



# CITY OF PALO ALTO CITY COUNCIL MINUTES

Special Meeting  
June 11, 2012

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:30 P.M.

Present: Burt, Espinosa arrived @ 5:35 P.M., Holman, Klein, Price, Scharff, Schmid, Shepherd, Yeh

Absent: None

**MOTION:** Mayor Yeh moved, seconded by Council Member Price to continue Agenda Item Nos. 2 and 3 to a date uncertain.

**MOTION PASSED:** 9-0

## CLOSED SESSION

1. CONFERENCE WITH CITY ATTORNEY - EXISTING LITIGATION  
Subject: City of Palo Alto et al. v. California High-Speed Rail Authority  
Superior Court of California, County of Sacramento, Case No. 34-2010-80000679 / 3<sup>rd</sup> District Court of Appeal Case No.: C070877  
Authority: Government Code section 54956.9(a)
2. CONFERENCE WITH CITY ATTORNEY/LEGAL COUNSEL  
Potential Litigation Relating to High Speed Rail  
Section 54956.9(c) - Potential Initiation of Litigation - 1 Case
3. CONFERENCE WITH CITY ATTORNEY/LEGAL COUNSEL  
Potential Litigation Relating to State Water Project Property Tax Levy  
Section 54956.9(c) - Potential Initiation of Litigation - 1 Case
4. CONFERENCE WITH CITY ATTORNEY/LEGAL COUNSEL  
Potential Litigation Relating to Water Service Charges, Palo Alto Hills Golf Country Club  
Section 54956.9(c) - Potential Initiation of Litigation - 1 Case

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Council Member Holman did not participate in Agenda Item No.4 as she has ownership in the Palo Alto Hills Golf and Country Club.

The City Council reconvened from the Closed Sessions at 7:16 P.M. and Mayor Yeh announced no reportable action.

## SPECIAL ORDERS OF THE DAY

### 5. Proclamation Recognizing World Music Day

Council Member Espinosa read the Proclamation into the record.

Claude Ezran thanked the Mayor and City Council for the Proclamation. He invited everyone to the event scheduled for Sunday, June 17, 2012, 3:00 P.M. to 7:30 P.M. on University Avenue. He also thanked City Staff for their work and support. He recognized supporters, sponsors, and volunteers.

## ORAL COMMUNICATIONS

Jeffrey Sun, Gunn High School Robotics Team reported the team was a group of 50 students who built a robot in six weeks. The robot shot basketballs at hoops, and placed 21st out of 100 at the national competition. The team worked with fifth graders from Juana Briones or Barron Park Elementary School to create and manufacture mechanisms for a haunted house. They also worked with a group of 8 year olds to build a Lego robot, which won sixth place in regional competition. He reported on an animation project which won first place at the national championship, for the third consecutive year. He thanked Palo Alto Partners in Education for providing funds for the team.

Mayor Yeh congratulated the team on their success.

Allison Beers, President and Founder of the Pinewood Philanthropy Club in Los Altos presented Animal Services with a \$1,500 check.

Aram James recalled on May 7, 2012 the City Council approved a revision to a statute regarding regulation of behavior on City property. This statute was drafted to prohibit protected First Amendment speech.

Omar Chatty reported another person had been killed on Caltrain at a grade crossing. He recommended use of Bay Area Rapid Transit in the corridor

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rather than Caltrain, because it covered all issues discussed at the Rail Committee meeting. Nine people had died in the corridor in 2012, 25 since the prior year, and 185 since 1995. The blended solution was dangerous, because of the State's advantages under eminent domain. Proposition 99 provided a single-family dwelling exception; however, a public-private partnership negated the exception. He asked the Council to consider doing something about Caltrain.

Mike Francois commented on a May 22, 2012 article regarding fluoride by Alan Ball. The article indicated ingesting fluoride delivered health risks without reducing tooth decay.

Wynn Grcich remarked that City Councils received funds through the International Committee for Local and Environmental Initiative for redevelopment in exchange for following the protocols of Agenda 21 Depopulation. Chemicals used in the hydraulic fracking process were found in water supplies. Governor Brown wanted to ease regulations and allow more fracking. The process poisoned water supplies. She urged everyone to view videos on YouTube regarding these topics.

PaloAltoFreePress had not received a response to phone calls requesting follow-up information about a public records request. After providing the City Attorney with a courtesy copy of a Writ of Mandamus, the City Attorney had responded to him. He suggested creating an alias email address for public records requests to distribute the request to the Police Department, Police Records, the City Attorney's office, and all department heads.

## MINUTES APPROVAL

**MOTION:** Council Member Shepherd moved, seconded by Council Member Schmid to approve the minutes of March 12, 2012.

**MOTION PASSED:** 9-0

## CONSENT CALENDAR

Council Member Holman registered a no vote on Agenda Item No. 7.

**MOTION:** Vice Mayor Scharff moved, seconded by Council Member Price to approve Agenda Item Nos. 6-8.

6. Approval of Contract with Graham Contractors, Inc. in the Amount of \$847,510 for the Pavement Resealing Project, the 2nd of 6 Contracts in the 2012 Street Maintenance Program Project (CIP PE-86070)

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7. Ordinance 5158 entitled "Ordinance of the Council of the City of Palo Alto Amending Section 18.08.040 of the Palo Alto Municipal Code (The Zoning Map) to Change the Classification of Property Located at 335 and 355 Alma Street from CD-C(P) and CN-N(P) to PC Planned Community Zone (PC\_) for a Mixed Office and Retail, Four-Story, 50 Foot Tall Building (and a 70 Foot Tall Corner Tower Feature) on the Former Shell Station Site. The Project Includes Exceptions to the Daylight Plane and 35 Foot Height Limit Within 150 Feet of Residential Property." (First Reading May 14, 2012 - Passed 7-2) (Continued from June 4, 2012)
8. Approve and Authorize the City Manager to Execute Contract Amendment No. 1 to Contract No. C10135025 in the Amount of \$266,647 with Alta Planning + Design for Preliminary Design and Environmental Assessment Services for the Pedestrian & Bicycle Overpass at Highway 101 (PE-11011) and Feasibility Study of Adobe Creek Reach Trail Project Leading to the Overpass for a Total Contract Amount Not to Exceed \$338,929.

