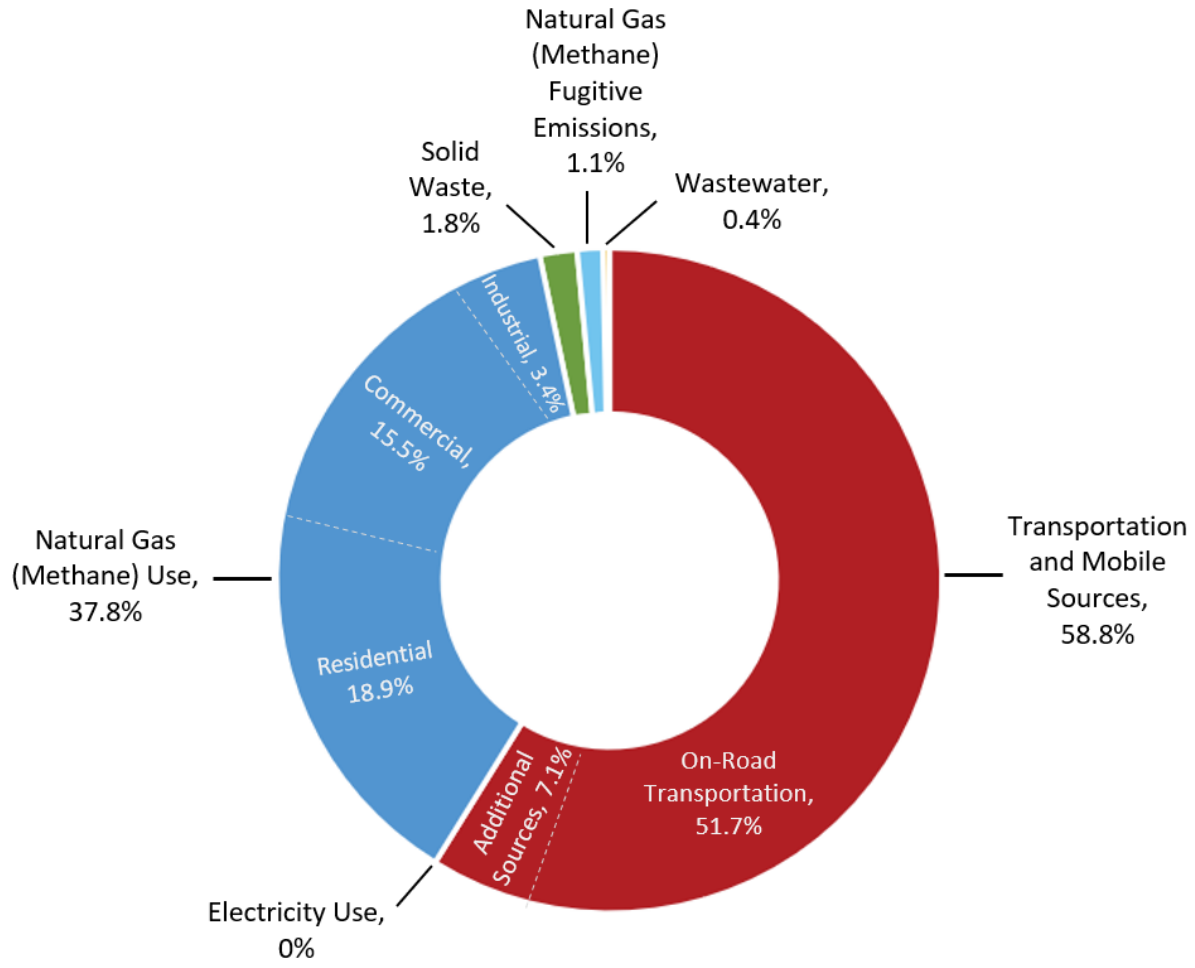
[13] Methane, which is the primary component of natural gas, is a very potent greenhouse gas, with a global warming potential that is 25 times higher than CO2 over a 100-year period.

Figure 1: 1990 vs 2021 GHG Emissions by Sector



As shown in Figure 2, the two largest categories of emissions are transportation and mobile sources (including on-road transportation, airport emissions, off-road vehicles, and Caltrain commuter rail) and natural gas use (including residential, commercial, and industrial). For the emissions sources in 2021, 51.7 percent are from on-road transportation, 37.8 percent are from natural gas (methane) use, and the remainder are from other sources.

Figure 2: 2021 GHG Emissions by Sector

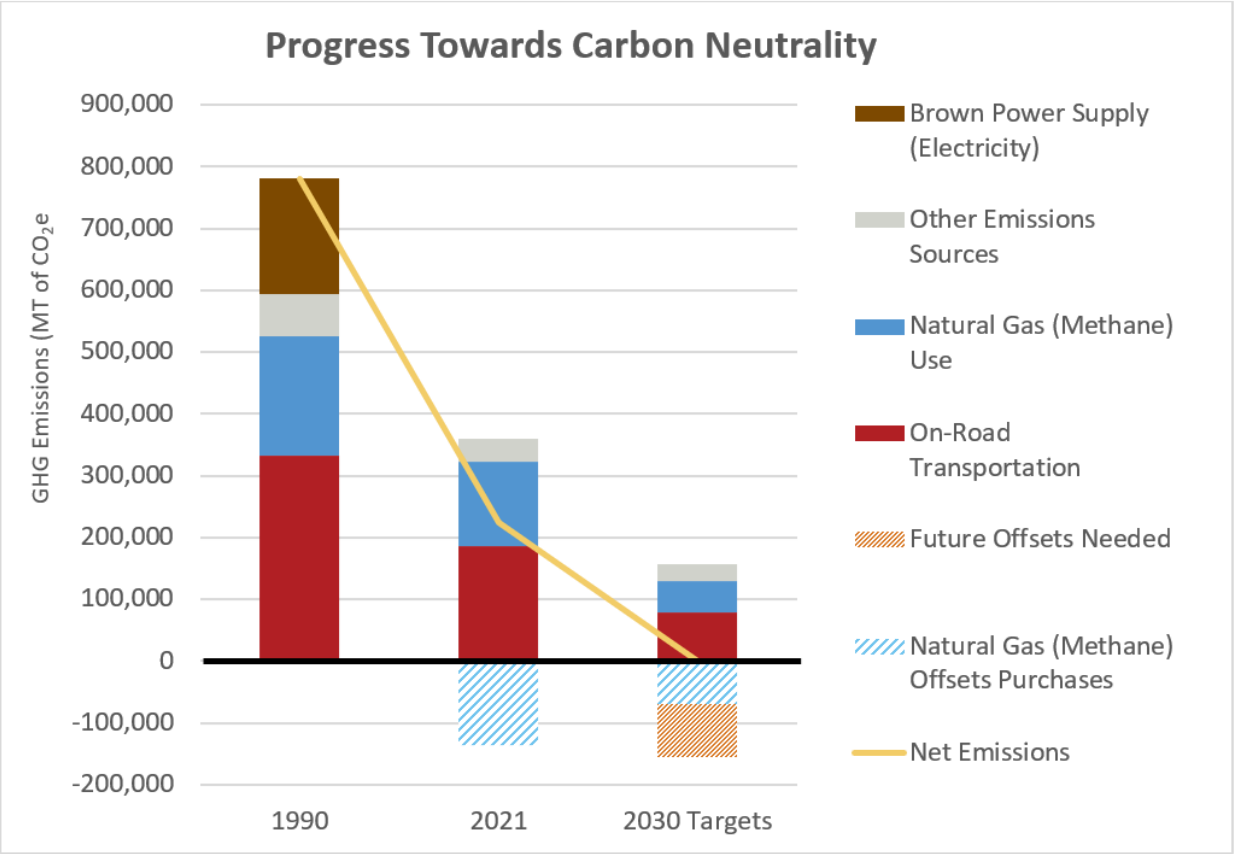


Palo Alto's Progress Towards Carbon Neutrality

Carbon neutrality focuses on balancing the amount of GHGs emitted against the amount of GHGs removed from the atmosphere. In Palo Alto, we strive for net zero emissions – reducing GHG emissions as close to zero as possible, then "offsetting" remaining emissions. It's like trying to balance a scale. If there are GHG emissions remaining after reduction strategies have been exhausted, "offsets" are used to balance out or get to zero. Offsets are actions, such as carbon sequestration, taken to reduce – or "offset" - the amount of GHGs emitted. Carbon sequestration is the process of capturing and storing atmospheric carbon dioxide. For example, buying into new forest growth to store carbon in trees in one geographic area can offset GHGs emitted in another area.

Palo Alto currently purchases carbon offsets to balance emissions from natural gas (methane) use. However, we do not include these offsets in our GHG inventory. We do, however, include these offsets for the purposes of estimating our progress towards achieving carbon neutrality. As shown in Figure 3, if we include natural gas (methane) carbon offsets, then we are at 71.3% emissions reductions.

Figure 3: 2021 Progress Towards Carbon Neutrality



Progress in S/CAP Areas

In addition to our overall emissions reductions progress, we are tracking key performance indicators in all S/CAP Areas. Highlights include:

- Climate Action: City Council passed the 2022 updates to the Green Building Ordinance[14] (also referred to as "2022 Reach Codes"). These carry over the requirements of the 2019 Reach Codes, with additional requirements in the areas of building electrification, EV infrastructure, water efficiency, and embodied carbon in building materials. The 2022 Reach Codes went into effect in January 2023, and collectively will avoid over 3,420 MT CO_2e per year.
- Energy: The Full-Service Heat Pump Water Heater (HPWH) Pilot Program[15] launched after receiving Council Approval in September 2022. The program will make it easier and more affordable for residents to switch to a HPWH, with a goal of replacing 1,000 gas water heaters by the end of 2023. If fully subscribed, the program will reduce emissions by about

