

Special Meeting
February 11, 2008

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ADJOURNMENT: The meeting was adjourned at 11:40 p.m.	457

The City Council of the City of Palo Alto met on this date in the Council Conference Room at 6:04 p.m.

Present: Barton, Burt, Drekmeier, Espinosa, Kishimoto, Klein, Morton, Schmid, Yeh

STUDY SESSION

1. Joint Meeting with the Human Relations Commission (HRC) to Discuss City Human Relations Issues

The discussion between City Council Members and HRC Commissioners included such topics as: Civic Engagement and Community Building; Police and Community Relations; Engaging Youth in Government; and a criteria from the City Council for resolutions from the HRC.

No action required

SPECIAL ORDERS OF THE DAY

2. Vote and Appointment of four Library Advisory Commission Members (LAC).
3. Vote and Appointment of Two Storm Drain Committee Members (SDC).

MOTION: Mayor Klein moved, seconded by Council Member Morton to appoint the four candidates to the LAC and the two candidates to the SDC.

MOTION PASSED: 8-0, Yeh Abstaining

ORAL COMMUNICATIONS

Aram James spoke regarding the First Amendment Rights for the community during oral communications at the Council Meetings.

Mark Petersen-Perez spoke regarding the closing of the Children's Theatre.

Barbara Bergaland spoke regarding the Children's Theatre.

Paula Collins, President of the Friends of Palo Alto Children's Theatre, requested Council clarification to the community that they were not involved in the investigation.

Rick Shaw, Children's Theatre Board Member, spoke regarding the Children's Theatre.

Vic Ojakian spoke regarding the closure of the Children's Theatre.

Justine Franklin, Board Member of Children's Theatre, requested Pat Briggs, Alyssan, and Rich be permitted to return in some capacity for the planning of the summer session.

Briner Riftken spoke regarding the value of the Children's Theatre.

Dr. Nancy Kinsberg Stern spoke regarding the Children's Theatre.

Penny Barrett spoke regarding the Children's Theatre.

Phyllis Smith spoke regarding the Children's Theatre outreach program.

Andrew Lit spoke regarding the Children's Theatre.

Ellen Wyman spoke regarding Civic Engagement.

Robert Moss spoke regarding the AT&T proposal and Public Education & Governmental Access Channels.

Krista Flagg spoke regarding the shuttle bus to Jordan Middle School which was too crowded.

CONSENT CALENDAR

MOTION: Mayor Klein moved, seconded by Council Member Espinosa to remove Agenda Item Number 4 from the Consent Calendar to become Agenda Item Number 8a.

MOTION: Council Member Burt moved, seconded by Council Member Yeh to remove Agenda Item Number 6 from the Consent Calendar to become Agenda Item Number 8b.

MOTION: Council Member Morton moved, seconded by Council Member Espinosa to Approve Consent Calendar Item Numbers 5, 7 and 8.

4. ~~Utilities Advisory Commission Recommendation to Approve Gas Utility Long Term Plan (GULP) Guidelines and Implementation Recommendations.~~
5. Resolution 8792 entitled "Establishing One or More Dedicated Sources of Revenue for Repayment of Funding Pursuant to the Federal Clean Water Act Amendments and Adoption of a Resolution for Establishing a Wastewater Capital Reserve Fund in Accordance with the State Water

Resources Control Board's Requirements of the State Revolving Fund Program for the Construction of the Ultra-Violet Disinfection Facility at the Palo Alto Regional Water Quality Control Plant.

Resolution 8793 entitled "Establishing a Wastewater Capital Reserve Fund in Accordance with the State Water Resources Control Board's Requirements of the State Revolving Fund Program for the Construction of the Ultra-Violet Disinfection Facility at the Palo Alto Regional Water Quality Control Plant".

- ~~6. Approval of Amendment No. One to Contract No. C07116703 Between the City of Palo Alto and C-Way Custodian Services to Increase the Annual Compensation Amount by 37,178 thousand dollars for a Total Annual Compensation Amount of 525,629 thousand dollars to Provide Custodial Services at Selected City Facilities and Authorization to Enter into 3 Additional One Year Extensions.~~
7. Finance Committee Recommendation to Accept the Auditor's Office Quarterly Report as of December 31, 2007.
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MOTION PASSED: 9-0

8a. (former no. 4) Utilities Advisory Commission Recommendation to Approve Gas Utility Long-Term Plan (GULP) Guidelines and Implementation Recommendations.

