



City of Palo Alto

City Council Staff Report

(ID # 9041)

Report Type: Consent Calendar

Meeting Date: 5/7/2018

Summary Title: Transfer of Individual Supply Guarantee to East Palo Alto

Title: Approval of the City of Palo Alto's Addendum to the Negative Declaration Adopted by the City of East Palo Alto, and Approval of an Agreement for the Permanent Transfer of a Portion of the City of Palo Alto's Individual Supply Guarantee to the City of East Palo Alto

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council take the following actions:

1. Consider and approve the Addendum, together with the Negative Declaration for the Transfer of Individual Supply Guarantee under the San Francisco Public Utility Commission Water Supply Agreement (ND) adopted by the City of East Palo Alto as the CEQA lead agency on June 20, 2017, as adequate and complete under CEQA for the project described below.
2. Approve and authorize the City Manager or his designee to execute the Permanent Transfer of a Portion of an Individual Supply Guarantee (ISG) from the City of Palo Alto to the City of East Palo (Attachment A).

Background

Colleagues Memo

At its December 5, 2016 meeting the City Council was presented with a Colleague's memo (Attachment B) from Mayor Burt and Councilmembers Filseth, Holman, and DuBois requesting that the Council either direct staff to schedule a Council study session to discuss how the City of Palo Alto (Palo Alto) may help support East Palo Alto (EPA) through a transfer or sale of a small portion of the Palo Alto's ISG, or to refer this topic to the Policy and Services Committee. The memo discussed East Palo Alto's low residential per-capita water use and the insufficient supply of water available to that city to support economic development. The memo highlighted East Palo Alto's well-being and its ability to provide affordable and obtainable housing as important for Palo Alto and other surrounding communities.

Vice Mayor Scharff moved, seconded by Council Member Kniss, to refer to the Finance Committee a discussion of how the City of Palo Alto may help support East Palo Alto through a transfer or sale of a small portion of its Individual Supply Guarantee. The motion passed 8-0.

Individual Supply Guarantee Transfer mechanics

The City's ISG represents a permanent contractual entitlement to 17.07 million gallons per day (mgd) of water from the Hetch Hetchy Regional Water System. As described later in this report, Palo Alto uses far less than its entitlement and does not anticipate using its full entitlement in the future. Any transfer of a portion of the City's ISG is subject to the terms of the 2009 Water Supply Agreement (WSA) between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (CMR: 269:09). Section 3.04 of the WSA states that, as a Wholesale Customer, the City may "transfer a portion [of its ISG] to one or more other Wholesale Customers."¹ Transfers must be permanent and the minimum quantity that may be transferred is 1/10th of an mgd. While the WSA grants the San Francisco Public Utilities Commission (SFPUC) review authority over an ISG transaction, that review is limited to determining that the transaction complies with the Raker Act² and whether the affected facilities in the SFPUC system have the operational capability to accommodate increased delivery to the transferee. Staff does not anticipate any objection from the SFPUC regarding this proposed transfer.

Discussion

Opportunity for Palo Alto to Assist East Palo Alto

The water supply shortage currently being experienced by the City of East Palo Alto is an immediate issue, and EPA is pursuing multiple parallel strategies to address it. This includes rehabilitation of an existing well and construction of a new groundwater well in addition to seeking SFPUC water supply allocations from other agencies. Pending additional water sources, EPA has adopted a moratorium on new or expanded water service, effectively halting new development.

EPA entered into an agreement with the City of Mountain View (MV) to transfer 1.0 mgd of MV's water supply allocation to EPA. The transaction between EPA and MV is distinct from an agreement with Palo Alto, in part due to the WSA's minimum-use requirement which applies to MV, and which, if not met, subjects MV to a penalty payment. The 1.0 mgd transfer from MV to EPA reduces EPA's estimated water supply shortfall for support of anticipated development to 0.5 mgd. The additional water supply is needed to support EPA long term water needs and

¹ The Wholesale Customers, as defined in the 2009 Water Supply Agreement, are the 26 agencies that are members of the Bay Area Water Supply and Conservation Agency (BAWSCA) and include Alameda County Water District, California Water Service Company, Coastside County Water District, Estero Municipal Improvement District, Guadalupe Valley Municipal Improvement District, Mid-Peninsula Water District, North Coast County Water District, Purissima Hills Water District, Skyline County Water District, Stanford University, Westborough Water District, and the Cities of Brisbane, Burlingame, Daly City, East Palo Alto, Hayward, Hillsborough, Menlo Park, Milpitas, Mountain View, Palo Alto, Redwood City, San Bruno, San Jose, Santa Clara, and Sunnyvale.

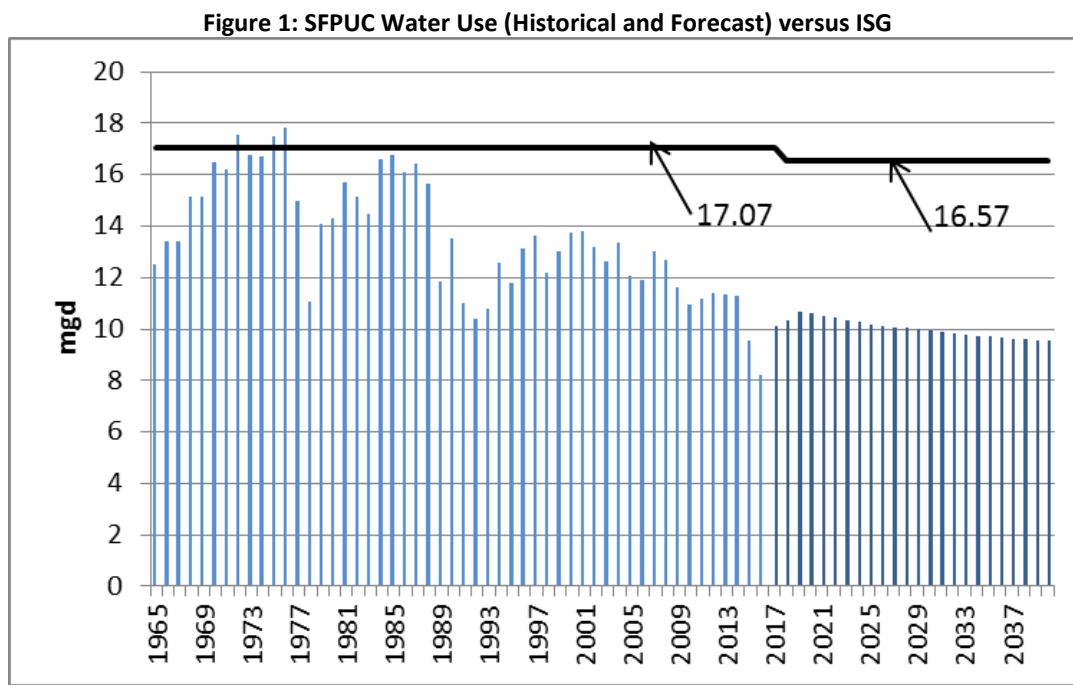
² The Raker Act is a 1913 act of the US Congress that permitted building of the O'Shaughnessy Dam, in order to grant access to the water and hydroelectric resources of the Hetch Hetchy Valley in Yosemite National Park.

several planned developments in EPA, including a primary school and affordable housing, as well as to enable EPA's new planned groundwater wells to be used on a limited basis to preserve their operational capacity as emergency backup wells.

