

CITY OF PALO ALTO CITY COUNCIL FINAL MINUTES

Special Meeting May 12, 2014

The City Council of the City of Palo Alto met on this date in the Council Conference Room at 6:00 P.M.

Present: Berman arrived at 7:30 P.M., Burt, Holman, Klein, Kniss arrived

at 6:10 P.M., Price, Scharff, Schmid, Shepherd

Absent:

CLOSED SESSION

CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and Regulations (James Keene, Lalo Perez, Joe Saccio, Sandra Blanch, