

Special Meeting
July 14, 2008

STUDY SESSION	298
1. Review Process for Quantifying Potential Fiscal Impacts of the Stanford University Medical Center and Stanford Shopping Center Projects.	298
2. Joint Meeting with the Utilities Advisory Commission Regarding Utilities Issues	299
SPECIAL ORDERS OF THE DAY	299
3. Resolution 8846 stating "Resolution of the Council of the City of Palo Alto Expressing Appreciation to George Bechtel Upon His Completion of His Term as a Utilities Advisory Commissioner."	299
4. Announcement of Alliance for Innovation Outstanding Achievement in Local Government Innovation Award.	299
5. Appointment of One Candidate for the Unexpired Term Ending January 31, 2011 to the Library Advisory Commission.	300
6. Appointment of Four Candidates with a Term Ending May 31, 2011 to the Historic Resources Board.	300
7. Appointment of Four Candidates with a Term Ending April 30, 2011 and One Candidate for the Unexpired Term Ending April 30, 2009 to the Public Art Commission.....	300
ORAL COMMUNICATIONS	304
CONSENT CALENDAR.....	304
8. Approval of an Agreement in the Amount of 138,000 dollars with Palo Alto Senior Housing Project, Inc. Project Located at 455 E. Charleston	

Road, for Funds Allocated During Fiscal Year 2007/08 Under the Community Development Block Grant (CDBG) Program.....	304
9. Approval of 1) a Storm Drain Enterprise Fund Contract with Proven Management, Inc. in the Total Amount Not to Exceed 582,725 dollars to Construct San Francisquito Creek Storm Drain Box Culvert, Capital Improvement Program Project SD-06102 and 2) Amendment No. 2 to Contract C06113651 With Schaaf & Wheeler Consulting Civil Engineers to Add 44,514 dollars for Additional Engineering Support Services for a Total Not to Exceed Amount of 733,022 dollars.	305
UNFINISHED BUSINESS	305
10. Adoption of an Ordinance Amending Chapter 9.79 (News racks) of Title 9 (Public Peace, Morals and Safety) of the Palo Alto Municipal Code to Create a Special News Rack Area in the California Avenue Commercial Area and Approval of Newsrack Regulations for California Avenue Special Newsrack Area.....	305
REPORTS OF OFFICIALS.....	305
11. Request for Council Direction Concerning Citywide Ultra-High-Speed Broadband System Negotiations.....	306
12. Approval of a Purchase Option Agreement with Brown Fairchild-Park Investment Company, L.P. to Acquire Real Property Located at 2747 Park Boulevard in the Amount of 2,732,000 dollars.....	312
13. Ordinance 5012 stating "Ordinance of the Council of the City of Palo Alto Amending the Budget for Fiscal Year 2008-09 to Provide an Additional Appropriation of 3,436,981 dollars to Capital Improvement Program Project PE-98020 and Approval of Contract with RossDrulisCusenbery Architecture Inc. in the Total Amount of 3,807,801 dollars for Design and Construction Documents and Cost Estimating for the Public Safety Building, Capital Improvement Program Project PE-98020."	312
COUNCIL COMMENTS, ANNOUNCEMENTS, AND REPORTS FROM CONFERENCES	316
ADJOURNMENT: The meeting adjourned at 12:08 A.M.....	316

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:05 p.m.

Present: Barton arrived at, Burt, Drekmeier, Espinosa, Kishimoto, Klein arrived at, Morton, Schmid, Yeh arrived at 6:11 p.m.

Absent:

STUDY SESSION

City Attorney Gary Baum advised that Mayor Klein would not be participating in the Study Session per Government Code Section 1090 due to his wife being on faculty at Stanford University, Council Member Barton would also not be participating per Government Code Section 1090 due to being on faculty at Stanford University.

1. Review Process for Quantifying Potential Fiscal Impacts of the Stanford University Medical Center and Stanford Shopping Center Projects.

Staff provided an overview of the process for preparing the fiscal analysis of the Stanford development projects. The process will include the preparation of the fiscal impact report and the City's independent review and analysis. The City will also prepare a hotel study as part of the fiscal analysis process. It is expected that the fiscal analysis reports will be completed and presented to Council in the fall timeframe.

