

Special Meeting  
May 17, 2010

STUDY SESSION .....	185
1. Study Session with Youth Council on Palo Alto Youth Issues.....	185
SPECIAL ORDERS OF THE DAY .....	185
2. Selection of Applicants to be Interviewed for the Human Relations Commission .....	185
3. Proclamation Recognizing May as Mental Health Month.....	186
CITY MANAGER COMMENTS.....	186
ORAL COMMUNICATIONS .....	187
CONSENT CALENDAR.....	187
4. Approval of Termination of NCPA Natural Gas Procurement Program Third Phase Agreement, Including the City's Obligations Under the Agreement, Upon Effective Date of New Facilities Agreement Schedules for Fuel Procurement. ....	187
5. Ordinance 5080 entitled "Ordinance of the Council of the City of Palo Alto Approving and Adopting a Plan for Improvements to the Nolte Property Addition to Mitchell Park." ( <i>First reading May 3, 2010 – Passed 9-0</i> ) .....	187
6. Ordinance 5081 entitled "Ordinance of the Council of the City of Palo Alto Amending Section 2.30.360 (Exemptions from Competitive Solicitation Requirements) of Title 2 (Administrative Code) of the Palo Alto Municipal Code Regarding Contracts and Purchasing Procedures." ( <i>First reading May 3, 2010 – Passed 9-0</i> ) .....	187
7. Appointments to the Historic Resources Board for Three Terms Ending on May 31, 2013.....	188
ACTION ITEMS.....	188
05/17/10	106-183

8.	Public Hearing: to Hear Objections to the Levy of Proposed Assessments on the Palo Alto Downtown Business Improvement District and Adoption of a Resolution 9058 entitled "Resolution of the Council of the City of Palo Alto Confirming the Report of the Advisory Board and Levying an Assessment for Fiscal Year 2011 on the Downtown Palo Alto Business Improvement District." .....	188
9.	Adoption of (1) Resolution 9059 of Intent and (2) Ordinance to Amend the Contract Between the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the City of Palo Alto to Implement California Government Code Section 20475 (2.0% @ 60 Full Formula) Providing a Second Tier of Different Level of Benefits for New Miscellaneous Employees. ....	189
10.	Approval of Recommendation from the High Speed Rail Committee Regarding Revisions to Guiding Principles; and Discussion of High Speed Rail Issues Summary. <i>(Item continued from 5/10/10)</i> .....	190
11.	Policy and Services Committee Recommendations Regarding Council Formation of an Infrastructure Blue Ribbon Committee .....	201
12.	Colleagues Memo from Council Members Shepherd and Schmid regarding City Investment Policy. <i>(Item continued from 5/10/10)</i> .....	207
	COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS .....	211
	MEETING ADJOURNED IN HONOR OF CAROLYN RELLER: The meeting adjourned at 11:50 p.m.....	211

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:08 p.m.

Present: Burt, Espinosa, Holman, Klein, Scharff, Schmid, Shepherd

Absent: Price, Yeh

### STUDY SESSION

#### 1. Study Session with Youth Council on Palo Alto Youth Issues.

The Palo Alto Youth Council (PAYC) and the City Council held a study session to discuss PAYC accomplishments and future plans concerning youth projects and programs. PAYC outlined its involvement in the 2010 Palo Alto Youth Forums. PAYC discussed how the forums originated and the importance of each of the three individual sessions. PAYC and the City Council discussed outcomes of the forums, and actions they felt still needed to be worked on. PAYC felt the forums were very successful in creating conversation between youth and adult leaders, and felt concrete actions were taken as a result. The City Council desired to see more actions from schools, and committed to continue to work with school administrations. PAYC spoke on action items for the next school year. They focused primarily on creating a Youth Friendly Business Project, and spoke on the importance of the test calendar. PAYC planned to collaborate with YMCA and Youth Community Service to research existing plans and projects in Los Gatos, San Carlos and surrounding cities to create a plan for Palo Alto. The City Council encouraged PAYC to not only report back on their findings, but to report and connect to the Palo Alto Chamber of Commerce.

### SPECIAL ORDERS OF THE DAY

#### 2. Selection of Applicants to be Interviewed for the Human Relations Commission.

Mayor Burt stated ten applicants applied for the Human Relations Commission.

**MOTION:** Council Member Schmid moved, seconded by Vice Mayor Espinosa to interview all applicants for the Human Relations Commission openings.

Council Member Klein inquired whether the initial five applicants would be interviewed for a second time.

Council Member Schmid stated he would change his Motion to exclude the initial applicants that had previously interviewed.

City Clerk, Donna Grider stated one of the five initial applicants was unable to attend the original interview date. She requested that Theresa Chen be included within the Motion.

Council Member Schmid stated Ms. Chen was included in the Motion.

**MOTION RESTATED:** Council Member Schmid moved, seconded by Vice Mayor Espinosa to interview the six applicants who have not been previously interviewed for the Human Relations Commission openings.

**MOTION PASSED:** 7-0 Price, Yeh absent

3. Proclamation Recognizing May as Mental Health Month.

Council Member Shepherd read the Proclamation recognizing the month of May as Mental Health Month.

Former Palo Alto Mayor, Vic Ojakian accepted the Proclamation and thanked the City Council for recognizing Mental Health Month.

President of the Santa Clara County Chapter of National Alliance of Mental Illness, Cathy Ford spoke on mental health matters.

CITY MANAGER COMMENTS

City Manager, James Keene stated the City's website was now more user-friendly regarding the availability of information on High Speed Rail matters. He advised the public on the following meetings: 1) two community meetings on High Speed Rail scheduled for May 18<sup>th</sup> and May 20<sup>th</sup>; 2) High Speed Rail Committee meeting scheduled on May 20<sup>th</sup>; 3) Finance Committee meeting scheduled on May 18<sup>th</sup>; and 4) Community Outreach Budget meeting at Barren Park School on May 20<sup>th</sup>. He spoke on an event honoring Palo Alto Art Center volunteers scheduled on May 20<sup>th</sup>. He indicated the City Clerk's Office was recruiting for the Library Advisory Commission and the Utilities Advisory Commission. He stated the State's Historic Preservation Commission concurred with the City's request to place the Roth Building, 300 Homer Avenue, on the State's National Register of Historic Places. He spoke on the 16<sup>th</sup> Annual Bike to Work Day. He spoke on a public meeting titled Cities for All Ages Land Use Planning and Our Aging Population scheduled on June 3<sup>rd</sup>. He announced that the Santa Clara Valley Water District Board made its recommendations related to redistricting and representation. He indicated the City would be redistricted with the Cities of Mountain View and Los Altos and the Town of Los Gatos. He stated the Main Library would be treated for termites and closed during the Memorial Day weekend. He stated the City received a Certificate of Achievement for Excellence in Financial Reporting for the 2009

Comprehensive Annual Financial Report from the Government Finance Officers Association.

City Clerk, Donna Grider stated agendas for City Council meetings, Policy & Services Committee meetings, Finance Committee meeting and all Board and Commission meetings would be permanently posted in front of City Hall, 250 Hamilton Avenue. The agenda posting boards location change was necessary due to the Downtown Library closing for renovations. The two new lighted boards are located in the plaza, on the elevator building where the Martin Luther King Jr. plaque is, closest to Bryant Street.

#### ORAL COMMUNICATIONS

Cas Caswell, Palo Alto, spoke on his support to save the eucalyptus trees in Eleanor Pardee Park that were scheduled to be removed.

Mark Petersen-Perez, spoke on corporate scandals and poor lawyering.

Ivan Kisiou, 840 Altaire Walk, spoke on the excessive noise at Altaire Palo Alto.

Michael Liu, 842 Altaire Walk, spoke on the excessive noise at Altaire Palo Alto.

Council Member Holman requested that Staff follow up with comments received regarding noise at Altaire Palo Alto.

#### CONSENT CALENDAR

**MOTION:** Vice Mayor Espinosa moved, seconded by Council Member Shepherd to approve Agenda Item Nos. 4-7.

4. Approval of Termination of NCPA Natural Gas Procurement Program Third Phase Agreement, Including the City's Obligations Under the Agreement, Upon Effective Date of New Facilities Agreement Schedules for Fuel Procurement.
5. Ordinance 5080 entitled "Ordinance of the Council of the City of Palo Alto Approving and Adopting a Plan for Improvements to the Nolte Property Addition to Mitchell Park." (*First reading May 3, 2010 – Passed 9-0*)
6. Ordinance 5081 entitled "Ordinance of the Council of the City of Palo Alto Amending Section 2.30.360 (Exemptions from Competitive Solicitation Requirements) of Title 2 (Administrative Code) of the Palo Alto Municipal Code Regarding Contracts and Purchasing Procedures." (*First reading May 3, 2010 – Passed 9-0*)

7. Appointments to the Historic Resources Board for Three Terms Ending on May 31, 2013.

**MOTION PASSED:** 7-0 Price, Yeh absent

#### ACTION ITEMS

8. Public Hearing: to Hear Objections to the Levy of Proposed Assessments on the Palo Alto Downtown Business Improvement District and Adoption of a Resolution 9058 entitled "Resolution of the Council of the City of Palo Alto Confirming the Report of the Advisory Board and Levying an Assessment for Fiscal Year 2011 on the Downtown Palo Alto Business Improvement District."

Council Member Shepherd advised she would not participate in this Agenda Item as her husband has a lease in downtown Palo Alto.

Mayor Burt stated this was the time and place for the public hearing on the proposed levying of an assessment on businesses in the Palo Alto Downtown Business Improvement District (BID) for Fiscal Years 2010-2011. He stated that annually the City Council must hold a public hearing to authorize the levying of an assessment for the next Fiscal Year. The BID Advisory Board, consisting of members of the Palo Alto Downtown Business and Professional Association, had prepared its annual report for Fiscal Years 2010-2011. The City published the notice in a local newspaper as required by BID laws. He stated, absent a majority protest, the City Council may adopt the proposed Resolution that would approve the levying of an assessment for Fiscal Year 2011.

Manager of Economic Development, Susan Barnes stated the approval of the Agenda Item would reauthorize the BID. On April 19, 2010 the City Council adopted a Resolution that preliminarily approved the report filed by the BID Advisory Board for Fiscal Year 2011, and adopted a Resolution of intent to levy the annual assessment for Fiscal Years 2010-2011. The City provided the legally required notice in a local newspaper on the authorization of the BID. She stated the individual assessments levied on businesses were based on business size, type and location. She stated the annual contract with the Downtown Business and Professional Association was renewed automatically at the time of the reauthorization.

Chair of the Advisory Board for the Downtown Business and Professional Association, Anne Senti-Willis provided an update on activities from Fiscal Years 2009-2010, as follows: 1) the reopening of Lytton Plaza; 2) progress made on a blanket-permit for outdoor restaurant seating to comply with the existing City Ordinance; and 3) work completed as a result of changes to the City's Ordinance regarding Ground Floor Retail Zoning. She spoke on upcoming matters, beautification plans, and vacancy rates in downtown.

Council Member Scharff stated the BID was instrumental in launching the City's nationally-recognized Downtown Streets Program.

Public hearing opened and closed without public comment at 7:46 p.m.

Mayor Burt declared that zero protests were received regarding the BID.

**MOTION:** Council Member Klein moved, seconded by Council Member Holman to approve the Resolution confirming the report of the Advisory Board and levying an assessment for Fiscal Year 2011 on the Downtown Palo Alto Business Improvement District.

**MOTION PASSED:** 6-0 Shepherd not participating, Price, Yeh absent

9. Adoption of (1) Resolution 9059 of Intent and (2) Ordinance to Amend the Contract Between the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the City of Palo Alto to Implement California Government Code Section 20475 (2.0% @ 60 Full Formula) Providing a Second Tier of Different Level of Benefits for New Miscellaneous Employees.

City Manager, James Keene stated last year the City worked through difficult budgetary issues. The City's budget was adopted through program and service reductions, one-time adjustments and new revenues, and pursuing concessions from employees in an ongoing effort to restructure benefit and salary costs. The current California Public Employees' Retirement System (CalPERS) retirement formula would change from 2.7% @ 55 Full Formula to 2.0% at 60 for new hires of new miscellaneous employees. The range of formula changes would be restricted by what CalPERS offered and State law. Based on the current schedule, the effective date of the contract would be July 17, 2010. He stated Staff's recommendation would enact the intention of the City Council to amend the contract with CalPERS and would gradually decrease the City's retirement benefit expenses over the next ten years by \$8 million. He stated analysis on cost savings would return to the City Council annually.

**MOTION:** Council Member Klein moved, seconded by Council Member Scharff to 1) adopt the Resolution of Intention of the Council of the City of Palo Alto stating its intent to amend the contract between the California Public Employees' Retirement System (CalPERS) and the City of Palo Alto to implement Section 20475 (2% @ 60 Full Formula) providing a second tier of different level of benefits for new Miscellaneous employees, and 2) adopt an Ordinance to authorize the Amendment.

Council Member Scharff spoke on his endorsement for the Motion.

**MOTION PASSED:** 7-0 Price, Yeh absent

10. Approval of Recommendation from the High Speed Rail Committee Regarding Revisions to Guiding Principles; and Discussion of High Speed Rail Issues Summary. *(Item continued from 5/10/10)*

Deputy City Manager, Steve Emslie overviewed the At-Places Items distributed to the City Council: 1) memo providing a list of community groups the City worked with on California High Speed Rail Authority (HSRA) issues, which additionally provided a current estimate of Staff and consulting expenses; 2) document from the High Speed Rail (HSR) Committee which outlined the status of information requests made to the HSRA and Caltrain's Peninsula Rail Program; 3) document written by Council Member Price regarding the implementation of the corridor plan; and 4) document titled Core Message from the Peninsula Cities Consortium (PCC).

Mayor Burt stated the PCC's Core Message, was a draft mission statement that reflected input from a PCC meeting held on May 14, 2010. He stated the document had not been formally adopted by the PCC. The PCC had asked its member cities to review and comment on the draft prior to the next regularly scheduled PCC meeting.

Mr. Emslie stated the HSR Committee requested that language be added to the Guiding Principles allowing the representative from the HSR Committee, who sat on the PCC, to have some authority to represent the City's goals at PCC meetings.

Mayor Burt requested an update on the timeline for the Alternatives Analysis.

Mr. Emslie stated written verification was received from the HSRA extending the deadline for comments on the Alternatives Analysis to June 30, 2010. He stated the City Council would review the draft Peer Review of the Alternatives Analysis Report for the San Francisco to San Jose segment of the HSR project on May 24, 2010. He stated final comments would return to the City Council at the end of June 2010.

City Manager, James Keene stated the extended deadline for comments was helpful; however, it was nevertheless a constrained timeframe. He indicated Staff was waiting to receive full responses to information requests from the HSRA that were important for the comments to the Alternatives Analysis.

Caltrain Public Affairs Executive Officer, Mark Simon, discussed Caltrain's interest in legislation that would enable Caltrain to access Federal stimulus funding for their electrification project. Caltrain was in the process of requesting legislation to include key projects that would support electrification without dictating issues of alignment, alternative alignment, or



routes. He spoke on the Memorandum of Understanding that Caltrain entered into with the HSRA.

Mayor Burt requested additional information on the legislation to fund Caltrain's electrification project.

Mr. Simon stated Caltrain was currently proposing legislation to Senate Bill 965. The legislation would allow any environmentally cleared HSR project in California grant funding. He indicated there were few HSR projects that were environmentally cleared; one of which was electrification. He stated Senator Simitian supported the legislation and requested that Caltrain discuss the legislation with peninsula cities to gain local support. The legislation would greatly improve peninsula commuter service by reducing travel time and increasing the number of daily train trips. It was his belief the HSRA would oppose the Amendment.

Council Member Schmid inquired what the electrification process was comprised of.

Mr. Simon stated the electrification project comprised of positive train control signal system work, which would ultimately accommodate HSR, and electric-system waste site improvements and transfer stations. He indicated it would not include overhead catenary wires.

Council Member Schmid inquired on any proposed Caltrain projects within the City limits consistent with the Alternatives Analysis.

Mr. Simon stated Caltrain's proposed utility project for HSR was within the City limits. He stated the project would not preclude or dictate how the Alternatives Analysis would be selected.

Council Member Scharff inquired whether the electrification project was ready to commence.

Mr. Simon stated the portions that he spoke on were shovel-ready.

Mayor Burt inquired whether the San Jose to San Francisco segment would require electrification.

Mr. Simon stated electrification was not a complete project within itself, and there were additional steps that would need to be taken, including the wiring of the whole system. He stated the legislation would get the electrification project underway. Caltrain did not want to install the wiring system in advance, because it would predetermine the way to proceed on Caltrain's right-of-way.

Council Member Scharff inquired why this matter was not discussed at an earlier date.

Mayor Burt stated that when the stimulus funds were granted to the HSRA they intended to build HSR segments in different parts of the State, and spend the funding by November 2011. The HSRA was running out of time which presented an opportunity for regional rail authorities, with certain shovel-ready projects, to qualify for the stimulus funds. He stated Caltrain's 2025 Modernization Plan included electrification and the funding had been uncertain. The legislation could provide the capital funding to implement electrification.

Mr. Simon stated that if Caltrain did not find a way to receive the stimulus funding it would be allocated elsewhere in the State. The stimulus funding would likely be allocated to the Los Angeles to Anaheim segment.

Council Member Scharff inquired whether the City Council should adopt a Resolution declaring urgency for the legislation.

Mr. Simon stated the adoption of a Resolution, vote in support, or approval of a concept for urgency in support of the legislation would be greatly appreciated.

Council Member Scharff inquired whether a position in support of the concept for the legislation should be included within the Guiding Principles.

Mayor Burt stated additional wording could be added to the Guiding Principles; however, he indicated there was currently language within the Guiding Principles that imply the concept. The City Council could formally take a position of support, or the HSR Committee could make a recommendation for the City Council's consideration.

Council Member Scharff inquired whether a recommendation to adopt a Resolution could be drafted and return to the City Council on May 24, 2010.

Mayor Burt stated there was a narrow window of opportunity for Caltrain to move projects forward due to the timing in the legislature.

Mr. Simon stated he could report the City Council's support of the concept to Senator Simitian's Office and commence work on the legislation. He stated his approval for the City Council to adopt a Resolution if that was the preferred approach.

Mayor Burt stated the City Council could take action this evening if it was the inclination of the City Council.

Vice Mayor Espinosa stated his support to have the HSR Committee review this matter and for a recommendation to return as an Action Item on May

24, 2010. He inquired on the timeline of the legislation moving through the governmental process.

Mr. Simon stated that if the legislation was to be part of the budget process, it must be passed before June 15, 2010. He indicated the next four weeks would consist of gathering support and responding to those on the legislature who did not support the concept.

Council Member Klein stating it would not be appropriate to support the concept because it was not agendized. He stated electrification for Caltrain had been under study for approximately ten years and would have a total cost of \$1.5 billion. He felt concerns should be heard from community members.

Mr. Simon stated Caltrain staff was speaking before the Burlingame City Council this evening to provide a similar discussion. Caltrain staff was tentatively scheduled to speak at the Town of Atherton at their next City Council Meeting.

Council Member Holman emphasized that no action should be taken on this matter.

Council Member Schmid spoke on the political undertone that he observed. If the infrastructure did not benefit the needs of HSR, and the City Council supported the legislation, the City Council would be choosing Caltrain over the HSRA.