**MOTION PASSED Agenda Item No. 6, 8: 9-0**

**MOTION PASSED Agenda Item No. 7: 8-1 Holman no**

## ACTION ITEMS

9. Public Hearing – Approval of an Ordinance Adopting the Fiscal Year 2013 Budget, including the Fiscal Year 2013 Capital Improvement Program, and Changes to the Municipal Fee Schedule; Adoption of 10 Resolutions to: 1) Adopt a Dark Fiber Utility Rate Increase and Amend Utility Rate Schedules; 2) Amend Gas Utility Rate Schedules for a Rate Decrease and Amend Utility Rules and Regulations; 3) Adopt a Wastewater Collection Utility Rate Increase and Amend Utility Rate Schedules; 4) Adopt a Water Utility Rate Increase and Amending Utility Rate Schedules; 5) Amend Storm Drain Utility Rate Schedules for a Rate Increase; 6) Amend Refuse Utility Rate Schedules for a Rate Increase; 7) Amend the 2010-2011 Compensation Plan for Management and Professional and Council Appointees; 8) Amend the 2010-2011 Compensation Plan for the Service Employees International Union (SEIU); 9) Amend the 2010-2014 Compensation Plan for the International Association of Fire Fighters (IAFF); and 10) Amend the 2010-2014 Compensation Plan for the Fire Chiefs' Association (FCA).

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Mayor Yeh reported the Council would begin the public hearing process on the Ordinance adopting the Budget for Fiscal Year (FY) 2013. Two public hearings on the Budget and related Utility rate increases were scheduled for tonight and June 18, 2012, at which time the Council would take final action. The Budget adoption included six separate rate increases: Dark Fiber, Gas, Wastewater, Water, Storm Drain, and Refuse. Rate increases for Water, Wastewater, and Refuse required majority protest hearings under Proposition 218. Those hearings would be conducted on June 18, 2012. When the Council opened the public hearing on the Budget, the Council would offer the public an opportunity to speak on any Budget item including the Proposition 218 rate increases. The Council discussion would be divided into two phases: 1) the Stanford Budget-related items, and 2) all remaining Budget items.

James Keene, City Manager, stated the City had a good process of allowing the Finance Committee (FC) to work through the details in the City's Budget. The Council would receive the Proposed Budget as amended by the FC; however, the Council would not take action until June 18, 2012. The Proposed Budget was listed as an Action Item, and the Council could take some positions or issue direction to Staff. Staff focused on four main strategies in proposing the Budget: 1) reduce Staff compensation and benefit costs for the long term; 2) determine methods to control costs while providing services at the existing or an enhanced level; 3) determine revenue improvements to help balance the Budget; and, 4) determine program reductions. The FC's Proposed Budget managed to sidestep the issue of service impact. Staff would present the methodology and assumptions used by the consultant in the Cost of Service Study. By the first quarter of the next fiscal year, Staff, the Council, and the community would begin discussing the programs and services provided by the City, methods to fund them, and the priority of programs and services. Both the Policy & Services Committee (P&S) and the FC recommended not outsourcing the Animal Shelter. The Proposed Budget included the FC recommendation to reinstate basic funding and retain the Animal Shelter in the City, while requiring significant cost savings. Staff would explain how to reconcile the recommendations from FC and P&S relating to animal control.

Lalo Perez, Administrative Services Director, reported the Budget process began on April 30, 2012, when the Council referred the Proposed Budget to the FC. The FC held six meetings on the Budget. This was the fourth consecutive year of financial challenges and budget gaps. The Council had narrowed those gaps over the last few years through \$14.3 million in structural adjustments. The Budget began with a \$5.8 million gap, most of which transferred from FY 2012 because of the lack of concessions from

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Public Safety. Part of the \$5.8 million gap was a \$2 million increase for Retiree Medical. The General Fund Budget had been reduced by approximately 10 percent. Sixty positions were removed from the Budget prior to FY 2013, and 10.5 Full-Time Equivalents (FTE) were removed in the Proposed Budget for FY 2013, not including 14 positions proposed to be frozen. Freezing a position meant Staff wanted to retain the FTE in the Table of Organization, but defunding the Budget itself. Staff had made adjustments for the lack of these positions in the delivery of services. Revenue increases were slight, and resulted from increased sales, hotel, and property taxes. Net changes in the Operating Budget totaled approximately \$1 million. The FC directed Staff to add \$2.2 million for additional infrastructure funding, as a result of the Infrastructure Blue Ribbon Commission (IBRC) recommendations. Concessions from the Public Safety Department resulted in a savings of approximately \$1.5 million, primarily from the Police Officers' Association. The Proposed Budget as presented on April 30, 2012, contained two one-time items for a Development Center Capital Improvement Program (CIP) of approximately \$800,000 and an Airport loan of \$310,000. Staff recommended drawing on Reserves for those two specific projects, which would balance the Budget. That was not the standard practice, and Staff did not want to become accustomed to drawing on Reserves; however, because of the one-time nature of the items and the prior year's transfer of \$4 million to Reserves, Staff felt it should be considered. Since April 30, 2012, the Proposed Budget had been amended to increase expenditures by \$90,000, lower fee increase recommendations, and add charges recommended by Staff to the FC. With these changes, the Budget gap decreased to \$1.112 million. In reconciling the Budget prior to the final FC meeting, Staff found a few changes totaling \$722,000. In reinstating Animal Services to the Budget, Staff failed to net out the \$500,000 place holder for contract services. Staff had moved Retiree Medical charges for Animal Services to another Department. That place holder could now be removed. With those changes, the Budget gap was reduced to \$390,000. Staff recommended the Council use the Budget Stabilization Reserve (BSR) to close the gap. Staff believed the majority of the \$310,000 loan for the Airport provided justification for the draw. Staff projected a BSR balance of \$27.4 million or 18 percent of the Operating Budget. Staff projected a \$2.3 million draw on the BSR for FY 2012; however, this would not be necessary after Staff compared actual figures with projections. Staff projected a BSR balance of approximately \$29.7 million or 19.4 percent of expenditures.