Discussions between the EPA and Palo Alto city managers have identified a number of public benefits that would accrue through a 0.5 mgd transfer and additional collaboration between the two cities. In addition to the social and economic benefit to EPA from appropriate development and EPA's limited groundwater use, staffs from EPA and Palo Alto are continuing to work on ensuring infrastructure spanning the two cities also supports compatible uses. This includes restoration of an emergency water intertie from Palo Alto to EPA at Woodland Ave., and the extension of a water line for recycled water across the Friendship Bridge, as well as development of a jointly supported preferred alternative design for the reconstructed Newell Road Bridge. The Newell Road Bridge reconstruction project is currently undergoing technical studies required for environmental clearance, and staffs from Palo Alto and EPA are working toward joint recommendation of a bridge alternative that maintains compatibility with the adjacent neighborhoods and avoids the potential to attract cut-through traffic. These additional items are parallel efforts provided as background, and not covered by this subject agreement.

Reducing Palo Alto's ISG by 0.5 mgd has No Impact in Non-Drought Years

Palo Alto is in a position to alleviate EPA's long-term water supply deficit because Palo Alto has reduced its potable water consumption and is extremely unlikely to rely on the full 17.07 mgd ISG in the future. Palo Alto's historical and projected SFPUC purchases compared to the full 17.07 mgd ISG and the ISG resulting from a 0.5 mgd transfer are shown in Figure 1, below.



The Impacts of a 0.5 mgd ISG Reduction are Negligible and May Become Moot

The only potential impact of the ISG transfer upon Palo Alto could be during a water shortage. During water shortages, the SFPUC can reduce water sales to both San Francisco and the Wholesale Customers. The Tier II Drought Implementation Plan (Tier II Plan), adopted by the Wholesale Customers in 2010, allocates the collective Wholesale Customer share among the 26 Wholesale Customers based on a combination of ISGs and seasonal water use, with an adjustment for East Palo Alto to ensure it can meet its basic health and safety needs during a drought. Under the current Tier II Plan, a transfer of 0.5 mgd to East Palo Alto could require Palo Alto to reduce its water use by an additional 1% during water shortages.

The California Water Code requires urban water suppliers like Palo Alto to have a Water Shortage Contingency Plan (WSCP) that includes stages of action to be undertaken in response to water shortages. Palo Alto's WSCP identifies a 5% - 10% water use reduction target as Stage I, 10%-20% water use reduction as Stage II, 20% - 35% water use reduction as Stage III, and 35% - 50% water use reduction as Stage IV. Because an additional 1% of required savings is unlikely to trigger a more restrictive stage, a slightly lower ISG for Palo Alto would be extremely unlikely to require any additional water use restrictions.

The Tier II Plan will expire in 2018 unless extended by the Wholesale Customers. It is possible that a replacement Tier II allocation formula will cease to be based on ISG, making this transfer immaterial to Palo Alto's potential drought allocation.

Agreement to Transfer 0.5 mgd to EPA

At Council's direction, the City Attorney's Office prepared the attached agreement to enable a permanent transfer of ISG from Palo Alto to EPA. This transfer will not impact Palo Alto's water supply in any measurable negative way.

Timeline

Upon Council approval, staff will provide notice to the SFPUC as required by the WSA, specifying the amount of the ISG proposed to be transferred, the proposed effective date, which must be at least shall 60 days after the notice is submitted, and the ISGs of both parties resulting from the transfer. The SFPUC has 60 days to act upon the notice or it is deemed approved, and will not unreasonably delay or withhold its approval.

Resource Impact

The transfer of 0.5 mgd of the City of Palo Alto's ISG to EPA does not cause a resource impact. Because the City is charged based on the water it actually consumes, not based on its contractual entitlement, there are no direct cost savings from transferring part of Palo Alto's ISG to East Palo Alto. However, because the transfer will enable more development (and therefore more water consumption) in East Palo Alto, it may result in small long-term savings to all SFPUC Wholesale Customers, because the largely fixed costs of maintaining the Hetch Hetchy water system will be shared by more consumers.

Policy Implications

While the transfer of a significant portion of the City's ISG could reduce long-term development potential in Palo Alto, based on historic use, water conservation and reduced demand, a 0.5 mgd transfer will not cause a reduction in development potential. In addition, as noted previously, drought allocations may be renegotiated in the near future, which would make the effects of this transfer immaterial to Palo Alto's future drought allocation.

Environmental Review

The subject project has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the City's environmental regulations. On June 20, 2017, EPA, acting as lead agency, adopted a Negative Declaration (ND) for the transfer of up to 1.5 mgd of ISG under the SFPUC Water Supply Agreement. The adopted ND contemplated the transfer of up to 1.5 mgd of contractual entitlements between "one or more willing Wholesale Customers" and EPA. The ND is included in Attachment C.

The City of Palo Alto, as a responsible agency, prepared an addendum to the City of East Palo Alto's adopted ND, which is included in Attachment D. The information in this addendum clarifies and amplifies the information evaluated in the ND by specifying the proposed permanent transfer of 0.5 mgd of the City of Palo Alto's ISG to EPA as a portion of the 1.5 mgd assessed in the ND, and by amplifying the information provided in East Palo Alto's prior analysis to analyze the effects of the permanent transfer on the City of Palo Alto.

Attachments:

- Attachment A: Water Transfer Agreement with East Palo Alto
- Attachment B: City of Palo Alto Colleagues Memo
- Attachment C: City of East Palo Alto Negative Declaration for Transfer of ISG
- Attachment D: Addendum to the Previously Adopted Negative Declaration

**AGREEMENT FOR THE PERMANENT TRANSFER OF A PORTION OF AN INDIVIDUAL SUPPLY
GUARANTEE FROM THE CITY OF PALO ALTO TO THE CITY OF EAST PALO ALTO**

THIS PERMANENT TRANSFER AGREEMENT (the “**Agreement**”) is dated _____, 2018 and is between **CITY OF PALO ALTO (“Palo Alto”)**, a California chartered municipal corporation, located at 250 Hamilton Avenue, Palo Alto, CA 94301, and the **CITY OF EAST PALO ALTO (“East Palo Alto”)**, a municipal corporation, located at 2415 University Avenue, East Palo Alto, CA 94303. Each party may be referred to individually as a “**Party**” and collectively as the “**Parties.**”

RECITALS

A. Palo Alto and East Palo Alto are signatories to the “Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County”, executed in July 2009 (“2009 WSA”), and each are Wholesale Customers as defined in the WSA.

B. The 2009 WSA guarantees Palo Alto an Individual Supply Guarantee of 8,331,697 HCF (“Hundred Cubic Feet”), also expressed as 17.075 million gallons per day (“MGD”), and guarantees East Palo Alto an Individual Supply Guarantee of 1,445,747 HCF, or 2.963 MGD.

C. Section 3.04 of the 2009 WSA authorizes the permanent transfer of Individual Water Supply Guarantees among Wholesale Customers.