Mr. Simon emphasized that Caltrain was not interested in dissolving their partnership with the HSRA. He spoke on why the partnership between Caltrain and the HSRA was initially formed. He stated electrification had been the first priority of the Caltrain Board since 1992. Caltrain pursued a partnership with the HSRA that benefited both parties; however, he stated they were prepared to assert ownership rights of the right-of-way.

Council Member Schmid inquired whether voting for the proposed legislation would increase the funding needed for HSR.

Mr. Simon stated the proposed legislation would not add expenses to the HSR.

Council Member Schmid inquired whether the proposed legislation would take funding from the HSRA.

Mr. Simon stated the legislation would not increase the cost for HSR. He stated if the stimulus funding was not collected it could disappear. He stated electrification and updating utility for HSR would meet the needs of both Caltrain and the HSRA.

Mayor Burt stated members of the public who wished to speak specifically on Senate Bill 965 could speak now.

Hinda Sack, 4104 Park Boulevard, spoke on her concerns for the proposed upgrade of Caltrain's catenary system.

Mayor Burt stated the HSR Committee would discuss this matter on May 20, 2010.

Council Member Klein stated the HSR Committee accepted the draft Role and Guiding Principles at their last meeting.

**MOTION:** Council Member Klein moved, seconded by Vice Mayor Espinosa to approve Attachment A to the staff report entitled Role and Guiding Principles of the High Speed Rail Committee of the Palo Alto City Council.

Council Member Klein stated the HSR Committee drafted the language contained within the draft Role and Guiding Principles. He stated the draft Guiding Principles was created in parallel with similar activities by the PCC.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add a new No. 10 under Guiding Principles; The High Speed Rail Authority should provide sufficient funding to effected Cities to allow them to hire experts to study reports requiring feedback and to allow sufficient outreach to the community to capture their concerns and suggestions, and new No. 11; The High Speed Rail Authority should provide realistic renderings of the various alternatives and also provide simulations that would help to provide an understanding of the sound and vibrations.

Council Member Klein suggested a new Guiding Principle be added that dealt with the PCC representative.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add a 12a under Guiding Principles; The committee shall have the authority to designate one of its representatives to serve as the City's representative on the Peninsula Cities Consortium and to take such actions as she/he deems appropriate consistent with the Guiding Principles.

Mr. Keene recommended that Item 12a be placed in the paragraph under Role and Authority of the HSR Committee section, as part of the third paragraph, which spoke on the HSR Committee's Role.

Council Member Klein felt the matter should be included within the Guiding Principles as 12a.

Council Member Holman spoke on her concern regarding the Guiding Principles and how they presume a rail alignment. The Guiding Principles spoke to a conclusion that was focused on a Caltrain route. She spoke on a suggested language change that would support HSR along a Caltrain route that would be required to accomplish a set amount of matters that would comply with the Guiding Principles.

Mayor Burt stated Council Member Holman's suggested language change would presume more than the HSR Committee was advocating.

Council Member Holman felt the draft Guiding Principles appeared to sound like a reactive position.

Mayor Burt felt the language Council Member Holman proposed was more supportive for HSR traveling down the Peninsula than the Guiding Principle's intention.

Council Member Holman stated the Role and Guiding Principles stated the vertical alignment of the HSR remained undecided. She recommended that the Role and Guiding Principles address whether the HSR was viable.

Mayor Burt stated the project-level Environmental Impact Report for HSR determined that the right-of-way up the Peninsula had been de-certified.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to only delete the crossed out portion of staff's No. 12 of the Guiding Principles - Palo Alto also supports the electrification of Caltrain ~~pursuant to its present plans but~~ independent of HSR.

Vice Mayor Espinosa stated the intent of the draft Guiding Principles was to keep them broad enough to ensure they had the acceptance of the City Council. The draft Guiding Principles put a stake in the ground on key issues and helped clarify how the City felt about the various issues on the table.

Council Member Schmid spoke on a document from Californians Advocating for Responsible Rail Design (CARRD) which highlighted policy issues. He felt a specific timeline should be created, maintained, and available on the discussion of big issues. He stated CARRD felt HSR issues should be placed on the City Council's agenda on a weekly basis.

**AMENDMENT:** Council Member Schmid moved, seconded by Council Member Shepherd to add at the end of the 3<sup>rd</sup> paragraph, 1<sup>st</sup> sentence under Role and Authority of the High Speed Rail Committee "but will refer any such decisions to the Council at the next Council meeting for final approval."

Council Member Schmid stated the decision process was important and any action was ultimately the City Council's responsibility. He spoke on the importance of keeping the City Council up to date with current HSR matters.

Council Member Shepherd stated keeping the City Council up to date on HSR matters was vital.

Council Member Klein stated the Amendment did not support the intent of the HSR Committee's goal to act swiftly on HSR matters. The City Council was fully engaged on major HSR issues. He stated actions of the legislature and the federal government could act more quickly than the City Council had time to review and formally approve matters.

Council Member Holman felt the language in the Role and Guiding Principles should not remove the authority of the HSR Committee, and should address the issues of responsibility of the City Council.

**AMENDMENT TO THE AMENDMENT:** Council Member Holman moved, seconded by Council Member Scharff to change the wording in the Amendment to "refer recommendations to the next Council meeting for final approval as is feasible."

Council Member Holman stated the Amendment to the Amendment dealt with timing issues. She stated there were occasions when the HSR Committee needed the authority to act. She inquired whether Staff had suggestions for a language change on the Amendment to the Amendment.

Mr. Keene stated Staff had no input at this time.

Council Member Schmid stated he did not accept the Amendment to the Amendment.

Council Member Scharff felt it should be the responsibility of the HSR Committee to decide whether a matter was feasible to bring to the City Council.

Mayor Burt stated Council Member Scharff's suggested language change could be incorporated into the Amendment to the Amendment by the Maker.

Council Member Scharff stated his suggested language change was to define the term of feasible as what was determined by the HSR Committee.

Mayor Burt suggested the language change to read as when determined feasible by the HSR Committee.

**INCORPORATED INTO THE AMENDMENT TO THE AMENDMENT** to change the end of the Amendment to the Amendment from "as is feasible" to "when determined feasible by the HSR Committee."

Council Member Schmid stated there may be potential economic, financial, and environmental consequences that may not be obvious at first. He felt a considered look at HSR issues may be worthwhile. He stated a mechanism could be important to allow a discussion in a public forum for major issues on HSR.

Council Member Holman stated the Amendment to the Amendment supported the language in the Amendment. She stated it allowed the HSR Committee the opportunity to return matters to the City Council when it was feasible and there was time to do so.

Council Member Schmid inquired on comments from the Chair of the HSR Committee.

Council Member Klein supported the language suggested by Council Member Scharff because it was essentially the same procedure the HSR Committee had been following. He stated if the HSR Committee did not have the authority to move forward on matters, the City's voice would be irrelevant.

Mayor Burt stated the Amendment and the Amendment to the Amendment were not a fundamental alteration to the existing draft Guiding Principles. He felt the Amendment did not allow the HSR Committee to respond to issues in a timely matter. He supported the language within the Amendment to the Amendment.

**AMENDMENT TO THE AMENDMENT RESTATED:** the Committee shall forward their decision to the Council for final action if the committee determines that it is feasible to do so within the time available.

**AMENDMENT TO THE AMENDMENT PASSED:** 7-0 Price, Yeh absent

Mayor Burt stated the City Council would return to the Motion.

Council Member Holman felt the language was pervasive and contained passive statements regarding the City's response to HSR projects.

Mayor Burt stated the intent of approving the revised Role and Guiding Principles was to update the document. He stated it could be amended at a later date as the HSR evolved.

Council Member Schmid stated Guiding Principle No. 7 referenced a Peer Review Committee authorized by Assembly Bill 3034. He inquired what the Peer Review committee referred to.

Mr. Emslie stated the enabling legislation that set the parameters for the creation of the Statewide HSR system called for an independent body of experts to review the work of the HSRA as a checks and balances. The Peer Review Committee has not been funded by the HSRA and members have not been appointed. He stated it was a flaw in the system to not have an oversight of the Peer Review Committee.

Mayor Burt stated this topic had been recently addressed in a report by the State Auditor. If done correctly, it would significantly help the governance and oversight of the HSRA. He stated Assembly Bill 3034 was the original enabling legislation that allowed Prop. 1A to be placed on the ballot.

CARRD Member, Sara Armstrong stated there were two sections within Assembly Bill 3034 that the Peer Review Committee was specified.

Mayor Burt stated that when Senator Simitian held a hearing in Palo Alto the Peer Review was spoken on extensively.

Robert Moss, 4010 Orme Street, spoke on the HSRA's disorganized manner for addressing the City's issues and concerns.

Council Member Klein stated the Peer Review Committee was a last minute addition to the legislative process of Assembly Bill 3034. He stated staffing and funding was not included. The establishment of an effective Peer Review Committee would be a positive step for Palo Alto.

**AMENDMENT:** Council Member Holman moved, seconded by Council Member Schmid to add an additional principle within the top 3 under the Guiding Principles, that the City will support a Caltrain right-of-way High Speed Rail project only when and if issues identified in the Guiding Principles are fully resolved to the satisfaction of the City.

Council Member Holman stated the Amendment would provide a framework for a position, and a conclusion, that the City needed to be satisfied that issues were resolved before the City would support HSR.

Council Member Schmid spoke on his support for the Amendment.

Council Member Klein stated the 15 principles within the Guiding Principles were not equal and may not need to be treated equally.

Council Member Holman stated the Amendment would support a Caltrain right-of-way HSR only when and if issues identified in the Guiding Principles were fully resolved to the satisfaction of the City.



Council Member Klein stated the City may abandon the principle of repayment for work.

Council Member Holman stated that would be correct if the City was satisfied with that outcome and the Amendment would still apply.

Council Member Shepherd stated the City may not have the final say. She stated the City may not get to a satisfaction point if the HSR was built under cost. She stated the City may not be reimbursed and may be asked for additional funding.

Mayor Burt stated the Amendment may be losing site of the purpose of the Guiding Principles. He was not in favor of the Amendment because the decision to support a Caltrain right-of-way HSR would return to the City Council and did not belong in the Guiding Principles. He stated when and if the matter returned to the City Council, there may be certain segments that were not one hundred percent to the satisfaction of the City Council.

Council Member Schmid spoke on his interpretation of the Amendment. If there was a conflict among the Guiding Principles, which was arriving at a decision point, the matter would return to the City Council.

**AMENDMENT RESTATED:** The City would consider support of a Caltrain right-of-way High Speed Rail project only when and if issues identified in the Guiding Principles are fully resolved to the satisfaction of the City.

**AMENDMENT FAILED:** 3-4 Holman, Scharff, Schmid yes, Price, Yeh absent

**MOTION AS AMENDED PASSED:** 7-0 Price, Yeh absent

Mayor Burt referred the City Council to the Draft HSR Policy Issues (Policy Issues) Outline prepared by Staff.

Vice Mayor Espinosa inquired which Policy Issues should be removed for separate consideration and discussion. He inquired on the matter of a potential Palo Alto station.

Mr. Emslie stated there were many questions as to the definition of a station. He stated the HSRA delayed the issuance of the criteria that would be imposed on a potential Palo Alto station. He stated a conversation would be premature until Staff had a clear idea on the definition of a HSR station.

Council Member Schmid stated the Policy Issues did not include a financial analysis. He inquired on any work accomplished on this matter.

Mr. Emslie stated the City Council's budget for this Fiscal Year included funding for a fiscal analysis for HSR. He indicated Staff was primarily

focused on the Alternatives Analysis. He stated a fiscal workshop would be proposed after August 2010. He stated the fiscal issues would be handled similarly to the Peer Review by hiring an independent economic consultant. He indicated he would add financial analysis to the list of Policy Issues.

Council Member Schmid inquired whether there would be a fiscal analysis report before the City Council dealt with the Alternatives Analysis.

Mr. Emslie stated the engineering analysis would include the checking of assumptions and costs that the Alternatives Analysis was based upon.

Mr. Keene stated there had been many conversations regarding financial issues. He stated it would be appropriate to add a section to the Policy Issues that consolidated the financial issues.

Council Member Schmid requested that information on fiscal analysis be provided for the City Council on May 24, 2010. He stated there was a fiscal section contained in the information requests received by the HSRA. The response referenced Appendix L of the HSRA's Alternatives Analysis Report. He stated the Appendix's were not provided to the City Council.

Mr. Emslie stated Appendix L would be distributed to the City Council before their scheduled meeting on May 24, 2010.

Council Member Shepherd thanked Staff for their response to the groups within the City that followed the HSR developments. She inquired on other groups that had been following the developments of HSR.

Mr. Emslie stated the UTrain Group followed HSR developments and should be included within the list.

Council Member Shepherd indicated CARRD was not included within the list of groups that followed HSR developments.

Mr. Emslie stated he would distribute the stakeholder's list. He stated this list provided more detail of the groups that had a vested interest in HSR.

Council Member Shepherd disapproved of spending funds without the expectation of reimbursement.