Craig Barney, 3218 Maddux, spoke regarding fiscal impacts and the overall vitality of the project.

Rosa Lopez, 2318 Glen Way, East Palo Alto, spoke regarding hotel work, wages, and hoped the Council would evaluate job quality and standards.

Andy Coe, Stanford Hospital & Clinics, spoke regarding Stanford Hospital and Clinics with regard to the user tax.

Reverend Rebecca Kuika spoke regarding the housing and employment report.

David Haray, 622 Loma Verde Avenue, spoke regarding Stanford Hospital the Lucille Packard Children's Hospital and the community benefits.

No action taken by Council

2. Joint Meeting with the Utilities Advisory Commission Regarding Utilities Issues

Utilities Advisory Commission Vice Chair Dexter Dawes presented a handout comparing the City's monthly utility bills for different customer types against those of neighboring communities. Mr. Dawes stated that he expected the City's significant electric rate advantage over PG&E to hold for the foreseeable future. He stated the Calaveras Reserves had been established by Council in 1996 to collect money in advance of the market deregulation that allowed customers to seek alternative commodity suppliers. The balance in the Calaveras Reserve as of June 30, 2007 was 71.8 million dollars. Options for using the Calaveras Reserve subsidizing electric rates, increase the subsidy in the short term or fund other activities such as capital projects.

Mr. Dawes provided an overview of the progress towards meeting Council's stated goal for the Renewable Portfolio Standard (RPS) of 20 percent by 2008, 30 percent by 2012 and 33 percent by 2015. He noted that the renewable contracts in place so far are priced attractively compared to current market prices since market prices have risen significantly since the contracts were executed. However, staff is short of the 2008 goal and may not be able to reach it, but is proceeding to meet the longer term goals. The statewide RPS goal is 20 percent by 2010 and 33 percent by 2020.

SPECIAL ORDERS OF THE DAY

3. Resolution 8846 stating "Resolution of the Council of the City of Palo Alto Expressing Appreciation to George Bechtel Upon His Completion of His Term as a Utilities Advisory Commissioner."

Council Member Espinosa read the Resolution and Mayor Klein presented it to George Bechtel.

MOTION: Council Member Morton moved, seconded by Vice Mayor Drekmeier to approve the Resolution expressing appreciation to George Bechtel upon the completion of his term as a Utilities Advisory Commissioner.

MOTION PASSED: 9-0

4. Announcement of Alliance for Innovation Outstanding Achievement in Local Government Innovation Award.

City Manager Frank Benest presented to the Mayor and Council the Outstanding Achievement and Local Government Innovation Award in recognition of the City of Palo Alto's Climate Protection Plan, sponsored by the Alliance of Innovation.

Mayor Klein stated although he appreciated receiving the award he wanted to emphasize the importance of Palo Alto setting an example.

Walt Hays, 355 Parkside Drive, talked about the hard work by the Green Ribbon Task Force.

5. Appointment of One Candidate for the Unexpired Term Ending January 31, 2011 to the Library Advisory Commission.

MOTION: Mayor Klein moved, seconded by Vice Mayor Drekmeier to appoint Rajesh Mashruwala to the Library Advisory Commission.

MOTION PASSED: 9-0

6. Appointment of Four Candidates with a Term Ending May 31, 2011 to the Historic Resources Board.

MOTION: Council Member Morton moved, seconded by Vice Mayor Drekmeier to appoint Martin Bernstein, Roger Kohler, Natalie Loukianoff and Michael Makinen to the Historic Resources Board.

MOTION PASSED: 9-0

7. Appointment of Four Candidates with a Term Ending April 30, 2011 and One Candidate for the Unexpired Term Ending April 30, 2009 to the Public Art Commission

First Round of Voting for Five Public Art Commission Members.