D. The City of Palo Alto and the City of East Palo Alto have determined to enter into this Agreement in order to facilitate the permanent transfer of a portion of Palo Alto’s Individual Supply Guarantee, in the quantity of approximately 243,967 HCF of water, or .5 MGD, to East Palo Alto at no cost, in accordance with this terms of the 2009 WSA and this Agreement.

THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, PROMISES AND AGREEMENTS CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

SECTION 1. Definitions. Capitalized terms used in this Agreement have the same meaning as identified in the 2009 WSA, unless otherwise noted.

SECTION 2. Permanent Transfer. Palo Alto will permanently transfer to East Palo Alto all right, title and interest to 243,967 HCF (.5 MGD) of Palo Alto’s Individual Supply Guarantee at

no cost, as authorized by the 2009 WSA. The transfer is subject to approval by the San Francisco Public Utilities Commission ("SFPUC") under Section 3.04 of the 2009 WSA, and the quantity transferred shall remain subject the pro rata reduction described in Section 3.02(C). Except for the transfer as described in this Section 2, nothing in this Agreement is intended to affect the rights or obligations of either Palo Alto or East Palo Alto under the 2009 WSA.

SECTION 3. Effective Date. The transfer shall become effective upon approval by the SFPUC ("the Approval Date") as described in Section 4 of this Agreement.

SECTION 4. Approval by San Francisco Public Utilities Commission. The Parties shall comply with the additional terms of approval included in the 2009 WSA as follows:

A. Within ten (10) business days after the execution of this Agreement, both Parties shall provide notice to the SFPUC as required by Section 3.04(D) of the WSA, specifying the amount of the Individual Supply Guarantee proposed to be transferred, the proposed effective date of the transfer, which shall not be less than 60 days after the notice is submitted to the SFPUC, and the Individual Supply Guarantees of both Parties resulting from the transfer.

B. The Approval Date of the transfer shall be the earlier of the date the SFPUC acts to approve the transfer, or the date the transfer is deemed approved because the SFPUC has failed to act on the notice within sixty (60) days after it is submitted, as described in Section 3.04(D) of the WSA.

C. Within thirty (30) days after the Approval Date, both Parties shall provide notice to the SFPUC and the Bay Area Water Supply and Conservation Agency as required by Section 3.04(E).

SECTION 5. Public Purpose. The Parties' implementation of this Agreement furthers a public purpose in that Palo Alto has a local interest in promoting the economic development and public health of the region through responsible water use; the economic and environmental sustainability of East Palo Alto is important to Palo Alto due to the geographic interconnectedness of the two neighboring municipalities; and East Palo Alto is committed to water conservation and responsible development as demonstrated in the "Water Conservation" section of the East Palo Alto Municipal Code, the implementation of the East Palo Alto Urban Water Management Plan, and the development goals set forth in the 2035 East Palo Alto General Plan.

SECTION 6. Indemnity.

A. To the fullest extent permitted by applicable law, East Palo Alto will indemnify, defend and hold harmless Palo Alto and its City Council, commissioners, officers, agents, employees, contractors and volunteers from any and all demands, claims, judgments, legal or administrative proceedings, losses, costs, penalties, fines, liens, damages and liabilities of any kind (including without limitation, sums paid in settlement of claims, actual attorneys' fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from or are related in any way to East Palo Alto's negligent, reckless or wrongful acts, errors, or omissions with respect to or in any way connected with the activities exclusively performed by East Palo Alto under this Agreement, including but not limited to obtaining all approvals necessary to execute this Agreement, except for claims, liabilities and damages caused by Palo Alto's sole negligence or willful misconduct.

B. To the fullest extent permitted by applicable law, Palo Alto will indemnify, defend and hold harmless East Palo Alto and its City Council, commissioners, officers, agents, employees, contractors and volunteers from any and all demands, claims, judgments, legal or administrative proceedings, losses, costs, penalties, fines, liens, damages and liabilities of any kind (including without limitation, sums paid in settlement of claims, actual attorneys' fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from or are related in any way to Palo Alto's negligent, reckless or wrongful acts, errors, or omissions with respect to or in any way connected with the activities exclusively performed by Palo Alto under this Agreement, including but not limited to obtaining all approvals necessary to execute this Agreement, except for claims, liabilities and damages caused by East Palo Alto's sole negligence or willful misconduct.

SECTION 7. Miscellaneous.

A. Entire Agreement. This document represents the entire agreement between the Parties in relation to the subject matter contained herein. All prior negotiations and written and/or oral agreements between the Parties with respect to the subject matter of the agreement are merged into this Agreement.

B. Amendments. This Agreement may only be amended by a written instrument signed by authorized representatives of the Parties.

C. Governing Law, Venue. This Agreement, and all the rights and duties of the parties arising from or relating in any way to the subject matter of this Agreement or the transaction(s) contemplated by it, shall be governed by, construed and enforced in accordance with the law of the State of California. Any suit or proceeding relating to this Agreement,

including arbitration proceedings, shall be brought only in Santa Clara County, California.

D. **Non-Discrimination.** As set forth in Palo Alto Municipal Code section 2.30.510, East Palo Alto 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. East Palo Alto 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.

E. **Third Party Beneficiaries.** This Agreement does not, and is not intended to confer any rights or remedies upon any person or entity other than the Parties.

F. **Counterparts.** This Agreement may be executed in several counterparts, and all of such counterparts so executed together shall be deemed to constitute one and the same agreement, and each such counterpart shall be deemed to be an original. Facsimile or electronic signatures shall have the same legal effect as original or manual signatures if followed by mailing of a fully executed original to the Parties.

G. **Authority.** Each party represents and warrants that it has executed this Agreement freely, fully intending to be bound by the terms and provisions contained in this Agreement and that the persons signing below are authorized to sign on each Party's behalf.

SECTION 8. Notices. Any notices provided herein shall be deemed received when mailed or delivered to the respective parties addressed as follows:

James Keene
City Manager
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301

Carlos Martinez
City Manager
City of East Palo Alto
2415 University Avenue, 2nd floor
East Palo Alto, CA 94303

SECTION 8. CEQA. On June 20, 2017 the Council of the City of East Palo Alto, as the lead agency reviewing the proposed transfer of up to 1.5 MGD of Individual Supply Guarantee under the SFPUC Water Supply Agreement, adopted a Negative Declaration, which contemplated the transfer of up to 1.5 MGD of contractual entitlements between "one or more willing Wholesale Customers" and East Palo Alto. The City of Palo Alto subsequently prepared

an addendum to East Palo Alto's Negative Declaration, which Palo Alto's City Council considered and approved together with the Negative Declaration on May 7, 2018.

SECTION 9. Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions of this Agreement shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Cities of Palo Alto and East Palo Alto have executed this Agreement effective on the date set forth in the introductory clause.