Mayor Burt stated there were matters contained in the Agenda Item that required immediate attention.

**MOTION:** Council Member Shepherd moved, seconded by Mayor Burt to refer the Corridor Study for evaluation and discussion to the HSR Committee.

**MOTION PASSED:** 7-0 Price, Yeh absent

Mayor Burt stated the intention of the PCC was to ask its member cities to review and comment on the draft PPC Guidelines prior to its next regular meeting.

**MOTION:** Council Member Shepherd moved, seconded by Council Member XXX to refer the Peninsula Cities Consortium Guidelines to the HSR Committee for action without bringing it back to the Council.

**MOTION FAILED FOR LACK OF A SECOND**

**MOTION:** Mayor Burt moved, seconded by Council Member Holman to refer the Peninsula Cities Consortium Guidelines to the HSR Committee and return to Council on Monday, May 24, 2010 with recommendations for Council action.

Council Member Schmid spoke on his concerns of the PCC Guidelines including asserting the design rather than financing to determine the alignment and choosing the lowest cost option. He felt further explanation was needed on the inconsistencies between the PCC and HSRA Guidelines.

Mayor Burt stated design rather than finances for the alignment was consistent with the City's Guidelines.

Council Member Scharff stated the purpose of the Agenda Item was to refer the PCC Guidelines to the HSR Committee for their recommendations.

**MOTION PASSED:** 7-0 Price, Yeh absent

Council Member Holman inquired whether the Policy Issues were compiled from issues set forth in the letter submitted to the HSRA commenting on the Preliminary Environmental Impact Report. She stated cultural resources was not included under environmental impacts.

Mr. Emslie stated the Policy Issues were not intended to be a complete list of issues due to the time constraint in compiling the list.

Mayor Burt recommended that Council Members submit their Policy Issue concerns to Staff for incorporation.

11. Policy and Services Committee Recommendations Regarding Council Formation of an Infrastructure Blue Ribbon Committee.

Assistant to the City Manager, Kelly Morariu spoke on the history of the formation of an Infrastructure Blue Ribbon Commission (IBRC). She stated the 2010 and 2011 Capital Budgets have outlined a General Fund

infrastructure backlog and needs of as much as \$510 million over the next twenty years. This included funding for new facilities currently identified and planned, and maintenance of existing facilities. It did not address future infrastructure needs that are not yet known. She spoke on the four key IBRC elements proposed by the Policy and Services Committee: 1) structure and appointment methodology; 2) scope; 3) deliverables and schedule; and 4) Staff resources. She spoke on the Policy and Services Committee's recommendation to appoint sixteen members to the IBRC consisting of four members from the City's Boards and Commissions, two representatives of neighborhoods, two members from non-profits or Friends groups, two members from the business community, three members with financial backgrounds, and three members with technical expertise in design, architecture, engineering or construction.

Council Member Klein inquired whether the IBRC would be expected to analyze the priority of infrastructure projects.

City Manager, James Keene stated meetings had been conducted to review cost estimates and prioritization of infrastructure projects.

Council Member Klein recommended that the IBRC review whether infrastructure projects were necessary.

Mr. Keene stated the IBRC would review the City's infrastructure needs without solely being driven by the prior list of infrastructure projects.

Council Member Klein recommended that language be added to make clear to the IBRC members that each infrastructure project be analyzed to determine whether it was necessary and appropriate.

Council Member Holman stated there was no assumption made by the Policy and Services Committee that all infrastructure projects would be done. She stated the infrastructure projects would be looked at as a total package and some may be worked on simultaneously to maximize dollars and some may be eliminated. She stated impact fees and development agreements should be considered by the IBRC as possible funding sources. She stated members of the IBRC shall have technical backgrounds to analyze how infrastructure projects could be completed in an efficient manner. She stated members of the IBRC shall have a financial background to ensure that the expenditure of public funds were at the best possible value.

Vice Mayor Espinosa recommended that the IBRC research infrastructure projects that may have been inadvertently left off the list. He inquired on a date in order to make the deadline for the November 2011 election.

City Clerk, Donna Grider stated the City Council would be required to make a decision before its first meeting in August 2011.

Vice Mayor Espinosa inquired whether Staff foresaw a concern in the timeline.

Mr. Keene stated despite the challenging timeline, the Policy and Services Committee made a point of emphasizing the importance of this issue. Staff designed a structure that would be effective and maximize the resources necessary to accomplish the City Council's goals. He stated Staff would reprioritize some existing workload. He stated the City was not necessarily constrained on when the issue could go to the voters; however, a cost issue could rise for special election expenses.

City Attorney, Gary Baum stated there were significant cost issues. He provided the dates that could be held for a potential General Obligation Bond. He spoke on the restrictions of holding a Mail Ballot Election.

Vice Mayor Espinosa inquired whether the concept of forming groups of two Council Members to interview the candidates from each recommended segment had been successful in past years.

Ms. Morariu was unclear whether the concept was used in the past. She stated the appointment methodology was recommended by the Policy and Services Committee to shorten the time needed to interview candidates.

Ms. Grider stated the methodology had not been utilized in the last eleven years.

Council Member Schmid felt the City was above average, compared to other cities in Santa Clara County, in the upkeep of maintaining existing facilities. He inquired whether the maintenance of existing facilities was consistent with the City Council's goals.

Mr. Keene stated the IBRC would initially establish the parameters for the needs of the City drawing upon existing data and their own direction. He indicated the City had big needs and there would be a process the IBRC would go through. He stated any action would ultimately require the approval of the public for funding the projects on the final infrastructure list.

Mayor Burt inquired whether the intention of the work needed for existing facilities was centered on routine maintenance or the replacement of existing facilities.

Mr. Keene stated the intention was a combination of routine maintenance and the replacement of existing facilities.

Council Member Shepherd inquired whether it would save time if the City Council instructed the IBRC to not prioritize infrastructure projects.

Mr. Keene stated any need the City had would be sizable enough to go to the voters for a bond issuance. The public would be expecting an analysis on the prioritization of infrastructure projects.

Council Member Shepherd inquired whether the size of the bond issuance, or how much the tax payers could afford, would be coordinated and determined by June 2010.

Mr. Keene stated the City Council would need to decide whether they wanted Staff to identify those figures at the beginning of the process or work through the infrastructure needs first. He felt there was a community value of having a citizen group look through the infrastructure situation of the City.

David Creemer, 4065 Campana Drive, spoke on opening the selection criteria for the IBRC to include general members of the public.

Council Member Holman recommended that the maintenance of existing facilities be renamed as restoration and/or maintenance of existing facilities. She spoke on several restoration projects of existing facilities that were contained within the Capital Improvement Plan (CIP).