Voting For Lois Anderson: Morton

Voting For Erik Bakke: Burt, Drekmeier, Kishimoto, Klein, Schmid

Voting For Linda Hughes Bakke:

Voting For Elizabeth Bishop: Morton, Yeh

Voting For Gerald Brett: Barton

Voting For Erik Nancy Coleman:	Espinosa, Schmid, Yeh
Voting For Elise DeMarzo:	Barton, Burt, Drekmeier, Espinosa, Kishimoto, Klein, Schmid, Yeh
Voting For Irina Gorelik:	Morton
Voting For Barbara Gunther:	Burt, Morton, Schmid, Yeh
Voting For Kenneth Huo:	Burt, Kishimoto, Yeh
Voting For Grayson Lang:	Drekmeier, Morton
Voting For Edward Lee:	Espinosa, Schmid
Voting For Ally Richter:	Barton, Burt, Drekmeier, Kishimoto, Klein
Voting For Erik Michael Smit:	Kishimoto, Klein, Schmid
Voting For Eliot Tarlin:	Barton, Espinosa
Voting For Larisa Usich:	Barton, Drekmeier, Espinosa, Klein

City Clerk Donna Grider announced that Elise D. DeMarzo with eight votes, Erik Bakke and Ally Richter with five votes were appointed to the Public Art Commission for the term of ending April 30, 2011.

Second Round of Voting for Five Public Art Commission Members.

Voting For Lois Anderson:	
Voting For Erik Bakke:	
Voting For Linda Hughes Bakke:	
Voting For Elizabeth Bishop:	Morton
Voting For Gerald Brett:	
Voting For Erik Nancy Coleman:	Drekmeier, Espinosa, Morton, Schmid
Voting For Elise DeMarzo:	

Voting For Irina Gorelik:

Voting For Barbara Gunther:

Voting For Kenneth Huo: Burt

Voting For Grayson Lang:

Voting For Edward Lee: Yeh

Voting For Ally Richter:

Voting For Erik Michael Smit: Kishimoto, Klein

Voting For Eliot Tarlin: Barton

Voting For Larisa Usich: Barton, Burt, Drekmeier, Espinosa,
Kishimoto, Klein, Schmid, Yeh

Ms. Grider announced that Larisa Usich with 8 votes was appointed to the Public Art Commission for the term of ending April 30, 2011.

Third Round of Voting for Five Public Art Commission Members.

Voting For Lois Anderson:

Voting For Erik Bakke:

Voting For Linda Hughes Bakke:

Voting For Elizabeth Bishop: Yeh

Voting For Gerald Brett:

Voting For Erik Nancy Coleman: Drekmeier, Espinosa, Morton, Schmid

Voting For Elise DeMarzo:

Voting For Irina Gorelik:

Voting For Barbara Gunther:

Voting For Kenneth Huo: Burt

Voting For Grayson Lang:

Voting For Edward Lee:

Voting For Ally Richter:

Voting For Erik Michael Smit: Barton, Kishimoto, Klein

Voting For Eliot Tarlin:

Voting For Larisa Usich:

Ms. Grider announced that no candidate received the required five votes to be appointed.

Fourth Round of Voting for Five Public Art Commission Members.

Voting For Lois Anderson:

Voting For Erik Bakke:

Voting For Linda Hughes Bakke:

Voting For Elizabeth Bishop:

Voting For Gerald Brett:

Voting For Erik Nancy Coleman: Barton, Burt, Drekmeier, Klein, Morton,
Schmid, Yeh

Voting For Elise DeMarzo:

Voting For Irina Gorelik:

Voting For Barbara Gunther:

Voting For Kenneth Huo:

Voting For Grayson Lang:

Voting For Edward Lee:

Voting For Ally Richter:

Voting For Erik Michael Smit: Kishimoto, Klein,

Voting For Eliot Tarlin:

Voting For Larisa Usich:

Ms. Grider announced that Nancy Coleman with 7 votes was appointed to the Public Art Commission for the unexpired term ending April 30, 2009.

ORAL COMMUNICATIONS

Bill Spencer, 145 Hagar Court, Santa Cruz, spoke on the expansion and renovations of hospitals including consideration for the current and future workforce.

Joanne Carey, 765 Oregon Avenue, spoke regarding the Oregon Expressway project placing sidewalks and landscape in jeopardy.

Marie Huang spoke regarding the Palo Alto Children's Theatre.

Carroll Harrington, 830 Melville, spoke regarding being a recipient of the award, the Small Business Initiative, and environmental issues.

Stephanie Munoz spoke regarding the treatment of City employees and administrative actions.