CITY OF PALO ALTO

City Manager

Director of Utilities

APPROVED AS TO FORM:

City Attorney

CITY OF EAST PALO ALTO

City Manager

Director of Public Works

APPROVED AS TO FORM:

City Attorney



City of Palo Alto

COLLEAGUES MEMO

DATE: December 5, 2016

TO: City Council Members

FROM: Council Member Filseth, Council Member Holman, Council Member Burt, Council Member DuBois

SUBJECT: Colleagues Memo Regarding East Palo Alto Water Shortage

As has been reported recently in the news, our neighboring city of East Palo Alto is facing an impending water shortage. East Palo Alto currently uses its entire water supply allocation from the San Francisco Public Utilities Commission (SFPUC), and in June its City Council was forced to impose a moratorium on new development, putting on hold affordable housing projects and commercial development. East Palo Alto is currently pursuing new groundwater pumping initiatives to address its need, a proposition that would impact the aquifer that it shares with Palo Alto.

Given that East Palo Alto has the lowest residential per capita water use in the region, the current situation is inadequate to meet its needs. In addition, the economic wellbeing of East Palo Alto is important to Palo Alto, and its ability to provide affordable and obtainable housing helps support its surrounding communities.

Officials of East Palo Alto have expressed a strong interest in exploring with Palo Alto and Mountain View whether some fraction of our cities' water allocations, or Individual Supply Guarantees, could be permanently transferred to East Palo Alto. We would look to East Palo Alto to collaborate with its neighboring cities to manage any impacts from future development made possible by a transfer.

Recommendation

We request that the Council either direct staff to schedule a Council study session on this topic, or refer it to the Policy and Services Committee, to discuss how the City of Palo Alto may help support East Palo Alto through a transfer or sale of a small portion of our Individual Supply Guarantee.

Background

The SFPUC supplies water to San Francisco and 26 wholesale customers in San Mateo, Santa Clara and Alameda Counties (Palo Alto and East Palo Alto are two of those customers). 2.6 million people and thousands of businesses depend on the Hetch Hetchy Regional Water System to deliver water to the Bay Area from the Tuolumne River in Yosemite National Park. Since 2003, the Bay Area Water Supply and Conservation Agency (BAWSCA) has represented the wholesale customers in negotiations with the SFPUC. Roughly one-third of the water distributed by the SFPUC is used in San Francisco, and the remaining two-thirds by BAWSCA member agencies.

History of Individual Supply Guarantees (ISGs)

Individual Supply Guarantees (permanent water supply allocations) for the wholesale customers were first established in 1984. The SFPUC allocated a perpetual supply assurance of 184 million gallons of water per day (mgd) to its wholesale customers, and in 1994 the wholesale customers together formally determined how the water would be allocated among them. In 1984, East Palo Alto had just been incorporated, and large projects such as University Circle, IKEA, Gateway 101 and other development were not yet planned. Today, East Palo Alto's ISG is 1.96 mgd, far lower than its needs and historic usage.

Current Status of ISGs

In 2008, the SFPUC approved its Water System Improvement Program (WSIP) to upgrade the Hetch Hetchy Regional Water System to be able to withstand a major earthquake. The WSIP capped water sales at 265 mgd: 81 mgd for San Francisco and 184 mgd for the BAWSCA member agencies until at least 2018. The SFPUC's 2015 Urban Water Management Plan operated under the assumption that the 265 mgd sales cap would likely remain in place after 2018.

Last year BAWSCA member agencies purchased about 126 mgd from the SFPUC, well below the 184 cap. SFPUC projects that East Palo Alto will need about 3.5 mgd by 2040. Palo Alto is projected to use 11.9 mgd in 2020, with use slightly decreasing thereafter as water conservation programs continue. (See attached graph from the SFPUC.) These programs have proven significant, as over the past 20 years Palo Alto has reduced its usage by 40%, to approximately 10 mgd, through water efficiency programs, conservation and reductions in our manufacturing sector. These reductions occurred concurrently with increases in the City's population and employment over that same period.

ISG transfers are permitted under the 2009 Water Supply Agreement (WSA) between the SFPUC and its wholesale customers, but must be permanent, at least 100,000 gallons per day, and approved by the SFPUC.¹

Drought Allocations

In the case of water shortages, the SFPUC can reduce water sales to both San Francisco and the wholesale customers under the Tier I Water Shortage Allocation Plan, distributing water based on the level of shortage. The Tier II Drought Implementation Plan, adopted by the wholesale customers in 2010, allocates the collective wholesale customer share among each of the 26 wholesale customers, based on a combination of ISGs and seasonal water use, with an adjustment for East Palo Alto to ensure it can meet its basic health and safety needs during a drought. The Tier II Plan will expire in 2018 unless extended by the wholesale customers.

Under the Tier II Plan, a transfer of .5 mgd to East Palo Alto could require Palo Alto to reduce its water use by an additional 1% in times of drought, and a 1 mgd transfer could require an additional 2% reduction in water use. These conservation levels assume that the Tier II Plan would remain intact after 2018, the likelihood of which is not yet known.

However, State water conservation mandates are independent of both the SFPUC's Tier I Water Shortage Implementation Plan and the wholesale customers' Tier II Drought Allocation Plan. The 2015/16 State mandate required communities statewide to reduce their water use by 8% - 36%, depending largely on total per capita use. Because of its very low per capita use, East Palo Alto's reduction mandate was 8% while Palo Alto's was 24%. Palo Alto was able to well exceed its mandated reduction.

It is possible that State water conservation mandates will continue to be the primary drought reduction driver, rather than implementation of the SFPUC and wholesale customer's Plans, given that the Hetch Hetchy Regional Water System includes significant storage in proportion to its annual needs. Even after five years of drought and one normal water year, the SFPUC's reservoirs are currently at close to 80% of capacity, among the highest in the state.

¹ Transfers are described in Section 3.04 of the WSA, *available at*
<http://www.sfwater.org/modules/showdocument.aspx?documentid=8632>



CITY OF EAST PALO ALTO
Planning and Housing Division
1960 Tate Street, East Palo Alto, CA 94303
Phone (650) 853-3185

Negative Declaration: Transfer of up to 1.5 MGD of Individual Supply Guarantee under the San Francisco Public Utility Commission Water Supply Agreement.



May 2017
Prepared by the Planning Division, City of East Palo Alto
Guido F. Persicone, AICP, Planning Manager
Lead City Agency: City of East Palo Alto

**City of East Palo Alto**

Planning Division

1960 Tate Street, East Palo Alto, CA 94303

(650) 853-3185 Phone

(650) 853-3179 Fax

Purpose of a Negative Declaration

The California Environmental Quality Act (CEQA) was enacted in 1970 for the purpose of providing decision-makers and the public with information regarding environmental effects of proposed projects; identifying ways environmental damage can be avoided; and disclosing to the public why a project is approved even if it leads to environmental damage. The City of East Palo Alto has determined the proposed project is subject to CEQA, and no exemptions apply.

A negative declaration is a written statement that briefly explains why a proposed project will not have a significant environmental effect. It must include a brief description of the project and location, identification of the project proponent and a proposed finding of no significant effect. The negative declaration is also required to include a copy of the initial study justifying the conclusion that no significant effect would occur.