Council Member Klein stated the City Council would form groups of two to interview the candidates from each recommended segment. He inquired on the outcome of a tie vote.

Council Member Holman stated the Policy and Services Committee did not hold a discussion about the occurrence of handling tie votes. She iterated that the intent of the Policy and Services Committee was to expedite the interviewing process.

Mayor Burt stated the appointment methodology for the IBRC disqualified potential candidates. He recommended the City Council consider adding two additional at large members. He recommended that the subgroup of Council Members be comprised of three members. He recommended the subgroup of Council Members narrow candidates down, and the top candidates be voted by the entire City Council. He felt the maintenance of existing facilities should not be included in the scope because they were part of the City's ongoing infrastructure maintenance obligations. He recommended commencing elements of the IBRC and potentially returning to the City Council to refine the scope if needed.

Council Member Scharff felt the timing of the IBRC was critical and should not be returned to the City Council. He stated maintenance of existing facilities did not belong in a bond measure; however, major renovations or the replacement of obsolete facilities would belong in a bond measure. He

felt more funding should be allocated to the maintenance of infrastructure, streets, and sidewalks.

Mr. Keene spoke on his disapproval to supplant bond funds for routine maintenance. He recommended the IBRC review the backlog of Capital Improvement Projects with the understanding that they could not be completed with existing funds.

**MOTION:** Council Member Scharff moved, seconded by Vice Mayor Espinosa to: 1) approve Policy and Services Committee recommendation to direct Staff to proceed with the formation of a citizen task force to evaluate the City's General Fund infrastructure backlog and needs, 2) the Committee is to consist of nineteen members, with three at large members, 3) to express concerns about using bond funds for routine maintenance, but to review the backlog of Capital Improvement Projects with the understanding that they cannot be completed with our existing funding program, and 4) three City Council Members will conduct the interviews.

Council Member Scharff stated the City's infrastructure was one of the most important areas to be prioritized and repaired.

Vice Mayor Espinosa spoke on the Policy and Services Committee's concern for the need for replacement and prioritization of infrastructure. The prioritization and timeline for maintenance issues could be analyzed by the IBRC.

Council Member Shepherd spoke on the list of projects that were backlogged. She recommended that the IBRC verify and identify the infrastructure projects and potential funding sources.

Council Member Klein spoke on his concerns regarding the structure of the IBRC.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** that the Committee consist of nineteen members, four are to be Board or Commission members, three are to have design, engineering, construction background, and twelve at large members.

Vice Mayor Espinosa inquired whether the applicants would be interviewed by the entire City Council.

Council Member Klein supported the appointment methodology contained within the Motion that three City Council Members be grouped together to conduct the IBRC interviews.

Council Member Holman inquired whether the twelve at large candidates would be required to apply for a particular role.

Council Member Klein stated the twelve at large candidates would be evaluated dependent on their skills, involvement with community groups, and other decisive factors.

Council Member Holman requested that maintenance of existing facilities be omitted from the Motion.

Council Member Scharff stated the Motion was altered to express the concern for maintenance of existing facilities to let the IBRC decide with the understanding that they cannot be completed with existing program funding.

Council Member Schmid spoke on his regret to lose the criteria of candidates with financial backgrounds.

Vice Mayor Espinosa stated the criteria for candidates with financial backgrounds had not been lost because the pool of candidates would be selected based upon a balance of diverse skill sets.

Mayor Burt stated IBRC members with financial backgrounds were a necessity. He recommended appointing two members with financial backgrounds. He spoke on his concern for the size of the IBRC. He recommended a total of fifteen members based on the following structure: four members from the City's Boards and Commissions, two members with financial backgrounds, three members with technical backgrounds, and six at large members.

Council Member Scharff inquired how many individuals strongly participated on Blue Ribbon Task Forces.

Mr. Keene stated there would be a core group of members that would strongly participate. He stated there was an initial concern by the Policy and Services Committee that eighteen members would be too large. He indicated the larger the group the more complications were generally seen.

Mayor Burt stated there should be well defined expectations for the participation level of the IBRC members. He spoke on his consideration to appoint three alternate members.

**INCORPORATED INTO MOTION WITH CONSENT OF MAKER AND SECONDER** that the committee be composed of four Board and Commission members, two financial members, three with technical expertise, six at large members and three alternates.

Council Member Holman stated the scope should consider project cost estimates that were in alignment with other local jurisdictions and compared to private project costs.



**AMENDMENT:** Council Member Klein moved, seconded by Council Member Schmid to eliminate the three alternates from the Motion.

**AMENDMENT FAILED:** 3-4 Klein, Schmid, Shepherd Yes, Price, Yeh absent

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to substitute the word "maintenance" with "replacement and substantial rehabilitation."

Mr. Keene stated members of the IBRC should understand that their service may extend beyond the completion of the work of the task force.

Mayor Burt stated he would appoint the City Council interview groups.

**MOTION AS AMENDED PASSED:** 7-0 Price, Yeh absent

12. Colleagues Memo from Council Members Shepherd and Schmid regarding City Investment Policy. *(Item continued from 5/10/10)*

Council Member Shepherd stated the Country's financial system remained under severe stress. The U.S. Government was responding by reevaluating its regulatory practices, obligations, and guarantees with federally backed institutions like Fannie Mae and Freddie Mac. She stated the Country had spent \$140 billion in government sponsored organizations, with an expectation of spending roughly \$400 billion by 2019. She stated the Treasury and the Federal Reserve had spent \$1.4 trillion on mortgage-backed securities. She urged the City Council to review its long-standing policies on investment allocations.

Council Member Schmid spoke on the City's investment in the California Public Employees' Retirement System (CalPERS). He stated the City Council would be voting on a \$23 million investment on an irrevocable trust with CalPERS. CalPERS promised a 7.75 percent rate of return; however, he stated there had been recent negative studies on CalPERS. He spoke on past aggressive investment activities in unregulated and private hedge funds and aggressive property investors and unreported third party investors that raised questions about its current and future rates of return and safekeeping of the City's employee retirement obligations. He stated a growing number of experts concluded that the government needed to lower the assumption they made about rates of return to reflect today's market condition. He urged the City Council to direct Staff to return with a realistic assessment on rates of return.

**MOTION:** Council Member Schmid moved, seconded by Council Member Shepherd to: 1) direct Staff to report to the City Council on the City's existing Investment Policy, the expected rate of return in the long run and

the changing risk profile in government sponsored organizations, especially those involved in housing, and 2) Staff should report to the Council on risks inherent in CalPERS in their assumed very high return and what actions the City can take to protect itself against these risks.