MOTION: Council Member Kishimoto moved, seconded by Council Member Morton to approve Consent Calendar Item Number 8a.

AMENDMENT: Council Member Burt moved, seconded by Council Member Kishimoto to add substitute language to the new GULP Implementation Guidelines Number 1C, "Evaluating portfolio targets for alternatives to fossil fuel gas resources."

AMENDMENT PASSED: 8-1, Morton no

MOTION PASSED: 9-0

- 8b. (former no. 6) Approval of Amendment No. One to Contract No. C07116703 Between the City of Palo Alto and C-Way Custodian Services to Increase the Annual Compensation Amount by 37,178

dollars for a Total Annual Compensation Amount of 525,629 dollars to Provide Custodial Services at Selected City Facilities and Authorization to Enter into three Additional One Year Extensions.

MOTION: Council Member Burt moved, seconded by Council Member Espinosa to Table this item until later in the meeting when the Public Works Director is present to become Agenda Item Number 13.

MOTION PASSED: 9-0

PUBLIC HEARINGS

9. Adoption of a: 1) Mitigated Negative Declaration for 1001 San Antonio Avenue (Ciardella's), 2) Resolution Approving a Comprehensive Plan Land Use Designation of Light Industrial for 1001 San Antonio Avenue; and 3) Ordinance Rezoning Approximately 1.81 Acres of Caltrans-Owned Land, Located at the Southwest Corner of Caltrans Right-of-Way at San Antonio Avenue and U.S. 101 (Bayshore Freeway) North of the Terminus of Transport Road, from Public Facilities District (PF) to General Manufacturing District (GM) for 1001 San Antonio Avenue (Ciardella's)

Council Member Barton stated that he would not participate in this agenda item as he has a client across the street and he felt there may be a conflict due to the physical and temporal proximity of the client.

Planning and Community Environment Director Steve Emslie stated this item came before the Council in order to present the Planning & Transportation Commission recommendations for the changes in land use to complete the entitlement process for the relocation of Ciardella's and enable the operation to be implemented at the new location on San Antonio Road.

Council Member Morton noted this project was originally continued due to some concerns from neighbors and the subsequent hearings have resolved those concerns.

Public Hearing opened at 8:04 p.m.

Art Kraemer, 1116 Forest Avenue, noted his concerns that have to do with moving businesses that put people out of work or add unnecessary burdens.

Public Hearing closed at 8:05 p.m.

MOTION: Council Member Morton moved, seconded by Vice Mayor Dreke to adopt 1) Mitigated Negative Declaration for 1001 San Antonio Avenue (Ciardella's), 2) Resolution Approving a Comprehensive Plan Land Use Designation of Light Industrial for 1001 San Antonio Avenue; and 3) Ordinance Rezoning Approximately 1.81 Acres of Caltrans-Owned Land, Located at the Southwest Corner of Caltrans Right-of-Way at San Antonio Avenue and U.S. 101 (Bayshore Freeway) North of the Terminus of Transport Road, from Public Facilities District (PF) to General Manufacturing District (GM) for 1001 San Antonio Avenue (Ciardella's)

Use Designation of Light Industrial for 1001 San Antonio Avenue; and 3) Ordinance Rezoning Approximately 1.81 Acres of Caltrans-Owned Land, Located at the Southwest Corner of Caltrans Right-of-Way at San Antonio Avenue and U.S. 101 (Bayshore Freeway) North of the Terminus of Transport Road, from Public Facilities District (PF) to General Manufacturing District (GM) for 1001 San Antonio Avenue (Ciardella's).

Council Member Kishimoto commented that City Staff did their best to support this process and that it needed the full cooperation of the Applicant as well.

Council Member Burt stated he recalled the Applicant had committed a number of errors that unfortunately caused the delay.

Planning & Transportation Commission (P&TC) Member Karen Holman stated City Staff worked hard, considering how complicated the project was due to the many entities involved such as Caltrans and the Water District.

Mayor Klein agreed that in this case the staff acted absolutely appropriately.

MOTION PASSED: 8-0, Barton not participating

UNFINISHED BUSINESS

10. Finance Committee Recommendation that Council Review and Comment on the Update to the Long Range Financial Forecast and "Sustainable Budget" Reports

City Manager Frank Benest stated the Long Range Financial Forecast is used as a basis for all key financial decisions. Since 2001-2002 approximately 20 thousand dollars was cut in expenses including 70 Full-Time Equivalent (FTE) positions, which is about 10 percent of the General Fund staffing. Through negotiations a capping of our medical plan premiums was achieved which extended the vesting for retiring medical coverage to 20 years for full vesting. We doubled capital spending and last year with the Council's direction there was an increase to the Infrastructure Reserve of 3 million dollars. The retirement liability was addressed through the creation of a 30 million dollar reserve and budget resource to meet that annual required contribution.

Deputy Director of Administrative Services Joe Saccio stated the City has acted to constrain the growth of medical costs through vesting in medical plan changes. Salaries and benefits are projected to grow over 4 percent in the next 10 years. The city had relatively mild surpluses projected through 2010-2011. The surplus from 2006-2007 will go to the reserves and will be

used to cover part of the Los Altos Treatment Plant purchase, the Public Safety option payment on the land, and the storm drains.

Director of Administrative Services Lalo Perez stated staff incorporated significant financial challenges into the forecast. The key long term liabilities that were addressed included: the additional 3 million dollars for infrastructure that is in the 2007-2009 budget and set aside retiree medical funding for the General Fund. The upside potential included in the forecast is the Transient Occupancy Tax (TOT) rate increase from 10 to 12 percent. Plans to expand the Stanford Shopping Center and new hotel are included in the tax base projections. There is a Utilities Users Tax threat due to regulatory changes on national plans and internet telephones. In 2011-2012 we projected the recession hitting us and we need to adjust for that as we go forward each year.

Mr. Benest stated there is a need for a balanced budget which meets the needs for new demands on an ongoing basis.

Council Member Barton asked for clarification if salaries and benefits expenditures are predicted to grow by 4 percent over the next 10 years. He assumed that meant 4 percent annually over the next 10 years.

Council Member Kishimoto asked staff how we are doing on revenues compared to the period before we lost Ricky's Hyatt.

Mr. Saccio replied the revenues are back to the 1998-1999 level.

Council Member Morton stated that deficits will run for the next 3 years because of the purchase of the Los Altos Treatment Plant.

Council Member Schmid requested clarification regarding the forecasts for no growth projection in real dollars.

Mr. Saccio replied with the population growth we intentionally did not add incremental expenses in the budget until there was incremental fixed staffing.

Council Member Schmid commented that benefits are rising faster than salaries.

Mr. Benest replied there was a challenge coming up with revenue and expense reductions to meet the 3 million dollar challenge. Staff looked to eliminate 3-4 positions in addition to the cost reductions that were identified in the budget. The majority of the 10 percent reduction of staffing was in managerial and administrative support.

Council Member Schmid asked in order to achieve the goals of the infrastructure reserve would reductions have to come out of services.

Mr. Benest replied no, the 3 million dollar commitment is an ongoing annual commitment it does not require new reductions at this point.

Council Member Schmid raised a concern with the rising benefits cost through salaries.

Mr. Benest replied if a major recession came earlier, a revision of our budget projections and dealing with more cost reductions would be necessary.

Mayor Klein asked if the forecast had any new revenues for the potential Stanford Shopping Center and hotel expansion.

Mr. Benest replied no.

Mayor Klein asked if the forecast had additional revenues from Cubberly due to the negotiations.

Mr. Benest replied no.

Mayor Klein asked if the forecast had included any development along Highway 101.

Mr. Benest replied no.

Mayor Klein asked if the forecast had included any potential for a business license tax.

Mr. Benest replied no.

Mayor Klein asked if the forecast had included the 9-1-1 fee.

Mr. Benest replied no.

MOTION: Council Member Morton motioned, seconded by Council Member Yeh to accept the Finance Committees recommendation that the City Council review and comment on the forecast of revenues, expenses and reserve levels and that the Council review and comment on the "Sustainable Budget" report.

Mayor Klein asked for confirmation as to what acceptance meant. Accepting the Long Range Financial Forecast didn't mean Council was accepting anything that had any policy implications.

Mt. Baum responded that another alternative that some jurisdictions use is called "receive and file." It literally means the Council is simply receiving the report and filing it.

Mr. Benest replied he didn't believe there were any new policy questions that were incorporated into the forecast.

Mayor Klein replied a 4 percent per annual increase in salaries and benefits was included. He did not want anyone to use that as a position of the Council for contract negotiations with the unions.

Mr. Benest responded that is correct.

Council Member Morton stated that this is purely a forecast of Staff's best estimate, and it is not a true budget where we are approving and adopting levels of spending.

Council Member Kishimoto stated she understood this report was to raise some red flags as we entered into the budget process.

Sanford Forte, 280 College Avenue, spoke regarding revenue sources. He thought there should be consideration of taxation of certain services including legal, accounting, and consulting services.

Robert Moss, 4010 Orme Street, stated the State could possibly take the local government's resources to balance the State budget. We should be looking at working with the Cities, Counties, and the State to be more efficient on how we provide services and account for our expenditures.

Vice Mayor Drekmeier asked if local governments have any jurisdiction over the State.

City Attorney Gary Baum replied he was not prepared to respond to that.

Council Member Burt stated we are not capturing the changes that have occurred in much of our economy in Palo Alto and Silicon Valley over the last decade.

Council Member Kishimoto stated an indicator she always used is looking at the salaries and benefits as a percentage of total expenditures. According to the figures it went up from 63 percent to 65½ percent in ten years. The red flag is keeping that percentage at 63 percent if possible.

Council Member Schmid replied he thought the Motion was to accept the report. He had a question of what that meant. Could this document and forecast be updated for external conditions.

Mr. Benest responded this report was modified on an ongoing basis.

Council Member Schmid asked as we contemplate future decisions are they dependent on this forecast.

Mr. Benest said no, as new revenue sources are found staff modifies the forecast.

Council Member Schmid asked if staff's intention was to give the Council the answers to the set of 8 questions at the end of the Sustainable Budget Documents.

Mr. Benest replied they were for staff as they prepared reports and present items. The Council will be using these questions to delve into financial matters.

Council Member Schmid asked if there was some way of effectively utilizing these questions as we make financial decisions in the future.

Mr. Perez responded that was correct and our intent was to have this discussion during the budget hearings.

Mayor Klein said there is nothing in this report to bind the Council. Staff has just made their assumptions.

Council Member Burt stated that one of the items the Council should add to the questions is expectations of productive gain annually or over a 10 year period.

MOTION PASSED: 9-0

Council took a break at 9:06 p.m., returning at 9:11 p.m.

11. Policy and Services Committee Recommendation to City Council for Discussion of Whether the Existing Policy for Naming City-Owned Land and Facilities Should be Modified to Accommodate Naming Opportunities for Major Donors to Capital Campaigns that Raise Funds for the Construction or Renovation of City Facilities

Council Member Barton stated he was the Chair of the Policy and Services (P&S) Committee last year when this was referred in November 2007. Committee Members had concerns to begin work to develop a policy when the Council was changing. He advised the discussion came to a quick halt due to the basic question as to whether or not there was Council interest as

a whole. They felt it was important to come back to Council to ascertain if they are really interested in this issue.

Alison Cormack, speaking on behalf of the Palo Alto Library Foundation, their recommendation was that the Council streamline the process and open it up to the full range of potential donors.

MOTION: Council Member Barton moved, seconded by Council Member Espinosa, to refer to the Policy and Services Committee the notion of accommodating naming opportunities for major donors to capital campaigns that are raised both for the construction or renovation of City facilities and provide for appropriate donor recognition for corporations or individuals subject to the Policy and Services Committee coming back with an appropriate detailed policy.

Vice Mayor Drekmeier stated he was comfortable allowing names of facilities to be the names of major donors but he had concerns with corporations.

Council Member Kishimoto said she would not support corporate names on entire buildings.

Council Member Barton stated the Policy and Services Committee could recommend the name of a corporation room rather than a building. The larger question Council was interested in was the naming rights for corporations.

Council Member Yeh stated that in general he was in favor of naming rights. There was quite a bit of leeway that exists for individual donors but that there is no provision for corporations. He was not inclined to support that notion of full buildings and projects being named after corporations.

Council Member Burt stated he would be more comfortable and it's more appropriate to characterize this as recognition of major donors rather than selling naming rights. It was thought we had a rich history in this community of recognizing major donors.

Council Member Morton stated in the case of the Library or Art Center fundraising, do we want to be in a position to be able to offer recognition for being the primary donor. We need the Policy and Services Committee to have a fuller discussion.

Mayor Klein stated this is not selling the naming rights, this is donor recognition and that is not just semantics. There is a huge distinction here between a library and a public safety building and a baseball park or a concert hall. He stated he didn't think any corporation out there is going to think that they are going to get some benefit by seeing their name on a

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library or a public safety building. We would be sending staff out into the field with a significant weapon.

Vice Mayor Drekmeier liked the distinction of recognition of major donors. He supported the motion. Two major projects are approaching and we need to increase our revenues.

MOTION PASSED: 9-0

REPORTS OF COMMITTEES AND COMMISSIONS

12A. Summary of Finance Committee Discussion of Financing Options for the Public Safety Building and Library/Community Center Projects

12B. Request for Council Direction on Schedule for the Public Safety Building

Mayor Klein noted that 12A and 12B would be heard together.

Mr. Benest stated staff tried to identify resources to fund the Public Safety Building by using Certificates of Participation (COP's), which do not require a vote. Staff tried to identify one-time funds to help reduce the total amount of debt service. Our Budget Stabilization Reserve could be reduced from approximately 18-18½ percent to 15 percent. The 2006-2007 surpluses of 3 million dollars could drive down the total cost of the amount of debt to be serviced. Staff proposes establishing a reserve within the General Fund to begin to put money aside to pay the annual debt service. The Finance Committee asked staff to provide a scenario of COP's and General Obligation Bonds to alleviate the drain on the General Fund. The Finance Committee wanted staff to show an option of revenues excluding growth in our economic base. In our original option Staff identified revenue from the growth of the Stanford Shopping Center, the additional hotel at the Stanford Shopping Center, and the expansion of Anderson Honda if it were to relocate on the Highway 101 corridor. The Finance Committee also asked staff to refine numbers on our Transient Occupancy Tax (TOT) and refine our numbers on leasing the police wing.

Mr. Saccio stated self-financing using COP's exclusively for the Public Safety building would cost an estimated 69 million. The issuance itself would be at 81.2 million because of a debt service reserve that would be required and capitalized interest. The borrowing term is 30 years and 4.94 percent is the estimated interest rate and the average annual service debt service is 5.2 million dollars under that scenario. Another scenario is to mix 50 percent COP's and 50 percent General Obligation (GO) Bonds. When the cost of the project is split evenly a debt service reserve is not required for GO Bonds

and there is no capitalized interest. The interest rate is slightly below the 4.94 percent for the GO Bonds.

Mr. Benest stated the community needed to vote for GO Bonds with a required approval of 66.6 percent which would put less strain on the General Fund. The combo approach for both of the major projects still place demands on the General Fund. There is a potential for additional net revenue. The operating expense reductions we are looking at is 1 million dollars per year. There was some discussion at the last Finance Committee meeting about a 9-1-1 fee which will be a voter approved tax on land lines that would cover our emergency management and public safety cost. New tax revenues could be the Business License Tax and the 9-1-1 Tax.

Mr. Perez stated if staff's intention is to secure 1 million dollars in 2008-2009 budget for the Public Safety Building, in 2010-2011 we would be required to have a debt service of 3.2 million dollars. One option we can consider and have been discussed at prior Finance Committee meetings is ramping up debt service. The key is setting up reserves and putting funds aside.

Mr. Benest said several of the revenue sources are preliminary, subject to change and negotiations. Should one or two major resources not materialize under the Certificates of Participation (COP's) scenario, paying 5.2 million dollars in debt service may require new sources or additional expense reductions. The pressure on the General Fund is reduced to 2.6 thousand dollars by mixing COP's and GO Bond's assuming we are only looking at the Public Safety Building and not using the same strategy for the Library.

Council Member Barton asked if we used COP's for the Public Safety Building can we pay the bonds early.

Mr. Perez said stated yes, depending on the structure that is set up. If we prepay early we may have to pay a premium.

Council Member Barton asked if the City could pass a Bond to pay back a COP.

Mr. Madison replied yes. Some structures have been done with School Districts that have issued COP's at the same time applying for a grant from the State of California. When the grant comes in it is used to pay off the COP's.

Vice Mayor Drekmeier asked if we moved forward with both the Business License and 9-1-1 Tax would those measures be on the November 2009 ballot.

Mr. Madison said that would be the earliest time.

Council Member Kishimoto asked regarding the 9-1-1 tax, and its tax structure.

Mr. Perez stated staff still would need to analyze that question.

Council Member Barton stated the City may need to do a Nexus study.

Council Member Burt noted on the Library expenses the square footage for the Mitchell Park Library and Community Center is 51,000 square feet, with a cost of 455 dollars per square feet. He asked about the calculations for the construction cost of 28.1 million dollars.

Mr. Roberts noted the costs were both the building plus the associated site work of rebuilding the parking lot and driveways.

Council Member Burt clarified the site work was another 5 million dollars.

Mr. Roberts responded that was correct.

Council Member Burt asked if the primary driver on costs on construction escalation is actually materials in concrete and steel why permits, inspections, and project management would escalate at a corresponding rate.

Mr. Roberts noted the rates at which those costs are figured are derived from actual project construction costs. For example, building permits fees are based upon the construction cost estimate at the time the permit is drawn in that year's dollar not in today's dollars. That number will escalate to the point of construction. Similarly, the fees for the services for inspection and construction management are contracts negotiated based around a typical professional consultant's fee schedule at the time the contract is being performed.

Council Member Burt asked when the City negotiates the costs if there is a significant increase in material costs and labor expenses for project management or inspection are they able to escalate the charges for labor in proportion to increases in materials.

Mr. Roberts noted not after the contract is negotiated and executed.

Council Member Burt asked why would the labor involved in project management and inspection escalate at the rate at which materials are escalating.

Mr. Roberts noted negotiations will be done those 2-3 years down the road when the costs will have increased.

Council Member Morton asked as the Public Safety Building is designed and certain functionality is built into the design can that affect the project cost.

Mr. Roberts responded yes.

Council Member Morton clarified that the project costs can go up or down.

Mr. Roberts stated theoretically yes but, it has not been his experience to go down.

Council Member Morton asked how to move forward and to fund two projects both of which have a huge need and be done without permanently impairing the General Fund.

Council Member Schmid noted staff's comments regarding the escalation in cost of 8 percent per year is absolutely accurate if you are looking at 2005, 2006, and the first half of 2007. However, the rate of increase since that time appears to be leveling off and actually declining.

Ray Bacchetti urged Council to move toward Certificates of Participation (COP's) and not General Obligation (GO) Bonds for the police building.

Bob Moss believed the combination of COP's and GO Bonds are the way to go and, voting in November of 2009 for the Public Safety Building made sense.

Herb Borock stated the decision regarding the Public Safety Building and Library should be done together. The funding sources don't have to be the same.

Alison Cormack stated a combined bond measure in November is a wise political choice and not a purely economic one. She felt the Council should not continue to wait on a decision regarding both projects.

Asher Waldfogel noted some members in the community remained unconvinced about the actual priority and proposed scopes of these projects. He suggested trimming back the scope for the Library to a single site.

Carl Anderson noted he did not support 50 percent to COP's for both the Public Safety Building and Library and 50 percent in Bonding. An easier solution is to use a 100 percent COP's toward the Public Safety Building.

MOTION: Council Member Barton moved, seconded by Council Member Espinosa to fund the Libraries by General Obligation Bonds (GO) in an election in November 2008 and to fund the Public Safety Building with Certificates of Participation (COP's).

Vice Mayor Drekmeier requested clarification on the two proposed taxes.

AMENDMENT: Council Member Morton moved, seconded by Council Member Burt that the funding of the Police Building with COP's would include directing staff to take the necessary steps to put a Business License and 9-1-1 Tax on the November 2009 ballot.

Council Member Morton noted the intent was to move forward on the Business License Tax and 9-1-1 Tax, in parallel with the approving of the COP's to fund the Public Safety Building.

Council Member Morton noted his Amendment would give the voters the means by which the General Fund will be able to fund the COP's. The passage of those two taxes would cover 50 percent of the future liability of the COP's. Council would be able to say to the community we will improve our Libraries and rebuild Mitchell Park with the (GO) Bonds if approved in November of 2008.

Council Member Burt noted his understanding that the Amendment basically embraces the position that was advocated by Council Member Yeh and himself at the Finance Committee meeting which would place the issuance of the COP's contingent upon these new revenue sources.

Council Member Morton noted his Amendment was not contingent upon the new revenues. There would be a decision by the voters on these taxes in November 2009 General Election and the COP's may be issued sometime after that.

Mayor Klein responded that was not his understanding. He thought COP's would be issued prior to that.

Mr. Perez responded that the City Manager's Report (CMR) noted to go forward with COP's in April of 2009.

Council Member Burt noted his understanding was in parallel to issuing COP's for the full funding of the Public Safety Building, staff was to be directed to pursue a 9-1-1 and Business License Tax.

Council Member Morton agreed with that interpretation.

Mayor Klein asked if the intention of the Amendment was to delay the COP issuance.

Council Member Morton responded no.

Mayor Klein clarified that the intent was for an election for the 9-1-1 and Business License Tax that had nothing to do COP's.

Council Member Morton replied that he thought with the COP's it was necessary to identify sources of revenue.

Council Member Burt retracted his second to the Amendment.

City Attorney Gary Baum stated that if the revenue measures were linked to the COP's, a 66.6 percent approval would be required in a special tax.

Mayor Klein stated the Amendment was separate direction to staff to proceed with an election on the Business License and 9-1-1 Tax. Either there was a connection with the COP'S or not.

Mr. Baum stated that it could be a Substitute Motion or Council could choose to divide it for the purpose of voting.

Mayor Klein stated he chose to divide it because he didn't think that it was an Amendment to the Motion.

Council Member Morton asked Mr. Baum if it was his choice to offer it as an Amendment. He could not support the COP's without assurance that the impact on General Fund is minimized.

Mr. Baum stated that decisions on the Motions were the decision of the Mayor unless he is overruled by the majority of the Council.

Council Member Morton requested that the Amendment not be divided.

Council Member Schmid stated his understanding that sequentially the decision on COP's must be made by April.

City Clerk Donna Grider stated that for a November election the decision to place a measure on the ballot must be approved by the end of July.

Council Member Schmid stated that the decision can still be made in April.

Mayor Klein responded that would be another Amendment.

Council Member Morton stated he would vote against the Motion unless we can give the Community the ability to minimize the impact of the General Fund of a five thousand dollar hit, and instruct staff to prepare for a November 2009 Election a measure for a Business License and 9-1-1 Tax.

Mayor Klein responded that Council Member Schmid wanted the approval of the two tax measures at the same time of issuing the COP's.

Council Member Schmid responded that was correct.

Mayor Klein asked Council Member Morton if he agreed with Council Member Schmid.

Council Member Morton stated that by April 2009 Council would have given residents the opportunity to vote on a ballot measure to approve a 9-1-1 and Business License Tax.

Council Member Burt stated that now a specific time had been added to when this is going on the ballot however, it hasn't been determined if this is going to be a General Election. He noted he would vote against this Amendment, then be prepared after voting on the main Motion to propose that staff be directed to pursue a proposal on both the Business License and 9-1-1 Tax or fee.

Council Member Barton stated he will vote against the Amendment. He was careful not to include specific funding mechanisms in his Motion and that was not due to irresponsibility. Rather he did not want to get into a situation in the Motion tying a particular funding mechanism. In case of an election we potentially set up a need for two-thirds plus one rather than a 50 percent plus one. The key here is to get us moving down the road to getting this building built.

Council Member Kishimoto stated her intention to support the Amendment. It made sense because the package being brought to the voters stated the Library will be paid with GO Bond in November 2008, then we are committing to pay for the Public Safety Building with the COP's. With the Amendment we are committing to placing on the ballot the choice to the voters whether they want to see a reduction in services or an increase in revenues. What would happen if the Library bond fails?

Vice Mayor Drekmeier stated his understanding of what Council Member Morton statement was that he would feel more comfortable voting for Certificates of Participation to fund the Public Safety Building if he knew there was an opportunity for the people to vote on 9-1-1 and Business License Tax. The Mayor's statement is that this isn't conditional and does not

seem like an Amendment. He supported and encouraged a vote for the 9-1-1 and Business License Tax first versus second.

Mayor Klein noted he would vote no on the Amendment because he felt it was premature to talk about any other taxes. He felt it sent a confusing message to the public. The Motion satisfied one of the basic rules of how to get things passed by keeping it simple and understandable. Things get complicated when you tell the public that they will be voting on Library Bonds in 2008 and there will be additional taxes to consider in November 2009.

Council Member Schmid stated the Public Safety Building and Library are a necessity. There were three long term goals identified earlier this year; Economic Health, Public Safety and Library, and Civic Engagement which are directly relevant to the discussion. The current Amendment allows us to go to the public in a forthright manner saying we have made these decisions and would like your support.

Council Member Yeh stated that in general he supported the main Motion.

Council Member Kishimoto clarified three points: 1) the item being discussed is to provide an agreement on the financing strategy for the two sets of facilities, 2) directing staff to prepare for all these events but not actually making final direction, and 3) a need to do streamlining not by layoffs but by revamping a strategy for delivery of City services.

Council Member Burt stated that the Amendment was too specific in its timing and content. It did not provide the latitude for the determination if the 9-1-1 fee was a justifiable fee. He was persuaded by Mayor Klein's argument that at this point in time we proceed on the simple Motion of the Certificates of Participations for the Public Safety Building and then pursue the other revenue sources that will be needed in the future.

Vice Mayor Drekmeier stated he supported the original Motion and not the Amendment. He inquired on ways of reducing the Public Safety Building costs.