Process

In accordance with Section 15063 of the CEQA guidelines, the City Council shall consider the proposed negative declaration (ND) together with any comments received during the public review process. Upon conclusion of the review, the Council shall adopt the proposed negative declaration if after considering the entire record (including comments, and the initial study) that there is no substantial evidence that the project will have a significant effect on the environment and that the ND reflects the lead agency's independent judgment and analysis. The 20-day public comment period for the MND commences on May 19, 2017 and ends on June 9, 2017. Pursuant to Section 15072 of the CEQA guidelines, a notice of intent (NOI) to adopt a ND shall be provided to the public, responsible agencies, and trustee agencies, including the County Clerk for posting. The notice will also be published in the Daily News, or other newspaper of general circulation within the City, on May 19, 2017.

Table 1-Water Transfer Negative Declaration Project Timeline

Public Comment Period	May 19, 2017- June 9, 2017
City Council Review of Negative Declaration and project.	June 20, 2017
Filing the Notice Of Determination	June 21, 2017

ENVIRONMENTAL CHECKLIST FORM

1. Project title: Transfer of up to 1.5 MGD of Individual Supply Guarantee under the San Francisco Public Utility Commission Water Supply Agreement.

2. Lead agency name and address:

City of East Palo Alto
Planning Division
1960 Tate Street
East Palo Alto, CA 94303

3. Contact person and phone number:

Guido F. Persicone, Planning Manager, AICP
gpersicone@cityofepa.org
(650) 853-3195

4. Project location:

Citywide

5. Project sponsor's name and address:

City of East Palo Alto
1960 Tate Street
East Palo Alto, CA 94303

6. General Plan Designation:

Varies

7. Zoning:

Varies

8. Description of project: (Describe the whole action involved, including but not limited to later phases of the project, and any secondary, support, or off-site features necessary for its implementation. Attach additional sheets if necessary.)

The proposed project consists of a permanent transfer to the City of East Palo Alto of contractual entitlements to purchase from the San Francisco Public Utilities Commission ["SFPUC"] up to 1.5 million gallons per day (MGD) of water in accordance with the *Water Supply Agreement between the City and County Of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County, July 2009* ["Water Supply Agreement"]. East Palo Alto is a party to the Water Supply Agreement and currently has a contractual entitlement to purchase, referred to in the Water Supply Agreement as an Individual Supply Guarantee ["ISG"] of 1.963 MGD. The proposed project could result in an increase in the amount of East Palo Alto's ISG to a total amount of 3.463 MGD. The Water Supply Agreement authorizes Wholesale Customers to permanently transfer ISG to another Wholesale Customer. An ISG transfer does not increase the total amount of water made available by the SFPUC under the Water Supply Agreement. An ISG transfer results in a permanent reduction of the ISG of the transferor and a permanent increase of the ISG of transferee.

The ISG transfers would be accomplished by agreements between East Palo Alto and one or more willing Wholesale Customers [“BAWSCA members”]. Potential BAWSCA members having ISG available for transfer include the City of Mountain View, and potentially other BAWSCA members. East Palo Alto has sufficient capacity in its water system and its existing connections to the SFPUC facilities to accommodate delivery of the additional 1.5 MGD, and would take delivery of additional water made available as a result of the project in a manner physically identical to its existing water supply connection with the SFPUC. The transfer would use existing infrastructure and would not require the construction of additional infrastructure.

The proposed project would provide East Palo Alto with entitlements to purchase from the SFPUC sufficient water supplies to accommodate, over time, the development that is contemplated by East Palo Alto’s General Plan, which was updated in 2016. Also, the proposed project is consistent with and would implement East Palo Alto’s 2015 Urban Water Management Plan. The proposed project would not provide East Palo Alto with supplies that exceed the amounts needed to accommodate the ultimate buildout of the City as contemplated by the General Plan or exceed the amounts projected by the Urban Water Management Plan. The proposed project does not authorize any particular development project, and the timing, location, and scale of any particular development would depend on future development approvals in following the processing of development applications accordance with East Palo Alto’s General Plan, zoning ordinance, CEQA, and other land use development regulations.

9. Existing Setting

In October 2016, the City certified the EIR (SCH 2014092027) for the City of East Palo Alto General Plan Update, which discusses the potential growth-inducing impacts of the General Plan. The General Plan Update would facilitate future development of up to 2,519 additional residential dwellings, 333,406 square feet of retail development, 1.9 million square feet of office development, and 267,987 square feet of new industrial space by the year 2040. Proposed growth envisioned in the General Plan would increase the City’s population by an estimated 7,764 residents, as well as additional employees within the City.

The City of East Palo Alto conducted a Water Supply Assessment (WSA) in 2015 and data from the WSA were used in the General Plan Update EIR analysis. The EIR concluded that although the General Plan Update provides appropriate land use goals and policies to accommodate future growth, planned growth would require expansion of water services. A summary of the growth-inducement analysis of the EIR is provided below.

The General Plan Update EIR determined that such growth would generate an increase in future water demand that would not be met with the City’s existing or future water supplies. The Updated EIR found that with projected development, water demands could outstrip available supplies by 2020; therefore, growth associated with implementation of the Update would require gradual expansion of existing public works, such as water supply and infrastructure (City of East Palo Alto, 2016a). The General Plan and EIR included policies to seek additional water supply and mitigations to ensure that verifiable water supply was available prior to the approval of projects. The General Plan Update requires new or intensified development project proponents to submit a Water Supply Assessment that demonstrates adequate water would be available before project approval.

The City of East Palo Alto prepared an EIR on the Ravenswood/4 Corners TOD Specific Plan in 2012¹. The Ravenswood/4 Corners Area is estimated to contribute about one third of City-wide projected new housing units and retail space, all new proposed industrial space, and approximately 60 percent of proposed new office space (City of East Palo Alto, 2016a). The EIR includes analysis of the growth-inducement potential of the Specific Plan, which concludes that the construction of new housing units would directly induce growth. The City's 2015 Urban Water Management Plan (UWMP) was prepared in coordination with the General Plan Update, and the WSAs prepared in support of the General Plan Update and Specific Plan.

On April 19, 2016, the City Council adopted Resolution No.4723 titled, *A Resolution of the City Council of the City of East Palo Alto advocating for an additional water supply of up to 1.5mgd and authorizing the city manager to work with the City's partners at the BAWSCA and the SFPUC to secure up to an additional 1.5mgd in water supply*. Resolution No. 4723 is intended to assure sufficient water to implement the City's General Plan, Urban Water Management Plan, and other official plans and policies of the City through a program to obtain additional water supplies.

On July 19, 2016, the East Palo Alto City Council adopted Ordinance No. 399 to establish a temporary prohibition of new or expanded water supply connections within the City. The City Council had determined the current ordinary demands and requirements of water consumers within the service territory of the City's Water System meet or exceed the amount of the water supply available to the City. Demands created by new, additional, or expanded water service connections cannot be satisfied without adversely affecting the health, safety, and welfare of current water uses. Therefore, it is necessary to set aside and allocate all of the City's currently available water supply to meet the demands of current water users and to establish a temporary prohibition of new or expanded water service connections within the Service Area of the City's Water System. The City Council also found that the City is experiencing a City-wide water supply shortage and has been working diligently to implement identified solutions, including the design and installation of new wells and water treatment systems, often referred to as the Gloria Way Well and the Pad D Well, to take advantage of potential groundwater resources. However, the completion date and water supply yield of these projects are currently uncertain. The City Council referenced Resolution No. 4723, and found that it was necessary for the City to continue to seek to augment its water supplies in sufficient water amounts to implement the City's General Plan, Urban Water Management Plan, and other official plans and policies of the City. Therefore, the project is intended to accommodate the City's existing policies of improving the current jobs housing imbalance, attract development that would generate revenue, provide employment, and create affordable housing (City of East Palo Alto, 2016b).