[14] Green Building Ordinance and Energy Reach Codes; https://www.cityofpaloalto.org/City-Hall/Sustainability/Green-Building-Code-Requirements

[15] Full Service Heat Pump Water Heater Pilot Program; https://www.cityofpaloalto.org/SwitchYourWaterHeater

800 MT CO_2e per year. At the end of 2022, there were 208 all electric homes in Palo Alto, compared to 135 at the end of 2016.

- Electric Vehicles: One in five households in Palo Alto now drives an EV. In 2022, there were an estimated 6,500 electric vehicles (EVs) registered in Palo Alto – 6 times more than in 2014 – collectively avoiding approximately 15,600 MT CO_2e per year.
- Mobility: In 2021, Palo Alto received the League of American Bicyclists' Gold-Level Bicycle Friendly Community (BFC) Award[16] in recognition of the years of work our transportation professionals, bike advocates, and residents have put in to creating transportation and recreational resources that benefit residents of all ages and abilities while encouraging healthier and more sustainable transportation choices. Palo Alto is one of 34 Gold Level BFCs out of a total of 487 BFCs nationwide. In 2022, Palo Alto made significant progress on the City's 6th Cycle 2023-2031 Housing Element. The draft Housing Element[17] identifies potential sites for the construction of new housing units over the next eight years, which would assist in further reducing transportation emissions and vehicle miles traveled.
- Water: In July 2022, the City kicked off a One Water planning process in collaboration with Carollo Engineering. The 20-year One Water Plan[18] will address future uncertainties such as imported water supply reliability, droughts, and climate change. Staff is working to engage the public via stakeholder meetings, web updates, and more. The plan is scheduled to be completed later this year.
- Climate Adaptation and Sea Level Rise: In 2022 the Sea Level Rise Vulnerability Assessment[19] was completed. The Vulnerability Assessment will inform the development of a Sea Level Rise Adaptation Plan.
- Natural Environment: In June 2022, City Council adopted an updated Tree Ordinance[20] that expands tree protection to include additional protected tree species, roughly tripling the number of trees that would be classified as "protected" and imposes new requirements for developers seeking to remove these trees. The updated Tree Ordinance went into effect on July 21, 2022. In 2022, there were approximately 35,576 trees in the public right-of-way and City-owned property, collectively avoiding 1,463 MT CO_2e per year, sequestering 2,375 MT CO_2e per year, and providing $18.5 million in yearly eco benefits. (Note: some trees are missing data points necessary for these calculations, so this is undercounting by over 1,000 trees)