David Collins, 110 Ely Place, spoke on the Stanford Medical and Shopping Center expansion, with special regard to the hospital and hotel staffs'.

CONSENT CALENDAR

MOTION: Council Member Barton moved, seconded by Council Member Morton to approve Consent Calendar Item Nos. 8, 9.

8. Approval of an Agreement in the Amount of 138,000 dollars with Palo Alto Senior Housing Project, Inc. Project Located at 455 E. Charleston Road, for Funds Allocated During Fiscal Year 2007/08 Under the Community Development Block Grant (CDBG) Program.
9. Approval of 1) a Storm Drain Enterprise Fund Contract with Proven Management, Inc. in the Total Amount Not to Exceed 582,725 dollars to Construct San Francisquito Creek Storm Drain Box Culvert, Capital Improvement Program Project SD-06102 and 2) Amendment No. 2 to Contract C06113651 With Schaaf & Wheeler Consulting Civil Engineers

to Add 44,514 dollars for Additional Engineering Support Services for a Total Not to Exceed Amount of 733,022 dollars.

MOTION PASSED: 9-0

UNFINISHED BUSINESS

10. Adoption of an Ordinance Amending Chapter 9.79 (News racks) of Title 9 (Public Peace, Morals and Safety) of the Palo Alto Municipal Code to Create a Special News Rack Area in the California Avenue Commercial Area and Approval of Newsrack Regulations for California Avenue Special Newsrack Area.

(continued by Council Motion from 07/07/08)

Council Member Morton stated he would not participate in the item due to a conflict of interest because he owns a small interest in a building within 500 feet of California Avenue.

City Attorney Gary Baum stated he would research further as to whether it was a definite conflict.

Ronna Devincenzi, 2600 El Camino Real #100, spoke against amending the Ordinance. She requested further research be done on the newspaper racks that encroach on useable sidewalk space.

Interim Deputy City Manager Steve Emslie recommended the Council continue the item and make modifications to the Ordinance.

MOTION: Mayor Klein moved, seconded by Council Member Espinosa, to continue Agenda Item No. 10 to a date uncertain.

Council Member Schmid noted reading in the report how involved the Planning Department was in the beautification of California Avenue corridor.

Council Member Yeh asked if there would be a joint meeting with the Planning and Transportation Commission regarding updates and discussions on the California Avenue project.

Mr. Emslie stated yes, there was a joint meeting planned for July 28, 2008.

MOTION PASSED: 8-0 Morton not participating

REPORTS OF OFFICIALS

11. Request for Council Direction Concerning Citywide Ultra-High-Speed Broadband System Negotiations.

Council Member Morton advised he would not be participating in this item due to owning telecommunication stocks and left the meeting at 9:35 p.m.

Deputy Director of Administrative Services, Joe Saccio, presented the request for negotiation for broadband. He covered background, upcoming negotiations and reviewed City contributions requested by the consortium. He summarized the risks, benefits, conclusions and recommendations. He requested Council feedback before proceeding with negotiations.

Senior City Attorney, Grant Kolling, stated negotiations were subject to federal and local laws with the federal law stating they must make the right-of-way available in fair and reasonable compensational terms with competitively neutral terms and nondiscriminatory. He stated local laws were included in the City Charter and the Palo Alto Municipal Code.

Council Member Schmid asked how the consortium responded to negotiating indemnification provisions.

Mr. Saccio stated it had not yet been discussed but had been recommended for discussion.

Council Member Burt asked whether the discounts to open system providers were just for this consortium.

Mr. Saccio stated it was envisioned as a bulk fiber discount. He stated the discount was premised like the General Fund discount (the larger the user, the greater the discount).

Council Member Burt asked was it a bulk discount contingent on being open systems.

Mr. Kolling stated Council Member Burt was correct. He stated any adopted rate schedule would be applicable to any qualifying entity under the established parameters, including provisional services to the community, and use of a larger number of fibers being considered as a bulk user.

Mr. Saccio stated if other fibers were on the system, and someone came in for bulk usage, they would be entitled.

Council Member Burt this was necessary to pass legally, in that it be provided equally to any provider who passed the standard.

Mr. Kolling stated rates were charged for the use of fiber, and an entity that provided universal service to the community would have incentives to do so. He stated details of the bulk fiber rate have yet to be discussed.