¹ City of East Palo Alto, Ravenswood/4 Corners TOD Specific Plan, Final EIR, State Clearinghouse #2011052006. Available online at <http://www.ci.east-palo-alto.ca.us/Archive/ViewFile/Item/126>.

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

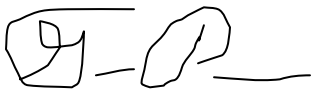
The environmental factors listed below would be potentially affected by this project. There are no factors that are considered a "Potentially Significant Impact" as indicated by the checklist on the following pages.

- | | | |
|--|--|---|
| ☐ Aesthetics | ☐ Agricultural Resources | ☐ Air Quality |
| ☐ Biological Resources | ☐ Cultural Resources | ☐ Geology and Soils |
| ☐ Hazards and Hazardous Materials | ☐ Hydrology and Water Quality | ☐ Mandatory Findings of Significance |
| ☐ Land Use and Planning | ☐ Mineral Resources | ☐ Noise |
| ☐ Population and Housing | ☐ Public Services | ☐ Recreation |
| ☐ Transportation and Circulation | ☐ Utilities and Service Systems | |

10. DETERMINATION:

On the basis of this initial evaluation:

- ☒ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ☐ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because the mitigation measures described herein have been added to the project. A NEGATIVE DECLARATION will be prepared.
- ☐ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required
- ☐ I find that the proposed project MAY have a significant effect(s) on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets, if the effect is a "potentially significant impact" or "potentially significant unless mitigated." An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ☐ I find that although the proposed project could have a significant effect on the environment, there WILL NOT be a significant effect in this case because all potentially significant effects (a) have been analyzed adequately in an earlier EIR pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR, including revisions or mitigation measures that are imposed upon the proposed project.



Printed Name: Guido F. Persicone,
Planning Manager, AICP

Date: May 19, 2017

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ENVIROMENTAL CHECKLIST

I. AESTHETICS

AESTHETICS	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Have a substantially adverse effect on a scenic vista?			X	
Substantially damage scenic resources, including but not limited to trees, rock outcroppings, and historic buildings within a state scenic highway?			X	
Substantially degrade the existing visual character or quality of the site and its surroundings?			X	
Create a new source of light or glare, which would adversely affect day or nighttime views in the area?			X	

Approval of this project does not result in any direct physical changes to the environment and does not propose specific development. The additional water supply could be used to accommodate planned growth included in the City's recently adopted General Plan and Program EIR (SCH 2014092027). The proposed project would not itself permit any development project to occur. Rather, it would provide a sufficient water supply resource for future development contemplated by the General Plan as that development occurs. Since any new development must comply with the General Plan and other applicable regulations, potential impacts would be less than significant and no mitigation measures are required.

II. AGRICULTURAL RESOURCES

AGRICULTURAL RESOURCES	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Convert prime farmland, unique farmland or farmland of statewide importance, as shown on maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non- agricultural use?			x	
Conflict with existing zoning for agricultural use, or a Williamson Act contract?			x	
Involve other changes in the existing environment which, due to their location or nature, could result in the conversion of farmland to non-agricultural use?			x	

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III. AIR QUALITY

AIR QUALITY	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Conflict with or obstruct implementation of the applicable air quality plan?			x	
Violate any air quality standard or contribute substantially to an existing or projected air quality violation?			x	
Result in cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions, which exceed quantitative thresholds for ozone precursors)?			x	
Expose sensitive receptors to substantial pollutant concentrations?			x	
Create objectionable odors affecting a substantial number of people?			x	

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IV. BIOLOGICAL RESOURCES

BIOLOGICAL RESOURCES	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Have a substantial adverse effect, either directly or through habitat modifications on any species identified as a candidate, sensitive or special status species in local or regional plans, policies or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?			x	
Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?			x	
Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including but not limited to marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption or other means?			x	
Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of the native wildlife nursery sites?			x	
Conflict with any local policies or ordinances protecting biological resources, such as tree preservation policy or ordinance?			x	
Conflict with the provisions of any adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?			x	

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V. CULTURAL RESOURCES

CULTURAL RESOURCES	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Cause a substantial adverse change in the significance of a historical resource as defined in Section 15064.5?			x	
Cause a substantial adverse change in the significance of an archaeological resource pursuant to Section 15064.5?			x	
Directly or indirectly destroy a paleontological resource or site or unique geological feature?			x	
Disturb any human remains, including those interred outside of formal cemeteries?			x	

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VI. GEOLOGY AND SOILS

GEOLOGY AND SOILS	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:			x	
Rupture of known earthquake fault, as delineated on the most recent Alquist-Piolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? (Refer to Division of Mines and Geology Special Publication 42)			x	
Strong seismic ground shaking?			x	
Seismic related ground failure, including liquefaction?			x	
Landslides?			x	
Result in substantial soil erosion or the loss of topsoil?			x	
Be located on a geological unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?			x	
Be located on expansive soil, as defined in Table 18-1-b of the Uniform Building Code (1994), creating substantial risks of life or property?			x	
Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems where sewers are not available for the disposal of wastewater?			x	

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VII. Hazards and Hazardous Materials

HAZARDS AND HAZARDOUS MATERIALS	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?			x	
Emit hazardous emissions or handle acutely hazardous materials, substances or waste within one- quarter mile of existing or proposed school?			x	
Be located on a site, which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard for people residing or working in the project area?			x	
For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?			x	
For a project in the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?			x	
Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?			x	
Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?			x	

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VIII. HYDROLOGY AND WATER QUALITY

HYDROLOGY AND WATER QUALITY	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Violate any water quality standards or waste discharge requirements?			x	
Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g. the production rate of pre-existing nearby wells would drop to a level, which would not support existing land uses or planned uses for which permits have been granted)?			x	
Substantially alter the existing drainage pattern of the site or area, including the alteration of the course of a stream or river in a manner, which would result in substantial erosion on- or off-site?			x	
Substantially alter the existing drainage pattern of the site or area, including the alteration of the course of a stream or river, in a manner, which would result in flooding on- or off-site?			x	
Create or contribute runoff water, which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of pollution runoff?			x	
Otherwise substantially degrade water quality?			x	
Place housing within a 100-year flood hazard as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?			x	
Place within a 100-year flood hazard area, structures that would impede or redirect flood flows?			x	
Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?			x	
Inundation by seiche, tsunami or mudflow?			x	

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IX. LAND USE PLANNING

LAND USE AND PLANNING	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Physically divide an established community?			x	
Conflict with any applicable land use plan, policy or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local plan, coastal program or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?			x	
Conflict with any applicable habitat conservation plan or natural community conservation plan?			x	

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X. MINERAL RESOURCES

MINERAL RESOURCES	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?			x	
Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?			x	

Approval of this project does not result in any direct physical changes to the environment and does not propose specific development. The additional water supply could be used to accommodate planned growth included in the City's recently adopted General Plan and Program EIR (SCH 2014092027). The proposed project would not itself permit any development project to occur. Rather, it would provide a sufficient water supply resource for future development contemplated by the General Plan as that development occurs. Since any new development must comply with the General Plan and other applicable regulations, potential impacts would be less than significant and no mitigation measures are required.