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[16] Palo Alto named Gold-Level Bicycle Friendly Community, June 2021; https://www.cityofpaloalto.org/News-Articles/City-Manager/City-of-Palo-Alto-named-a-Gold-Level-Bicycle-Friendly-Community-by-the-League-of-American-Bicyclists

[17] 2023-2031 Palo Alto Draft Housing Element; https://paloaltohousingelement.com/

[18] One Water Plan; https://www.cityofpaloalto.org/Departments/Utilities/Sustainability/Water-Conservation-and-Drought-Updates/One-Water-Plan

[19] Sea Level Rise Vulnerability Assessment, 2022; https://www.cityofpaloalto.org/Departments/Public-Works/Watershed-Protection/Sea-Level-Rise

[20] Tree Ordinance, 2022; https://www.cityofpaloalto.org/Departments/Public-Works/Public-Services/Palo-Altos-Urban-Forest/Tree-Ordinance-Update-2022/Tree-Ordinance-Information

- Zero Waste: In December 2022 the City extended a successful pilot program[21] through 2026 which will keep more plastic and paper recyclables in the U.S. Recent Council action keeps 100 percent of the City's mixed paper and mixed rigid plastics to be recycled within the United States. New contract changes with GreenWaste of Palo Alto, the City's refuse hauler, reduce the recyclables sent to be processed internationally from 59 to 39 percent.

In 2022, Palo Alto earned a spot on environmental impact non-profit, CDP's 2022 Cities A List[22]. Palo Alto was recognized as one of 122 cities taking bold leadership on environmental impact and transparency. Of the over 1,000 local governments scored by CDP in 2022, only 12% received an A.

Also in 2022, Palo Alto received an Honorable Mention in the "Small City Category" of the 2022 Climate Protection Awards from the U.S. Conference of Mayors[23]. The award winners are the 16th class of mayors to be honored for successful local climate action, changing how energy is used and produced in cities resulting in reduced carbon use and emissions. The City was recognized for the Multifamily Gas Furnace to Heat Pump Retrofit Pilot[24].

FISCAL/RESOURCE IMPACT

Initiatives will be managed and funded across various departments and funds. Staff is working with the Office of Management and Budget and the City Manager's Office to bring forward recommendations related to S/CAP needs as part of the Fiscal Year 2024 Proposed Budget, but most will need to be prioritized in consideration of competing priorities. Funding and resources will be discussed in greater detail with the S/CAP Ad Hoc Committee.

The Fiscal Year 2023 work items in the 2023-2025 draft S/CAP Work Plan can proceed with the actions approved in the Fiscal Year 2023 Adopted Budget. Staff expects to submit additional resource requests as part of the annual budget process in subsequent years as the work plan proceeds for the following areas:

- *Funding for newly launched programs:* As new programs are proposed for launch, funding for third-party program operators, rebates, and other expenses may be recommended to manage the programs.
- *Program sales and marketing:* Additional resources (consultants and/or staffing) may be needed for sales and marketing of future programs. Council partially approved these resources along with its October 3, 2022 approval of the Advanced Heat Pump Water

[21] Palo Alto is Now Keeping More Recyclables in the United States, Dec 2022; https://www.cityofpaloalto.org/News-Articles/City-Manager/Palo-Alto-is-Now-Keeping-More-Recyclables-in-the-United-States

[22] CDP A List, 2022; https://www.cdp.net/en/cities/cities-scores

[23] Climate Protection Awards from the U.S. Conference of Mayors, 2022; https://www.usmayors.org/wp-content/uploads/2022/05/2022-Climate-Winning-Programs.pdf

[24] Multifamily Gas Furnace to Heat Pump Retrofit Pilot, 2022; https://www.cityofpaloalto.org/files/assets/public/sustainability/reports/palo-alto-multifamily-heat-pump-pilot-report_final_3-4-22-with-appendices.pdf

Heater pilot program[25].