Pam Antil, Assistant City Manager, explained the proposed changes to the Fire Department. Earlier in the year, Station 7 closed as part of the agreement with Stanford, which resulted in a reduction of 9 FTEs. Staff

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used that to redeploy 6 FTEs to Station 2 to fully staff a 24-hour ambulance. An ambulance was located at Station 2, but it was fully staffed for only 12 hours per day. Staff reclassified 1 FTE to Fire Inspector with full cost recovery through the Development Center. This resulted in a net reduction of 2 FTEs. Six vacancies had existed for some time, and the FC recommended elimination of those positions rather than freezing them. The net restructuring plan resulted in 8 FTE reductions in the Fire Department.

Mr. Perez noted the freezing of 7 FTEs and 14 vacancies in the Police Department. Because of the vacancies, the Department would deploy officers in a different manner. Staff did not recommend these vacancies become permanent reductions until a study of the redeployment was complete. Staff proposed freezing five positions in the Library Department, which would be reinstated once the library upgrades were complete. Staff proposed City-wide fee increases of 3 percent or \$570,000. Staff instituted a 5 percent technology fee that was going into the Technology Fund. This new fee would support new City-wide initiatives. Staff reinstated \$1.88 million in expenditures and \$930,000 in revenues for Animal Services, leaving a net cost of \$949,000. Removing the contract base of \$500,000 left a gap of \$449,000. The P&S recommended Staff reduce expenditures by \$200,000 and increase revenues by \$100,000 to compensate for the loss of revenue from Mountain View. The FC recommended adding \$149,000 as a gap that needed to be closed. Staff was formulating a plan for a 50 percent increase in revenues and a 50 percent increase in cost reductions. The 50 percent reduction in costs would be approximately \$225,000, which matched the P&S recommendation. In FY 2014, the gap would increase by \$170,000, the amount of money from Mountain View for the first four months in FY 2013. That gap would need to be addressed. A timeline for instituting any proposed new fees for the Animal Shelter would include a 14-day notice process. Staff planned discussions with stakeholders in July 2012.

Mr. Keene reported the Council would need to balance appropriation of expenditures in the Budget before adopting it on June 18, 2012. Staff expected to present a fee schedule, rate changes, and an expenditure reduction plan for Council consideration in early July 2012.

Mr. Perez reported the pension expense had dramatically increased over time. Eliminating 10.5 positions and freezing 14 positions kept the pension expense constant for FY 2013. The healthcare benefits increase for current employees would remain constant from FY 2012 to FY 2013, because of Public Safety contributions to healthcare. Property taxes remained flat or increased slightly. Sales tax revenue returned to the FY 2008 level; however, expenditures remained above the FY 2008 level. The Utility Users

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tax included a 10 percent decrease in Gas. Another concern was the steady decrease in the Telephone User tax. The Transient Occupancy tax (TOT) was considerably above the FY 2008 level and had increased year over year. The documentary transfer tax was close to the FY 2008 level. Revenue was based 50 percent on taxes and 16 percent on fees for services. That would be a discussion point with the Cost of Service Study. Expenditures in non-Public Safety Departments remained constant. Fire Department expenditures decreased as a result of recommended changes, and Police Department expenditures remained constant. The City began the year with 1,024.85 FTEs, and amendments approved by the FC reduced that to 1,014.35 FTEs. Because the \$2.2 million for infrastructure improvements was presented after Staff made recommendations to the FC, funds were not assigned to specific projects. Staff would recommend utilization of those funds or would accept Council direction. The average residential utility bill contained a 32.7 percent gas rate decrease, a 15 percent water rate increase, a refuse rate increase dependent on service level, a 5 percent wastewater collection rate increase, and storm drain and fiber optic increases based on the Consumer Price Index (CPI), currently at 2.9 percent. The overall change to the average residential bill was a decrease of \$4.20 or approximately 2 percent. Staff was conducting a utilities' organizational assessment study and expected a draft report at the end of June 2012. Staff would analyze, review and discuss the report before presenting it to the Council after the summer break. The Utilities Department requested several positions; however, Staff recommended and the FC approved 3 FTEs for regulatory reasons. With the closure of the landfill, Staff proposed eliminating nine positions and reductions of \$8.9 million.