Council Member Burt asked if there were constraints limiting how much discounting could be offered, or was it discretionary.

Mr. Kolling stated there were legal constraints. He stated rate schedules should be viewed in terms of how this would be construed by a challenger to the City's providing this immediately. He stated the greater the discount, the more likelihood for allegations that there is preferential treatment to particular parties on the schedule.

Council Member Burt stated the alternative provider would also have the opportunity to receive the same discount for an open system as bulk licensing. He asked if those alternative providers had that option, would they have a legal basis to challenge the proposal.

Mr. Kolling stated, as long as a rate schedule was adopted to which any party could be eligible, this would pass. He stated one limitation was the Charter required collection of revenues with defined expenditures of same.

Council Member Espinosa asked why the advisors would forgo due diligence in not doing a detailed plan.

Mayoral Advisor, Bob Harrington, stated due diligence was done, in negotiations, with no benefits in going through with the full business plan.

Vice Mayor Drekmeier asked if it was feasible to charge market rate for dark fibers, with an independent cash contribution to the consortium.

City Manager Benest stated the Utility Funds would not be used and given the other demands on the General Fund utilizing it for that purpose may put it at risk.

Vice Mayor Drekmeier asked if there was a guaranteed income from the dark fiber, would this put the General Fund at risk.

Mr. Benest stated if Council were comfortable in the net revenue, after expenses, an investment could be made, but the ultimate concern was whether or not the General Fund would incur a net loss.

Vice Mayor Drekmeier asked for clarification on how the City contribution to projects worked.

Mr. Saccio stated the discount being offered was one item that needed to be discussed. He stated discussions needed to continue on the costs involved with the Dark Fiber Fund. He stated the agreements full content had not been discussed which would determine the contribution from the license agreements and would determine the ultimate value.

Council Member Yeh asked for clarification on how the Enterprise Fund supported the fiber optics. He asked if they move forward on a special purpose entity (SPE), what the role would be and what would be done with any generated revenue.

Mr. Saccio stated it would be a skeletal entity with some utility functions. He stated the goal as completely separating the fibers that serve the system versus what the consortium used. Since there could not be any interference with the fibers without risk to public safety or the utility systems.

Council Member Yeh requested details on the business plan.

Mr. Saccio stated the sum of these items were listed on pages 9 and 10 of the staff report. He stated a local survey of the City would determine the needs and staff would look at the financial forecast and revenue estimates.

Council Member Kishimoto asked if business plan in Option One was expected in September.

Mr. Saccio stated yes.

Council Member Kishimoto asked whether September was a realistic timeframe to expect the final plan.

Michael Eager, 1960 Park Boulevard, discussed the community consensus on a high-speed data network, symmetric access, equal connections, standard space in an open network and multiple providers and agreed with going forward.

Jeff Hoel, 731 Colorado Ave, supported Council moving forward.

Bob Evans, 812 Gailen Avenue, stated this was utility-related with utility obligations, handed out information on dark fiber and stressed the need to understand who and what was entailed in the final plan.

Dexter Dawes, 350 Santa Rita, expressed support of the fiber system. He cited critical situations including the 13 million dollars contribution by the City. Saw value in the business, future cash flow and returns and believed the City was taking no risks with the enterprise fund.

Bill Zawmeh, 912 Clara Drive, Palo Alto, supported a reliable system at a fair price.

Richard Adler, 10778 Juniper Court, Cupertino, stressed the benefits of the plan to Palo Alto's senior residents in areas of healthcare, independent living, monitoring and virtual retirement communities.

Geoff Dale, 345 Sheridan Av. #409, disagreed with the maintenance of the contracts by the SPE, considering their failures. He supported fiber in the home, but stated re-evaluation of Palo Alto's utilities was necessary.

Arthur Keller, 3881 Corina Way, stated strong favor for option two and stated there are competitive retail service providers available. He found value in the right to purchase in 25 years. He felt having all the businesses on the same network allowed for high-speed connections within the network. He felt price competition would benefit the community. He stated technology changes would be seen in the ends to the means. He stated the loss of 36 fibers was not significant. He encouraged going forward on this.

Rick Dodd, 1801 Fulton Street, voiced support for the project.