Council Member Morton stated the Chamber of Commerce came before the Finance Committee and indicated their support for a Business License Tax, which would increase revenues.

INCORPORATED INTO THE AMENDMENT WITH THE CONSENT OF THE MAKER: Mayor Klein moved, seconded by Council Member Espinosa, that the City Manager solicit and appoint a group of people who reside or work in Palo Alto and have experience in the construction business to review and provide comments on the proposed costs of the Public Safety Building.

Council Member Barton stated he has not seen the business community come forward to tell the Council whether they want a tax or not.

Council Member Morton requested clarification from the City Attorney regarding the vote tonight.

Mr. Baum responded it is not the final approval.

Council Member Morton asked the City Attorney if these were more policy statements than actual adoption of the financing mechanism.

Mr. Baum responded yes.

Council Member Kishimoto asked if the Amendment did not pass does that mean that staff will not move forward on taxes.

Mr. Benest responded it is Staff's intention to go back to the Finance Committee with a number of ways to structure the Business License Tax. Staff did not have any direction at this point about investigating beyond what we have done on the 9-1-1 Fee.

AMENDMENT TO THE AMENDMENT FAILED: 3-6, Yes, Kishimoto, Morton, Schmid

AMENDMENT: Council Member Schmid moved to set aside funds in the operating budget for 250,000 to guarantee an operating fund for new library building.

MOTION Failed for Lack of Second

MAIN MOTION: To fund the libraries by General Obligation Bonds (GO) and to fund the Public Safety Building with Certificates of Participation (COP's).

MOTION PASSED: 7-2, Morton, Schmid no
Assistant City Manager Emily Harrison asked Council to give direction to staff to return with the Budget Amendment Ordinance (BAO) and design contract.

MOTION: Council Member Barton moved, seconded by Council Member Burt to direct staff to return with a BAO and design contract for the Public Safety Building.

MOTION PASSED: 9-0

Council Member Burt noted several of his colleagues have an interest in continuing to look at the scope of the projects. Consideration of the expansion of the Main Library is a necessity and to decide whether the full renovation of the Downtown Library is a necessity.

Mayor Klein stated this was not on the agenda this evening and there will be plenty of opportunity to discuss things like that in the future.

Council Member Barton replied as a Point of Order the Council passed a Motion previously supporting unanimously a plan for the libraries. For the council to question that is out of order.

13. (Former no. 6) Approval of Amendment No. One to Contract No. C07116703 Between the City of Palo Alto and C-Way Custodian Services to Increase the Annual Compensation Amount by 37,178 for a Total Annual Compensation Amount of 525,629 to Provide Custodial Services at Selected City Facilities and Authorization to Enter into 3 Additional One Year Extensions

Council Member Burt requested clarification from Staff regarding what he believes is an increase to the contract of 32,328 dollars. The document alludes to a Consumer Price Index (CPI) increase which is allowed every year, but this looks like a 6 percent increase.

Mr. Roberts stated that it is correct that the 37,000 dollar increase is more than 2.6 percent increase, but it provides for both the CPI increase of 2.6 percent the second year of the contract, and increased scope of services at the Arastradero Gateway Facility, Children's Library, and park restroom facilities.

MOTION: Council Member Morton moved, seconded by Council Member Burt to move staff recommendation for the Approval of Amendment No. One to Contract No. C07116703 Between the City of Palo Alto and C-Way Custodian Services to Increase the Annual Compensation Amount by 37,178 thousand dollars for a Total Annual Compensation Amount of 525,629 thousand dollars to Provide Custodial Services at Selected City Facilities and Authorization to Enter Into Up to 3 Additional One Year Extensions

MOTION PASSED: 9-0

COUNCIL COMMENTS, ANNOUNCEMENTS, AND REPORTS FROM CONFERENCES

Council Member Kishimoto commented she will present updates on Metropolitan Transportation Commission (MTC) & Santa Clara County Valley Transportation Authority (VTA) in the coming week. A reminder to attend "The Tour of California" coming up, and, a plea to the public to not question

the credibility of the Police Department vs. the Children's Theatre but to let the investigation proceed and support a speedy resolution.

Council Member Drekmeier commented as alternate to Bay Conservation and Development Commission (BCDC) Payback South Bay he attended the meeting last Thursday and there were no reportable actions.

Mayor Klein commented he would have supported Council Member Schmid's last proposed Amendment regarding an increase to budget for the Library if it was at a regular budget process.

ADJOURNMENT: The meeting was adjourned at 11:40 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.