Council Member Shepherd, Chair of the Finance Committee, reported the FC discussed increased fees with the Lawn Bowlers, Cubberley Artists, and Community Gardeners. All three responded with proposals to increase fees, reduce expenses, and work with other organizations to reduce other expenses. The Save Our Animal Shelter organization understood the situation with Animal Services and was willing to help solve it. The FC reinstated filling the lake at Foothill Park, and asked the community for financial contributions. Every issue involved the Cost of Service Study and the costs of offering services to the community. The FC discussed staffing changes in the Fire and Police Departments, and changes to the Safe Routes to School Program.

Public Hearing opened at 8:39 P.M.



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Scottie Zimmerman reported the donation fund for the Animal Shelter had grown from \$200,000 to more than \$300,000 since April 2012. Volunteers were working on items to sell to help finance the shelter. Animal Services had 13 employees including 2 half-time employees. It was not reasonable to say Animal Services was over-staffed. Volunteers were focusing on raising funds to pay Staff salaries.

Luke Stangel was a founding member of Friends of Palo Alto Animal Shelter, which was committed to helping the shelter balance its budget through private donations. The idea that Animal Services could be cost neutral or provide a profit was unusual, because each of the City's 15 Departments operated at a deficit. Cutting \$500,000 from Animal Services' budget would result in a drastic reduction in services. The Department operated efficiently. He asked for time to allow Four Paws to raise money for the Animal Shelter.

Kate Malatesta was also a founding member of Friends of Palo Alto Animal Shelter. During the May 10, 2012 P&S meeting, residents expressed their opinions regarding outsourcing Animal Services. The response times of Silicon Valley Animal Control Authority (SVACA) and Silicon Valley Humane Society illustrated the need to keep Animal Services open for the good of the community. The FC added to the P&S recommendations to reduce expenses and increase revenues. Animal Services provided a service and earned revenue based on its level of manpower. There was no way to reduce Staff without adversely affecting the current level of service. Fewer employees meant less revenue. She hoped the City Council gave Animal Services a realistic timeframe to become fiscally independent without also having to combat the effects of staff reductions.

Judy Cook felt Animal Services were a crucial part of the Police Department. Residents relied on Animal Control Officers to keep them safe in animal-related situations. Animal Control Officers often worked full shifts as well as on-call shifts. The number of Animal Control Officers was appropriate and should not be reduced. Animal Control Officers knew the residents and pets of the communities they served.

Gloria Jackson, a resident of Mountain view, stated the Friends of Palo Alto Animal Shelter would raise funds to offset Shelter expenses. She was disappointed by Mountain View's decision to withdraw from its agreement with Palo Alto. She had used veterinary services at the Animal Shelter since 1972, and was happy with those services. Licensing dogs in Palo Alto would be a source of revenue that would help keep the Shelter open. She invited

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the Council to attend an ice cream social in August where Mountain View Council Members would be present.

Ingrid Shu, member of the College Terrace Residents Association Board, discussed proposed reductions in fire engine services. The Board expressed its position in a letter emailed to the Council. By removing one fire engine from the interwoven logistics of the Fire Department's emergency dispatch, average response time would increase throughout the City. Engine 2 was located near College Terrace, but it was also the most centrally located station in the City with the fastest response times and the widest geographic area to cover. If the engine brownout experiment proceeded, there should be: 1) funding to monitor response times from all six full-time fire stations; 2) a report prepared by a date prior to the FY 2014 budget; and, 3) review by an independent party and public discussion at least six weeks prior to the FY 2014 budget adoption. She had experienced a fire emergency and the Department's outstanding work. She trusted the Council would be careful and cautious with regard to any possible reduction in fire service.

Herb Borock did not recall the Council having proposed changes in utility rates on prior Agendas. The Council had the prior water rate changes on its Agenda twice. The FC made its recommendation in time for the proposal to be on the Council Agenda. The Council should decide which proposal was sent to ratepayers. The recommendation regarding the Refuse Fund was made to the FC before the Cost of Service Study was available. The Staff presentation indicated a reduction in rent under Refuse Fund expenses. The rent was paid on a smoothing schedule, that is, \$3 million was deferred to be paid in subsequent years beginning in the current fiscal year. Interest was paid on that rent. It could not possibly be a reduction in the interest payment. It was possible to show run maps for each fire station as first, second, and third responders both with and without an engine company. It would seem that performance standards would be different in the Budget without the extra engine.

Public Hearing closed at 8:57 P.M.

Mayor Yeh reported the public hearing would remain open to allow the public to address the Council the following week at the second meeting regarding the Budget.

Molly Stump, City Attorney, reported the California Political Reform Act prohibited city officials from making or participating in making decisions with a material financial impact on individuals or entities that were a source of

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income to that official. Stanford University was a source of income for Mayor Yeh and Council Member Klein through their spouses. Traditionally, the City Council had segregated Stanford University items from the Budget. The California Fair Political Practices Commission allowed that type of segmented decision making in similar situations. Conflicted Council Members could recuse themselves from those Items and participate in other Items. She understood the Stanford-related Budget Items would be discussed first with two Council Members not participating.

Council Member Klein advised he would not be participating in portions of Agenda Item No. 9, the Police and Fire Budgets and the CIP Budget, related to Stanford University as his wife was a faculty member.

Mayor Yeh advised he would not be participating in portions of Agenda Item No. 9, the Police and Fire Budgets and the CIP Budget, related to Stanford University as his wife was a Stanford Ph.D. candidate.

Council Member Burt left the meeting at 9:30 P.M.

Council Member Schmid asked if Fire Station 7 at Stanford Linear Accelerator Laboratory (SLAC) was closed with nine full-time Staff members.

Mr. Keene answered yes.

Council Member Schmid inquired whether those employees would be shifted to Station 2 to staff a 24-hour ambulance service.

Ms. Antil reported those employees would move to different stations, including Station 2.