Brad Horak, 3401 Hillview, stated he approved of the consortium's proposal. He stated concern in turning service utilization over to another organization.

Herb Borock, P.O. Box 632, supported Mr. Dawes' views on fiber optic fund revenues. He questioned the trade-offs of building out the system rapidly.

MOTION: Council Member Kishimoto moved, seconded by Council Member Schmid to provide Staff direction concerning the Citywide Ultra-High-Speed Broadband System negotiations to:

- 1) To direct staff to expedite negotiations with Axia/PacketFront/180connect Consortium and:
 - a) Return to Council with estimated budget to provide the necessary legal and technical expertise by August 4, 2008.
 - b) Return to council by September 2008 with detailed letter of intent to enable the timely construction and operation of the Citywide,

open-access tier to the premise as envisioned in the September 2006 RFP

- c) Direct Staff to work with an ad-hoc Council subcommittee
- d) Authorize the Mayor to appoint this sub-committee
- e) Council subcommittee shall call upon Mayor's advisory group and other community members to advise
- f) Council subcommittee and staff to return to Council for policy direction as appropriate.

2. Direct staff to negotiate the agreements with the following parameters:

a) The City will provide 36 dark fibers at a new bulk fiber discount rate for citywide fiber to the premise providers. Terms to be established by Council action.

b) The City will use commercially reasonable efforts to purchase broadband services from broadband services from retail service providers on the Broadband System, provided the purchase is effective in compliance with the competitive bidding requirements of the Palo Alto Municipal Code.

c) The operator of the Broadband system would provide management services for the City's dark fiber commercial license program and receive a management fee from the City for the services rendered, after covering dark fiber optic fund fixed costs

d) The City would contribute existing but currently unused FTTH trial assets.

e) The City would provide access to spare conduit

f) Assurances as practicable that city assets would revert to the City in the case of bankruptcy and that transfer of City assets or use thereof to any new corporate owners would take place only with the explicit agreement of the City Council

g) To extent possible, Consortium to indemnify City against third party legal action.

h) Alternatively, the Council is open in other structures which are practical and legal.

Council Member Kishimoto stated this was a watershed project, keeping Palo Alto solid as a global center, and was in support of the letter of intent.

Council Member Schmid spoke about privatization, innovation, public participation and standards. He supported moving ahead.

AMENDMENT: Council Member Espinosa moved, seconded by Council Member Yeh to have Staff include a detailed Business Plan rather than a letter of intent as listed in Number 1b of the Motion.

Council Member Yeh seconded the Motion. He asked if it would always be that the City would not put forth capital since there was a fiber optic fund.

Mayor Klein spoke against the amendment as this was not a public-private partnership. He said a partnership would have risk, but the direction at this time is the Council does not want to take risks, with no cash being put forward in the project, and the consortium agreeing to this. He stated it is not the Council's choice as to whether the business plan makes sense, and not for the Council to second guess. He stated that asking for a business plan would delay matters and compromise competitive positioning.

Council Member Espinosa stated that Council was making an investment, even if not considered as a dollar-upfront investment. He stated full disclosure was appropriate and disagreed that this would cause delay.

Mayor Klein stated the health of Axia was of concern to the Council and it would not be best cared for with a business plan. He spoke to the difference between due diligence and the need for a business plan. He stated business plans in some cases take six months to a year to compile.

Council Member Burt supported the primary Motion, stressed the need for due diligence, but agreed that does not mean a business plan. He it was not zero risk to the City but low risk.

Council Member Yeh supported the business plan, citing failure would fall back on the City, making this due diligence necessary.

AMENDMENT FAILED: 2-6 Espinosa, Yeh voting yes, Morton absent.

Mayor Klein spoke in favor of the Motion. He stated Mr. Dodd's comments were where the City should be with regard to technology, and agreed with Council Member Schmid's assessment of the City as a technology leader. He agreed the staff needed help with legal and technical issues. He stated the 13 million dollars was irrelevant since the City is not being asked for money. He expressed surprise over no value discussions regarding reversionary

interest. He stressed key points that needed further negotiation such as turning over the revenue presently seen in licensees, and indemnification.

MOTION PASSED: 8-0 Morton absent

Mayor Klein advised that Agenda Item Nos. 12 and 13 would be considered at the same time.