- *Permit review:* Permit activity associated with new programs will create a need for permit review staff and/or consultants. Council approved permit review resources for the Advanced Heat Pump Water Heater Pilot Program[26], but not for future programs. These resource requests will be recommended to be funded by increased permit revenue.
- *Capital budgets for grid modernization:* Additional engineering staffing has already been approved for grid modernization work, but capital budgets for design and construction work have not yet been proposed. Staff will recommend projects as part of the development of the 2024-2028 five-year Capital Improvement Plan.
- *Consulting budgets:* Consulting budgets for calendar year 2023 and 2024 studies will be considered through the FY 2024 budget process or as part of a separate budget amendment where needed.

Some items in other work plans are also relevant to the S/CAP Work Plan. The Utilities Strategic Plan, for example, includes workforce development and advanced metering infrastructure (AMI) work items that are directly relevant to the S/CAP. Some of these may involve future budget requests as well.

POLICY IMPLICATIONS

The S/CAP Report, 2023-2025 S/CAP Work Plan, and Earth Day Report align with one of the top four Council Priorities for CY 2023: "Climate Change & Natural Environment: Protection and Adaptation".

STAKEHOLDER ENGAGEMENT

Wide-reaching and coordinated public engagement was done as part of the S/CAP Update prior to acceptance of the proposed S/CAP Goals and Key Actions. Feedback from these engagement processes informed development of the draft 2023-2025 S/CAP Work Plan. For a summary, please see the Stakeholder Engagement section of Staff Report 14606[27], packet page 101. Additional engagement on the 2023-2025 S/CAP Work Plan included a meeting with the Council S/CAP Ad Hoc Committee's Working Group on November 4, 2022, and a public S/CAP Ad Hoc Committee meeting on May 24, 2023.

During development of the S/CAP Update, the S/CAP Ad Hoc Committee and associated Working Group and Working Group teams have been the primary venue for public engagement. As the focus of the S/CAP work shifts from development to implementation, other models for both

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[25] City Council, September 27, 2022; Agenda Item #10; SR #14606, https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220927/20220927pccsmlinked-amended-v2.pdf#page=79

[26] City Council, September 27, 2022; Agenda Item #10; SR #14606, https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220927/20220927pccsmlinked-amended-v2.pdf#page=79

[27] City Council, September 27, 2022; Agenda Item #10; SR #14606, https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220927/20220927pccsmlinked-amended-v2.pdf#page=101

engagement and governance of the work may be appropriate. Staff will return to Council later in 2023 to discuss the potential options.

ENVIRONMENTAL REVIEW

Staff commenced CEQA evaluation of the S/CAP, including the Work Plan elements described in this staff report, upon Council's October 3, 2022 acceptance of the proposed S/CAP Goals and Key Actions. The City's consultant, AECOM, conducted the Environmental Impact Report (EIR) Addendum to the City of Palo Alto Comprehensive Plan Final Environmental Impact Report, which evaluates the impacts of the proposed S/CAP. AECOM found that the S/CAP meets the substantive and procedural recommendations for a GHG reduction plan per CEQA guidelines. The Resolution Approving an Addendum to the Comprehensive Plan Environmental Impact Report and Adopting the Sustainability and Climate Action Plan can be found in Attachment C.

ATTACHMENTS

Attachment A: Background on S/CAP Development
Attachment B: 2022 S/CAP Report
Attachment C: Resolution Approving an Addendum to the Comprehensive Plan Environmental Impact Report and Adopting the Sustainability and Climate Action Plan
Attachment D: 2023-2025 S/CAP Work Plan
Attachment E: 2021 GHG Inventory
Attachment F: 1990 vs 2021 GHG Emissions by Sector and Subsector

APPROVED BY:

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