Mr. Keene indicated six employees would be added to Station 2.

Council Member Schmid assumed Stanford reimbursed the City for the nine positions, and Stanford would no longer do that. He asked if the positions were eliminated while funding was not.

Ms. Antil reported Stanford paid 30.3 percent of the total Fire Department Budget for a variety of services. Staff and Stanford were negotiating a new agreement. The Proposed Budget did not include changes to the agreement.

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Council Member Schmid noticed the Fire Department FTEs had decreased while salaries had increased slightly. He asked whether negotiations could result in savings for the City.

Mr. Keene indicated Staff would provide information at a later time.

Council Member Schmid asked when Staff might have that information.

Ms. Antil expected to complete negotiations in the next 30 days.

Council Member Schmid asked for the date of turnover.

Ms. Antil reported that was done approximately one month ago.

Council Member Espinosa asked Staff to respond to proposals made by the College Terrace Residents Association.

Mr. Keene agreed with the Association's points and expected to support them as part of the change. The Budget contained funding for monitoring response times. Staff could identify a report by a date certain. The Association suggested a date of April 15, 2013; however, Staff would come back to the Council with the proper date. If anything unusual or negative developed, Staff would report to the Council immediately. A monitoring report would be performed by an independent third party. He expected outside consultants to assist with this. All points were sound, appropriate, and fair recommendations and Staff would comply with them.

Council Member Espinosa recalled the City Manager in the past discussed the struggles of placing the right people in the right roles. It was difficult to eliminate positions while the City Manager did not have the power to move Staff between departments. He asked the City Manager to provide his thoughts, and whether the Council could empower him to build the City and staffing given the continuing budget cuts.

Mr. Keene stated the fluidity of staffing was a continuing challenge. The proposed freezing of positions in the Library, Police, and Fire Departments could be continued throughout the entire year. The Library positions could be frozen for an entire year of savings. The Police Department had more vacancies throughout the year than the number of positions proposed to be frozen. Even if new officers were hired, the Chief felt he could freeze seven positions. The FC's recommendation for staffing the Fire Department was

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correct. In these three instances, which were the bulk of expenditure reductions, the City could accommodate staffing reductions.

Council Member Price recalled a Public Safety key performance measure was response time. She asked how the change in service delivery model would be addressed for FY 2014.

Mr. Keene stated information in the Proposed Budget was a summary compared to information in the detailed response time analysis. Staff monitored these key performance measures and would specifically monitor this particular case. Staff expected the changes to be small enough that there would be only a small difference in what would occur naturally across the Department. Only one or two particular changes were being made, and those were manageable.

Council Member Price asked Staff to briefly address efforts being made to accelerate filling the vacancies in Public Safety.

Ron Watson, Police Captain, reported Chief Burns had recently hired two lateral police officers and four new police officers. The lateral officers could be on the street within four months, and the new officers would begin the Police Academy in a few weeks.

Vice Mayor Scharff closed the discussion of Stanford-related Agenda Items.

Mayor Yeh reconvened the full Council.

Council Member Klein noted a statement in the FC Minutes that issues decided in previous years were not open for discussion in the current year. That should not be a rule for the following year.

Council Member Shepherd indicated that was not a rule, but a preference to wait for the Cost of Service Study. Staff would return to the FC with the team performing the Study to review the methodology. The FC would consider all services in detail when the Study was made available.

Council Member Burt reported Staff clarified for the FC that many considerations would be informed by the Cost of Service Study. The FC discussed the methodology of the Cost of Service Study and how the Study would be used for the FY 2014 Budget.

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Council Member Klein stated the Cost of Service Study would not be meaningful in relation to fees for parking at Cubberley. The same thing would be true for the Children's Theater. He did not see any use of the Council Contingency Fund in the Proposed Budget, and asked for an update.

Mr. Perez reported \$250,000 was allocated for Council Contingency as the annual amount in prior years.

Council Member Klein inquired if there was a policy reason for that.

Mr. Keene stated it was a contingency fund for use during the year as things arose. Staff could provide a report for FY 2012.

Council Member Klein recalled the Council Contingency Fund had been used for contingency matters and in the Budget.

Mr. Keene felt use of the Council Contingency Fund had been at the Council's direction. As City Manager, he was reluctant to recommend the Council Contingency Fund be used to fund a particular item.

Mr. Perez indicated use of Reserves to fund the Development Center CIP and Airport loan was the reason the Council Contingency Fund was not an option.

Council Member Klein said that was a source of funds if the Council wished to fund a minor project not included in the Budget.

Council Member Shepherd reported the FC did increase funding for InnVision by \$13,000 to compensate for the Community Development Block Grant (CDBG) reduction. The FC considered using the Council Contingency Fund for that.

Council Member Klein stated if the Council did not use any of the \$250,000, then it should not be included in the Budget.

Vice Mayor Scharff suggested those funds should be used during the year.

Council Member Klein stated that was not the only way the fund was used in the past.

Vice Mayor Scharff felt the Council did not need to find a project in the Budget for it now.

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Council Member Klein felt it was not a good policy to have a donation box at Foothill Park, and sent the wrong message to the community. He recalled that the \$2.2 million for capital improvements was an arbitrary number, and suggested the Council had to find accurate numbers. He was unclear regarding the Fire Department savings. The P&S had an Agenda Item the next week regarding restructuring the Fire Department. He asked if the Council and the P&S were discussing the same or different steps.

Ms. Antil reported the P&S Agenda Item had been continued, because of Stanford negotiations. That discussion would provide the status of recommendations since the January 2011 consultant report.

Council Member Klein inquired whether the P&S discussion would relate to a second phase of changes in the Fire Department.