- 4** 12. Approval of a Purchase Option Agreement with Brown Fairchild-Park Investment Company, L.P. to Acquire Real Property Located at 2747 Park Boulevard in the Amount of 2,732,000 dollars

MOTION: Council Member Barton moved, seconded by Council Member Espinosa to authorize the City Manager or his designee to negotiate and execute a Purchase Option Agreement with Brown Fairchild-Park Investment Company, L.P., to purchase property located at 2747 Park Boulevard in the amount of 2,732,000 dollars.

MOTION PASSED: 8-0 Morton absent

- 4** 13. Ordinance 5012 stating "Ordinance of the Council of the City of Palo Alto Amending the Budget for Fiscal Year 2008-09 to Provide an Additional Appropriation of 3,436,981 dollars to Capital Improvement Program Project PE-98020 and Approval of Contract with RossDrulisCusenbery Architecture Inc. in the Total Amount of 3,807,801 dollars for Design and Construction Documents and Cost Estimating for the Public Safety Building, Capital Improvement Program Project PE-98020."

Storm Drain Committee Member, Glenn Roberts, Public Works Director, asked Council to approve a purchase option agreement for a second parcel of land to complete the site acquisition, and also asked for budget amendment approval and ordinances to fund the acquisition. He asked Council to approve a contract for facility designs. He stated the new design plan had multiple benefits in parking, office space, ventilation, landscaping and storm water drainage, and met Lead Gold standards. He proposed moving into the final design phase. He stated the plan was consistent with recommendations from the Blue Ribbon Task Force. He discussed purchase of the Brown property. He stated the project timeline as designs over the fall and winter, with construction management services on board and then going through all boards, commissions and review processes for entitlement. He stated prequalification of contractors would occur this winter, with financing finalized next year and a construction contract awarded a year from now, with two years to build the project, and occupancy in Fall of 2011.

Council Member Burt asked about the possibility of selling an equivalent parcel as the Brown segment for cost efficiency. He asked what the cost reduction was in having two parallel buildings on one small parcel, and if there was an estimate on energy savings for Lead Gold.

Mr. Roberts gave an overview of Lead Gold and overall costs. He stated the suggested concept would split off a remaining triangle of land, combining parking to the structure, with the structure moved more closely to the office building.

Council Member Burt stated surface parking was not part of the suggestion.

Mr. Roberts stated it was an unavoidable implication, and the issue was the potential elimination of the open plaza area in moving the buildings together, where Lead Gold questions would arise.

Michael Ross, RossDrulisCusenbery Architecture Inc., stated he did not believe that lead points were added on, but that they were integral in how the project is developed from the beginning. He stated they have been close to Lead Gold with the project and that it will be easier to achieve this with the open areas allowing for natural light and ventilation. He stated there is currently no life cycle cost analysis but one will be developed. He stated that pushing the buildings together triggered code and fire issues. He stated they could comfortably achieve Lead Silver and that a 2-3.5 percent increase in construction costs comes with Lead Gold, but they hoped to achieve this in design efficiency and not added cost.

Council Member Kishimoto asked about value engineering and possible spaces that might be removed to reduce construction costs.

Mr. Roberts stated value engineering will have several components with the floor space area as only one of those. He stated there would be minimal changes. He stated that value engineering is also looking at constructability. He stated intent to pursue this in the final design, coming back to Council.

Council Member Kishimoto asked when they expected that issue to come back, and if it meant the fall of '09.

Mr. Roberts stated this was correct, and that it would be brought back with the other work projects, over the winter, reported on with the design review, with construction contracts awarded in the fall of '09.

Council Member Kishimoto asked whether one percent goes to public art. Mr. Roberts stated he was not clear on the percentage.

Interim Deputy City Manager Emslie stated he could get back to Council on this.

Council Member Kishimoto stated the answer was probably yes, and that the Gold LEED would be built in from the beginning of the overall design.

Assistant City Attorney, Cara Silver, stated the contract states public art will be incorporated into the design, but she is not clear on the percentage rate.

Council Member Yeh stated space efficiency where optional use space could be reduced. He cited storage space as another area to control costs. He asked if these items were something staff considered in efficiency planning.