XI. NOISE

NOISE	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Generate or expose people to noise levels in excess of standards established in local general plan or noise ordinance or applicable standards or other agencies?			x	
Generate or expose people to excessive ground borne vibration or ground borne noise levels?			x	
Result in a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?			x	
Create substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing			x	
For a project located within an airport land use plan or where such a plan has not been adopted, within two miles of an airport or public use airstrip, would the project expose people residing or working in the project area to excessive noise levels?			x	
For a project in the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?			x	

Approval of this project does not result in any direct physical changes to the environment and does not propose specific development. The additional water supply could be used to accommodate planned growth included in the City's recently adopted General Plan and Program EIR (SCH 2014092027). The proposed project would not itself permit any development project to occur. Rather, it would provide a sufficient water supply resource for future development contemplated by the General Plan as that development occurs. Since any new development must comply with the General Plan and other applicable regulations, potential impacts would be less than significant and no mitigation measures are required.

XII. POPULATION AND HOUSING

POPULATION AND HOUSING	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Induce substantial population growth in an area directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?			x	
Displace substantial numbers of existing housing necessitating the construction of replacement housing elsewhere?			x	
Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?			x	

Approval of this project does not result in any direct physical changes to the environment and does not propose specific development. The additional water supply could be used to accommodate planned growth included in the City's recently adopted General Plan and Program EIR (SCH 2014092027). The proposed project would not itself permit any development project to occur. Rather, it would provide a sufficient water supply resource for future development contemplated by the General Plan as that development occurs. Since any new development must comply with the General Plan and other applicable regulations, potential impacts would be less than significant and no mitigation measures are required.

XIII. PUBLIC SERVICES

PUBLIC SERVICES	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, a need for new or physically altered governmental facilities the construction of which could cause significant environmental impacts in order to maintain acceptable service ratios or response time or other performance objectives for any of the following public services:			x	
Fire protection?			x	
Police protection?			x	
Schools?			x	
Parks?			x	

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XIV. RECREATION

RECREATION	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?			x	
Include recreational facilities or require the construction or expansion of recreational facilities, which might have an adverse physical effect on the environment?			x	

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XV. TRANSPORTATION/TRAFFIC

TRANSPORTATION / TRAFFIC	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Cause an increase in traffic, which is substantial in relation to the existing traffic load and capacity of the street system (i.e. result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)?			x	
Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designation roads or highways?			x	
Result in a change in air traffic patterns, including wither an increase in traffic levels or a change in location that results in substantial safety risks?			x	
Substantially increase hazards due to a design feature (e.g. sharp curves or dangerous intersection) or incompatible uses (e.g. farm equipment)?			x	
Result in inadequate emergency access?			x	
Result in inadequate parking capacity?			x	
Conflict with adopted policies, plans or programs supporting alternative transportation (e.g. bus turnouts, bicycle racks, etc.)?			x	

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XVI. UTILITIES AND SERVICE SYSTEMS

UTILITIES AND SERVICE SYSTEMS	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?			x	
Require or result in construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?			x	
Require or result in construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?			x	
Have sufficient water available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?			x	
Result in a determination by the wastewater treatment provider, which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?			x	
Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?			x	
Comply with federal, state, and local statutes and regulations related to solid waste?			x	

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XVII. MANDATORY FINDINGS OF SIGNIFICANCE

MANDATORY FINDINGS OF SIGNIFICANCE	POTENTIALLY SIGNIFICANT ADVERSE IMPACT	LESS THAN SIGNIFICANT IMPACT WITH MITIGATION INCORPORATED	LESS THAN SIGNIFICANT IMPACT	NO IMPACT
Have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife species to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or prehistory?			x	
Have impacts that are individually limited but cumulatively considerable? (Cumulatively considerable means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?			x	
Have environmental effects, which will cause substantial adverse effects on human beings, either directly or indirectly?			x	

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References – Other CEQA Considerations

City of East Palo Alto, 2012. Ravenswood/4 Corners TOD Specific Plan Final EIR. July 30, 2012. SCH# 2011052006.

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250 Hamilton Avenue, 5th Floor
Palo Alto, CA 94301
650.329.2441

ADDENDUM TO THE ADOPTED NEGATIVE DECLARATION FOR THE TRANSFER OF UP TO 1.5 MGD OF INDIVIDUAL SUPPLY GUARANTEE UNDER THE SAN FRANCISCO PUBLIC UTILITY COMMISSION WATER SUPPLY AGREEMENT

Date: April 3, 2018

Project Name: Transfer of Up to 1.5 MGD of Individual Supply Guarantee Under the San Francisco Public Utility Commission Water Supply Agreement

Project Location: Cities of Palo Alto and East Palo Alto

Background

Through adoption of Resolution No. 4862 on June 20, 2017, the City of East Palo Alto City Council, acting as lead agency, adopted the Negative Declaration for the transfer of up to 1.5 million gallons per day (mgd) of Individual Supply Guarantee (ISG) under the San Francisco Public Utilities Commission Water Supply Agreement (hereinafter, "Project").

The approved Project consists of a permanent transfer to the City of East Palo Alto of contractual entitlements to purchase from the San Francisco Public Utilities Commission ["SFPUC"] up to 1.5 million gallons per day (MGD) of water in accordance with the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers¹ in Alameda County, San Mateo County and Santa Clara County, July 2009 ["Water Supply Agreement"]. The adopted Negative Declaration contemplated the transfer of 1.5 MGD of contractual entitlements between "one or more willing Wholesale Customers [Bay Area Water Supply and Conservation Agency members]" and the City of East Palo Alto.

Summary of Proposed Modifications to Negative Declaration

The City of Palo Alto, as a responsible agency, prepared this addendum to the City of East Palo Alto's adopted Negative Declaration in order to disclose the proposed permanent transfer of 0.5 MGD of the City of Palo Alto's Individual Supply Guarantee (ISG) in accordance with the Water Supply Agreement (WSA) to the City of East Palo Alto. The information in this addendum clarifies and amplifies the information evaluated in the Negative Declaration by clarifying the

¹ The Wholesale Customers are the 26 agencies that are members of the Bay Area Water Supply and Conservation Agency (BAWSCA) and include Alameda County Water District, California Water Service Company, Coastsides County Water District, Estero Municipal Improvement District, Guadalupe Valley Municipal Improvement District, Mid-Peninsula Water District, North Coast County Water District, Purissima Hills Water District, Skyline County Water District, Stanford University, Westborough Water District, and the Cities of Brisbane, Burlingame, Daly City, East Palo Alto, Hayward, Hillsborough, Menlo Park, Milpitas, Mountain View, Palo Alto, Redwood City, San Bruno, San Jose, Santa Clara, and Sunnyvale.

source of 0.5 MGD of the 1.5 MGD considered in the Negative Declaration and by amplifying the information provided in the prior analysis to address the effects of the permanent transfer on the City of Palo Alto. Based on the information and analysis provided herein, the City of Palo Alto has determined that the proposed modifications of the Negative Declaration to provide this information would not result in new or more significant impacts, and that none of the conditions described in Section 15162 of the CEQA Guidelines (14 Cal. Code of Regs. 15162) have occurred. As a result, an addendum is appropriate and no subsequent ND is required.