Mr. Keene felt comfortable with the Budget recommendations for FY 2013 for the Fire Department. Concerns about the methodology for the recommendations did not have to wait for a P&S discussion; they could occur now or the following week.

Council Member Klein was focusing on a second round of changes.

Mr. Keene reported there were some issues regarding the range of cross-training and cross-staffing that could take place in the Department. Those issues could increase the potential for more flexibility.

Ms. Antil reported the recommendation for Station 2 was different from that made in the study. Staff did not recommend combining Stations 2 and 5 at the current time. The recommendation in the FY 2013 Budget with regard to staffing at Station 2 and the ambulance would be an enhancement to the services. Another recommendation considered cross-staffing at Station 2 or 5 with regard to various pieces of equipment. Staff had performed another data poll and were awaiting the report. Staff anticipated reviewing the data throughout the year to make additional recommendations.

Council Member Klein noted the City's savings from going green was not in the FY 2013 Budget, and asked if that would return to the Budget for FY 2014.

Mr. Keene replied yes.

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Council Member Klein recalled the public speaker's comment regarding Animal Services making a profit. That was not accurate. The idea was to reach zero above the \$500,000 to outsource Animal Services. The Council was not asking Animal Services to be unlike all the other Departments.

Council Member Schmid stated the first structural issue was that revenue sources did not grow as sharply as income taxes and capital gains taxes. The City's revenues grew slower over time. The second structural issue was the discrepancy between the growth in the value of benefits as opposed to salaries. The Long Term Financial Forecast stated that over the last decade benefits had grown twice as fast as salaries, and Staff anticipated this to continue. The types of deficits could become structural. The FY 2012 Budget included \$1 million for the Retiree Medical Actuarial Required Contribution (ARC), while the Proposed Budget had zero. He asked what happened to the Retiree Medical ARC.

Mr. Perez indicated it was a place holder in FY 2012. Staff had allocated the amounts in the various Departments for FY 2013. The Proposed Budget showed the \$2 million increase over the prior valuation.

Council Member Schmid asked whether the benefit allocations were the same type of situation.

Mr. Perez explained Staff made assumptions regarding vacancy factors. The City was experiencing a higher than anticipated vacancy factor in FY 2012, and Staff felt the assumptions were too aggressive. Staff returned \$672,000 to the non-departmental category until it could be allocated to the Departments.

Council Member Schmid Stated benefits as a ratio of salaries had risen from 45 percent in 2009 to 58 percent in 2014. The FTE positions had declined by 10-11 percent and yet the benefit costs to the City had grown by 28 percent. He was worried that the Cost of Service Study would indicate services were expensive. With the current trends, the City would probably see a decline in FTEs. The problem was not providing salaries to workers, but rather investing in the future. The ratio of benefits to salaries was 25 percent ten years ago, approximately 55 percent currently, and would reach 100 percent by 2022. The City had to deal with the structural issue of benefits and salaries, if it wanted to retain a competitive labor force and provide services to citizens.



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Council Member Holman noted the new Urban Forester and the lack of a tree maintenance person, a Managing Arborist, and a Planning Arborist. The Planning Department did not have a Planning Arborist or an Arborist. She asked what was the team for the Urban Forester and how this would affect services.

Mike Sartor, Public Works Director, reported the City had eight tree trimmers; that had not changed. The tree maintenance person had been re-classed to a project manager to assist the Urban Forester with the various contracts in that program. The Planning Arborist position continued to exist. The only staffing change in the FY 2013 Budget for urban forestry was the re-classed position.

Mr. Perez stated Staff had erroneously listed the tree maintenance position as a reduction rather than a re-class in the summary of positions being eliminated. Staff corrected that with the FC.

Council Member Holman could not track these positions in the position allocation by department information.

Mr. Sartor would provide a list of positions in the urban forestry program and the organizational chart.

Council Member Holman stated the Development Center had an increase of five employees; however, the Planning Department had a reduction of one employee. A great deal of work flowed from the Planning Department to the Development Center. She wanted to understand how these pieces fit together.

Mr. Keene suggested the question concerned the work demands in the Planning Department and meshing that with the Budget recommendations.

Curtis Williams, Planning & Community Environment Director, reported the position being eliminated was an advanced planning position. The advanced planning loss reduced the kinds of projects being handled. Staff would try to recover some of that loss through contract services. Staff was relying more and more on contract services in current planning and advanced planning.

Council Member Holman indicated advanced planning would handle projects such as Cubberley and possibly the Post Office. She asked colleagues to consider how to have proactive consideration of projects without adequate advanced planning Staff. Approving this reduction would be a serious loss.

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She appreciated the maintenance aspect of projects, and asked if some of these changes and improvements would be popular with the public. She recalled Planning and Transportation Commission (P&TC) discussions regarding CIP. She suggested moving forward budget discussions regarding CIP, and asked for Staff comments.

Mr. Perez reported Staff committed to return to the P&TC to focus on impacts of the Comprehensive Plan, and then receive P&TC's feedback in August relating to the CIP. The Planning Department provided good analytics with regard to the Comprehensive Plan, and that information was attached to the report in the Packet. This was the beginning of how Staff would provide information to the Council. Staff was also considering providing additional views of information through the website. Several components would be part of the CIP discussions.

Council Member Holman recognized there had been improvements over time. She asked if elimination of the landfill rent in the Enterprise Fund was accurate.

Brad Eggleston, Solid Waste Manager, indicated Staff was following the smoothing schedule for the landfill rent. The interest on the deferred landfill rent had been moved from an allocated charge into the landfill rent General Ledger item. The Council was seeing the net reduction in rent that was expected under the smoothing schedule.