Mr. Roberts stated confusion over the "community room", since that was tertiary use of the space, and that it was a necessary space since it was used for emergency response training. He stated the evidence and storage space is also necessary as outlined, in order to comply with legal requirements for evidence which must stay on site. He stated the 2000 square feet they are talking about is worth 900,000 dollars in construction costs and in terms of financing was equal to about 90,000 dollars a year or 10 percent of the capital costs. He stated this was probably not a swing measure.

Council Member Schmid asked about the payment stream which looks to start mid 2009, and wondered where that money would come from.

City Manager Frank Benest stated debt certificates of participation would be issued in the fall of 2009.

Council Member Schmid asked if this was for the full amount of the project, even if the funds were not being used at that point.

Mr. Benest stated the full amount needed to be at hand to issue contracts.

Council Member Schmid asked about the first several months of the payments on the property.

Administrative Services Director, Lalo Perez, stated the Budget Stabilization Reserve would be used with capitalization of the project for 18 months, matching the construction time period, with no debt service during that period of time.

Council Member Schmid asked if there would be funds removed from the reserve, to start the project, prior to the debt being placed.

Mr. Perez stated this was correct, and then they would come to Council with a policy revision in terms of the Budget Stabilization Reserve, if it went below the 15 percent minimum, and then they would advise for this and withdrawal of funds. He stated if this was not favorable, there would have to be a recommendation made to recapture costs as part of the issuance.

Ray Bacchetti, 850 Webster St., #700, spoke about the Blue Ribbon Task Force, the critical importance of the building and recommended approval.

Vic Ojakian, 526 Addison Avenue, spoke about the task force and supported the plan and the need to be generous in the plan for future needs.

Lanie Wheeler, 362 Diablo Court, spoke about the task force, supported the plan and the importance of maximizing the utility of the building.

MOTION: Council Member Barton moved, seconded by Council Member Espinosa to; 1) authorize the City Manager or his designee to negotiate and execute a Purchase Option Agreement with Brown Fairchild-Park Investment Company, L.P., to purchase property located at 2747 Park Boulevard in the amount of 2,732,000 dollars and 2) adopt Budget Amendment Ordinance (BAO) in the amount of 3,436,981 dollars to provide an additional appropriation for the Public Safety Building Capital Improvement Program (CIP) Project PE-98020, and 3) approve and authorize the City Manager or designee to execute the contract with RossDrulisCusenbery Architecture, Inc. (RDC) in the amount of 3,461,637 dollars for engineering, architectural design and construction document basic services for the Public Safety Building Project, and 346,164 dollars for additional services that may develop during the project.

Council Member Barton stated time to formalize the plan.

Council Member Kishimoto stated support for the plan, had concerns about space, but stated value engineering would be done. She suggested an FAQ be put up regarding space and cost.

Council Member Burt stated he was in support of the plan, and funding it out of operating income. His initial concerns about the training room and the land parcel met with sound reasoning.

MOTION PASSED: 8-0 Morton absent.

COUNCIL COMMENTS, ANNOUNCEMENTS, AND REPORTS FROM
CONFERENCES

Vice Mayor Drekmeier spoke regarding the Dartmouth Big Green Bus coming on Thursday, July 17, 2008 to the Junior Museum in the morning and City Hall in the afternoon. He also advised that Congresswoman Anna Eshoo included 700,000 dollars for the San Francisquito Creek flood protection in House Appropriations Committee, Energy and Water Development Appropriations Act. However, it still needs further passage by Congress.

Police Chief Lynne Johnson advised that the lion attack in Foothills Park over the weekend may have been fabricated, due to no evidence to substantiate it. She also advised that the two parks involved will remain closed until tomorrow.

ADJOURNMENT: The meeting adjourned at 12:08 A.M.

ATTEST:

APPROVED:

City Clerk

Mayor

NOTE: Sense minutes (synopsis) are prepared in accordance with Palo Alto Municipal Code Sections 2.04.180(a) and (b). The City Council and Standing Committee meeting tapes are made solely for the purpose of facilitating the preparation of the minutes of the meetings. City Council and Standing Committee meeting tapes are recycled 90 days from the date of the meeting. The tapes are available for members of the public to listen to during regular office hours.