Council Member Scharff recommended that the Motion remove housing and focus solely on the aggressive rate of return.

Vice Mayor Espinosa inquired whether the Motion was for a report to return in conjunction with Policy and Investment Report, which was distributed along with the City's Budget, or as a separate workplan.

Council Member Schmid stated the City Manager suggested that a report be returned to the City Council within sixty days with a study scope, budget, and schedule.

Vice Mayor Espinosa stated the Investment Report was submitted to the City Council during the Budget review process. He inquired whether the report on the City's Investment Policy could be part of the Budget review process.

Director of Administrative Services, Lalo Perez stated the report could be part of the Budget process. He stated Staff had not deviated from the Investment Policy over the last few years.

Council Member Schmid stated there should be discussion amongst the City Council on the risk of the \$23 million payment to CalPERS.

Mayor Burt inquired whether the 60 day element was part of the Motion.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** that the City Manager return to Council within 60 days with a study scope, budget, and schedule for analyses and reports.

City Manager, James Keene stated the City was required by law to annually review the City's Investment Policy. He stated the City Council would be adopting a budget that included the City's annual payment to CalPERS. He stated that if the City Council requested additional data, in addition to the annual Budget review process, Staff could return within 60 days with a recommendation for the potential need for outside resources.

Mr. Perez stated the Country would have major financial difficulties if the Federal Government stepped away from the full-facing credit backing of federally backed institutions. It was his hope that the government continued to back the instruments that had been issued that were Triple-A rated. He stated the City would not purchase Double-A rated instruments, unless there was a change in the policy. He stated outside experts could provide opinions and alternatives based on the City's assumptions. He stated Staff could

return to the City Council with options on how to mitigate the risk with CalPERS.

Vice Mayor Espinosa inquired on the cost for outside resources.

Mr. Perez stated the cost would be approximately \$20,000 to \$30,000 for a full-detailed report.

Council Member Scharff stated the City had full facing credit from the U.S. Government up until 2012.

Mr. Perez stated that was correct.

Council Member Scharff stated he was unclear on what outside resources would provide since the City already had full facing credit.

Mr. Perez stated outside resources could validate financial information and provide further channels of information.

Council Member Scharff inquired whether the \$20,000 to \$30,000 included analysis of federally backed institutions and CalPERS.

Mr. Perez stated that amount would review the structural methodology of investments, and would not cover the analysis of CalPERS.

Council Member Scharff inquired whether Staff recommended the analysis of broad investments.

Mr. Perez stated yes. He stated two different types of outside experts would be needed to analyze investments and CalPERS. He stated an actuarial, at a rate of \$500 an hour, would be desirable to independently analyze CalPERS.

Council Member Scharff stated 7.75 percent was an ideal rate of return. He stated a Stanford Study pointed out the huge liability of using a lower rate of return. He inquired what Staff was able to do with the data for using a lower rate of return.

Mr. Perez stated the employees would be required to take additional responsibility on the contributions, and the City could set aside additional funds. If the CalPERS management was not to the City's liking, the City would find a mechanism to invest the set aside funds. The combination of placing funds in a trust, managing the trust, setting investment criteria and policies, and working with Labor Unions would validate a high level of expertise and require potential outside resources.

Council Member Scharff inquired whether the City had the choice on whether or not to pay \$23 million to CalPERS.

Mr. Perez stated \$23 million was the annual required contribution for pension obligations for the year. It was his opinion the City did not have a choice in paying the contribution as it was based on the assumption of various components such as rate of return.

Council Member Scharff inquired whether the City could opt out or change the amount of the payment to CalPERS in the future.

Mr. Perez stated the City could not pay less than the required payment to CalPERS. He stated changing the payment would impact the City's credit rating because the City would not meet its obligation for employee pensions.

Council Member Klein urged the City Council to divide the Motion as he felt they were two different concepts. He stated the Staff had adequately addressed the City's investment in Fannie Mae and Freddie Mac. The City had an extraordinarily conservative investment philosophy. The City could become more conservative by investing solely in U.S. Treasuries. He felt asking Staff to return with a recommendation was futile. He spoke on the financial problems with CalPERS, changing the 7.75 percent rate of return with CalPERS, or investing money in-house.

Council Member Schmid stated the Federal Government would most likely withdraw their guarantee with Fannie Mae and Freddie Mac at the end of 2012. He stated the Governmental Accounting Standards Board (GASB) had created a preliminary report stating the accounting rules used by CalPERS were inappropriate. He stated that during the GASB public comment period, CalPERS disputed this notion. He recommended the City Council converse with CalPERS and GASB in the future.

Council Member Shepherd stated the matter should be vetted further by the City Council as the City was in a period of angst. She felt a citizen advisory group may be beneficial.

Mayor Burt stated some additional scrutiny was appropriate in this economic climate; however, he felt the Motion may be going too far and contained an aggressive timeline.

Mr. Keene stated Council Member Schmid and Shepherd were trying to make public that there were many risks. He stated scenarios on alternative returns could be developed as part of the City's long-term financial forecast and Staff could identify possible next steps.

**SUBSTITUTE MOTION:** Council Member Scharff moved, seconded by Council Member Holman that Staff return with alternative scenarios on CalPERS, ask PERS to take into account General Accounting Standards Board

(GASB) standards and refer the scenarios to the Finance Committee for review.

Mr. Perez stated Staff and CalPERS were able to provide a report on alternative scenarios.

Council Member Schmid stated the Substitute Motion was consistent with the Motion. He recommended that the alternative scenarios take into account the material generated by GASB.

Council Member Scharff inquired what the effect on Staff would be for creating alternative scenarios taking into account the material generated by GASB.

Mr. Perez stated he would request that CalPERS incorporate the material generated by GASB into their scenarios.

Council Member Scharff stated he did not want Staff to spend additional time and resources on incorporating GASB data.

**SUBSTITUTE MOTION PASSED:** 6-1 Schmid no, Price, Yeh absent

#### COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Council Member Shepherd reported on a presentation that she conducted for a group of 84 third graders on local government.

Mayor Burt reported on attending the launch of the biggest mural at the Stanford Terrace Hotel, the launch of a new non-profit called Debra's Pond, and the Barron Park May fete event.

Council Member Klein spoke on attending the Santa Clara County Cities Association meeting last week. He asked to have the meeting adjourned in honor of Carolyn Reller who recently passed away as she was President of Avenidas and worked on many non-profits in the community.

MEETING ADJOURNED IN HONOR OF CAROLYN RELLER: The meeting adjourned at 11:50 p.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.