Council Member Holman asked about the timing of appointments to the Animal Services working group, and when its work product would be presented to the Council.

Mr. Keene reported an organizing stakeholders meeting was scheduled for Thursday. Expenditure and revenue changes could not be made until September. Staff hoped to have a few opportunities to meet with the stakeholders group before returning to the Council with those recommendations. Staff did not want to appoint a task force to labor over the issue as it related to the near-term decisions the Council had to make. Staff had to determine whether revenue changes actually occurred.

Council Member Holman asked when a list of the task force members would be published.

Mr. Keene stated Staff could provide that the following day.

# MINUTES

Council Member Holman inquired whether enforcement of fees, such as dog licenses, would be part of the program.

Mr. Keene indicated many suggestions had been made, and Staff would have to put them together in the best possible recommendation for the Council.

Council Member Shepherd suggested Staff update language regarding roofing replacement on page 86 of the CIP Budget, because some of the buildings would not exist in FY 2013.

Mr. Keene said Staff would supply more information at the upcoming Retreat.

Council Member Holman suggested Staff consider patching rather than reroofing and other ways to economize.

Mr. Perez stated Staff would only perform essential and necessary work to have a safe facility. Any work beyond that had been deferred.

Council Member Espinosa commended the City Manager for having the Council think about the right things and the right approach. There had been a focus on infrastructure investments, and it was reflected in the Budget with increased investment. He commended Staff for their creative thinking in solving problems. He felt donation boxes in state parks usually worked, and was not inappropriate in those scenarios. The FC considered the Proposed Budget thoughtfully, but some issues would not be resolved for a few more months.

Mayor Yeh inquired about resources dedicated to the Infrastructure Management System (IMS) and about its use in discussion of the FY 2014 Budget.

Mr. Perez mentioned at the April 30, 2012 meeting that Staff had included a \$300,000 CIP placeholder for acquisition of an IMS. Staff was reviewing various programs and systems. Mr. Sartor was moving forward with a position to help manage infrastructure from a public works perspective. Staff envisioned the community would wish to access data points and plans for the future. Many pieces would combine with the IMS.

Mayor Yeh asked if the total expenditure for the FY 2013 CIP Budget was approximately \$20 million.

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Mr. Perez answered yes.

Mayor Yeh indicated that was separate from the \$2.2 million included in the Budget. The Retreat later in the week would include a discussion of prioritizing infrastructure projects. This new Information Technology (IT) resource would enable the prioritization process for infrastructure on an ongoing basis.

Mr. Keene stated the \$2.2 million in the CIP Budget was currently unallocated. Staff could readily identify \$2.2 million worth of infrastructure projects for the following year. Staff would discuss with the Council an accurate amount for future years. He felt \$2.2 million was a good investment for FY 2013. That stream of funding would identify the best long-term dollar amount to meet an objective.

Mayor Yeh said the Proposed Budget highlighted the efforts to prioritize infrastructure needs and allowed the public to visualize the impacts of infrastructure investment. He asked whether the City had funds committed to supporting the Cubberley process or would the Council need to find additional funds.

Mr. Perez was not aware of any funding increases in the Proposed Budget for the Cubberley process. Based on projections for FY 2012, the City was close to reaching the maximum cap for the Reserve. He felt the Council had funds from either the Council Contingency Fund or the BSR that could be earmarked where funds could be added to the Proposed Budget.

Mayor Yeh asked Staff to provide the remaining balance of the Council Contingency Fund for the current fiscal year with the potential to rollover that amount into the following fiscal year. He wanted to know whether there would be adequate resources for the Cubberley process.

Mr. Keene did not expect the City to spend much money for the first half of the fiscal year for the Cubberley Citizens Advisory Committee. The City's agreement with the Palo Alto Unified School District (PAUSD) was to share those costs.

Mayor Yeh noted the Council had received recent communications concerning Fire Department staffing from neighborhood associations. He asked for Staff's perspective on the correspondence from the College Terrace Residents Association.

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Mr. Keene indicated Staff agreed with and would support those recommendations.

Mayor Yeh stated the Development Center and Blueprint Project was an important addition to the Proposed Budget. He asked if full funding of the Development Center would be achieved in FY 2013 or over several years.

Mr. Keene reported the Budget would contain significant one-time costs as well as ongoing increased staffing costs. These costs would be covered by fees collected through the development process. The Proposed Budget did not reflect his proposal to separate the Development Services Director into a Department outside of the Planning Department. That could be accommodated within current funding in the Proposed Budget. That proposal would provide some relief for the Director of Planning and Community Environment. In the first quarter of FY 2013, he would present budgetary reconfigurations that should have a functional impact, but not a cost impact.

Mayor Yeh observed that the Budget process could begin the important and difficult discussions. The timing of the Budget had allowed the Council to continue the discussion of partnering with others to continue delivering services in Palo Alto. Because these difficult discussions would become more frequent, he felt there could be a proliferation of friend groups. He was open to discussing how that model would work. He asked Staff to provide a list of reduced services for the following meeting.

Mr. Perez indicated Staff would attempt to compile all information requested such that the Council could have it prior to the meeting.

Mayor Yeh indicated the discussion was concluded for the evening. The Council would take up the Budget at the next meeting on Monday, June 18, 2012. At that time the Council would take final action to adopt the Budget and all related matters including the utility rate increases.

Council Member Burt returned to the meeting at 10:24 P.M.

10. Public Hearing – Assessment for California Avenue Area Parking Bonds – Plan G: FY 2012-2013; Adoption of Resolution 9256 Confirming Engineer's Report and Assessment Roll, California Avenue Parking Project No. 92-13 (For Fiscal Year 2012-2013).