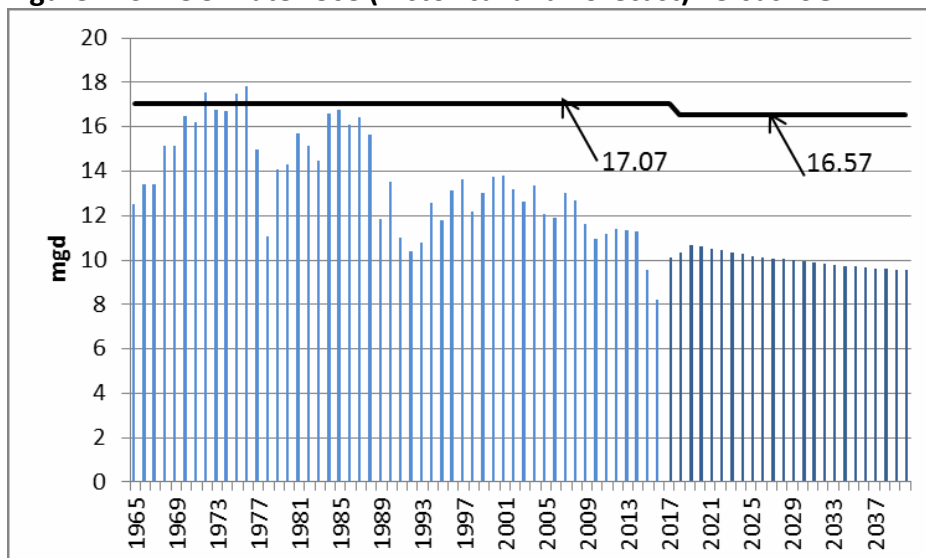
The following impacts were reviewed with respect to the proposed modifications and found to be adequately considered by the ND:

- | | | |
|----------------------------|------------------------------------|--------------------------------------|
| ■ Aesthetics | ■ Agriculture and Forest Resources | ■ Air Quality |
| ■ Biological Resources | ■ Cultural Resources | ■ Geology and Soils |
| ■ Greenhouse Gas Emissions | ■ Hazards and Hazardous Materials | ■ Hydrology / Water Quality |
| ■ Land Use/ Planning | ■ Mineral Resources | ■ Noise |
| ■ Population / Housing | ■ Public Services | ■ Recreation |
| ■ Transportation / Traffic | ■ Utilities / Service Systems | ■ Mandatory Findings of Significance |

Summary of Potential Impacts

The City of Palo Alto's Individual Supply Guarantee (ISG) represents a permanent contractual entitlement to 17.07 million gallons per day (MGD) of water from the Hetch Hetchy Regional Water System. Figure 1 shows the City of Palo Alto's historical and projected San Francisco Public Utilities Commission (SFPUC) purchases compared to the contractually entitled 17.07 MGD for past years and the reduced contractually entitled ISG of 16.57 MGD resulting from the permanent transfer to the City of East Palo Alto for future years.

Figure 1: SFPUC Water Use (Historical and Forecast) versus ISG



The figure shows that Palo Alto has not purchased the entitled 17.07 MGD from the SFPUC in over 40 years. The City's 2015 Urban Water Management Plan (UWMP) explains that total water sales decreased by 11 percent between 2010 and 2015. In addition, the 2015 UWMP states that although there may be slight increases in water use due to post drought rebound and continued increases in economic development and population, by 2025 the overall trend of decreasing per capita water use is anticipated to resume. Consistent with these projections, the Draft Environmental Impact Report for the City of Palo Alto Comprehensive Plan Update assessed that the projected peak demand for water from the City of Palo Alto's SFPUC ISG would be 11,883 AFY (approximately 13.31 mgd) in 2020 with an overall decrease in demand through to 2035 when the projected demand would be 10,879 AFY (approximately 12.18 mgd). Due to historic and projected water needs as well as past and continued efforts to reduce potable water consumption, it is not anticipated that the City of Palo Alto would rely on the full 17.07 MGD ISG in the future.

The adopted Negative Declaration assessed the environmental impact associated with the use of increased water supply (an increase from 1.963 to 3.463 MGD) by the City of East Palo Alto as a result of the permanent transfer. The ND concluded that impacts would be less than significant without mitigation. The proposed modification to the adopted ND to disclose the permanent transfer of 0.5 MGD ISG from the City of Palo Alto, which represents one-third of the total increase in ISG previously assessed, would not change this conclusion. As discussed above, historical data and future projections support the conclusion that the additional 0.5 MGD of guaranteed supply would not be requested or used by the City of Palo Alto now or in the future. Therefore, there is no anticipated effect on City of Palo Alto residents and property owners. Further, the permanent reduction in the total contractual entitlement to the City of Palo Alto would not, in itself, result in an environmental impact. Impacts associated with the potential use of the water by the City of East Palo Alto were previously assessed.

The California Environmental Quality Act (CEQA) establishes the type of environmental document required when changes to a project occur or new information arises after a Negative Declaration (ND) is adopted. An addendum to an adopted ND shall be prepared if only minor technical changes or additions are necessary (CEQA Guidelines §15164). In addition, pursuant to CEQA Guidelines §§15162 and 15164, preparation of an addendum to an ND is appropriate unless subsequent changes are proposed in the project or physical circumstances have changed on the subject property, either of which would require major revisions to the ND due to new significant impacts, or new information of substantial importance becomes available which shows the project will have one or more significant impacts not identified in the ND.

The addendum need not be circulated for public review (CEQA Guidelines §15164[c]); however, an addendum is to be considered by the decision maker prior to making a decision on the project (CEQA Guidelines §15164[d]). This addendum together with the ND will be considered by the City of Palo Alto City Council in making a determination with respect to approval of the Agreement to Transfer for the permanent transfer of 0.5 MGD of Individual Supply Agreement from the City of Palo Alto to the City of East Palo Alto.

The City of Palo Alto has prepared this Addendum to document changes to the City of East Palo Alto's adopted ND in accordance with CEQA Guidelines §15164. This Addendum demonstrates

that none of the conditions outlined in CEQA Guidelines §15162 are present here and that the environmental analysis in the adopted ND for the Project remains substantively unchanged, supporting the finding that the clarifying and amplifying information provided herein does not result in new or more significant impacts than those identified in the Negative Declaration. Therefore, the adopted Negative Declaration together with this Addendum adequately describe the environmental impacts of the City of Palo Alto's proposed action, and a subsequent negative declaration is not required.

Prepared by: _____ 4/3/2018
Date