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Mayor Yeh stated this was the time and place set for the public hearing on the parking assessment rolls for the California Avenue Parking Assessment District No. 92-13, Resolution of Intention No. 7230, adopted August 9, 1993. The City Engineer had caused to be prepared and filed with the City Clerk a report providing for the levying of special assessments within the California Avenue Parking Assessment District No. 92-13, created and established under Resolution No. 7230. The report set forth the amounts of assessments proposed to be levied for the Fiscal Year (FY) 2012-2013. The assessments would be used to pay principal and interest on the bonds issued for the Assessment District. The report had been open for public inspection. The purpose of the hearing was to allow this Council to hear all persons having an interest in any real property within the Parking Assessment District; to hear all objections, protests, or other written communications from any such interested persons; to take and receive oral and documentary evidence pertaining to matters contained in the filed report; to remedy and correct any error or informality in the report; and to amend, alter, modify and correct, and confirm the report and each of the assessments therein. He asked the City Clerk if she had received any written communications from such interested persons.

Donna Grider, City Clerk answered no.

Public Hearing opened and closed without public speakers at 10:29 P.M.

**MOTION:** Council Member Espinosa moved, seconded by Council Member Klein to accept Staff recommendation to adopt the Resolution confirming the Engineer's Report and Assessment Roll for California Avenue District, Project No. 92-13.

Council Member Schmid inquired if this was reported under Internal Service Fund in the Budget.

Mike Nafziger, Senior Engineer, stated it was not reported in the Budget. It was the annual parking assessments to collect funds to pay the bond payment for FY 2012-2013.

Council Member Schmid asked whether it should be included in the City Budget, because it was a City liability.

James Keene, City Manager, was not sure how it was reported.

Mr. Nafziger reported data concerning the assessments, once approved, was transmitted to the County and assessed through property taxes.

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Phil Bobel, Assistant Public Works Director, believed the funds were reported in the Budget, but was not sure where. Staff could provide that information.

Council Member Schmid inquired where in-lieu parking fees were reported in the Budget.

Mr. Keene indicated Staff would provide this information the following week. The Budget contained funds that would be appropriated in the current year. Funds that were collected, but not appropriated, would be appendices to the Budget. They should be included in the Annual Financial Report.

Mr. Nafziger stated the in-lieu parking fee was for the University Avenue Assessment District. There was no in-lieu fee for the California Avenue Parking Assessment District.

Mike Sartor, Public Works Director, noted the California Avenue Parking Permit Fund was located on page 71 of the Budget.

Council Member Schmid asked how many spaces were located in the garage.

Mr. Nafziger did not have the number of parking spaces, because there was more than one garage in the California Avenue District.

Council Member Schmid asked if this paid for only one garage.

Mr. Nafziger answered yes. Staff would provide that information.

Council Member Schmid wanted to know the number of spaces purchased with the \$2 million bond funds to compare it with the in-lieu fee for University Avenue.

## **MOTION PASSED: 9-0**

11. Public Hearing - Approval of a Tentative Map and Record of Land Use Action to Create Six Residential Condominium Units at 382 and 384 Curtner Avenue.

Curtis Williams, Planning & Community Environment Director, reported the project would merge two previous single-family lots and divide the property into six condominium units as a result of litigation and a settlement agreement. The condominium units were approved by the Architectural

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Review Board (ARB). A condition of the approval was the filing of this tentative map and subsequent a final map. Staff recommended approval.

Jim Toby, Applicant had worked on the project for quite some time, and felt it would benefit the community.

Public Hearing opened at 10:31 P.M.

Herb Borock asked if there was a difference in the Below Market Rate (BMR) contribution due to the timing of the different approvals.

Public Hearing closed at 10:32 P.M.

**MOTION:** Council Member Shepherd moved, seconded by Council Member Espinosa to accept Staff recommendation to approve the proposed Tentative Map to create six residential condominium units at 382 and 384 Curtner Avenue, based upon findings and conditions contained within the draft Record of Land Use Action.

Council Member Schmid inquired about BMR units.

Mr. Williams did not recall whether a BMR was required in the original application, but this was a continuation of that application.

Molly Stump, City Attorney, reported the extensive history of the project included a representation by Staff that BMR would not be associated with this project. Therefore, the voluntary settlement included a waiver of any BMR that would be appropriate; given there was a substantial argument that BMR could not be imposed in any case.

Council Member Schmid inquired if the other development fees were included.

Ms. Stump stated the settlement agreement included a waiver of all waivable fees with respect to this project.

**MOTION PASSED:** 9-0



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## COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Council Member Klein asked questions regarding Agenda Item No. 8 and the potential funds coming from Santa Clara County to assist in paying for this project.

James Keene, City Manager, stated that sometime within the next month this item would come back to the City Council. He has been in discussions with Stanford representatives.

Council Member Burt stated that at the meeting with Stanford this past week he requested a copy of the GUP (General Use Permit) agreement for Council Members to review.

Molly Stump, City Attorney stated she would send it to Council Members.

Council Member Klein urged Council and City Staff to have conversations with County Supervisors.

Council Member Burt stated he believed there is language in the GUP around Stanford turning funds over to Santa Clara County.

Mr. Keene stated Staff has had several conversations with Santa Clara County staff.

Council convened back into the Closed Sessions at 10:34 P.M.

Council reconvened from the Closed Session at 11:25 P.M. and Mayor Yeh announced no reportable action.

ADJOURNMENT: The meeting was adjourned at 11:25 P.M.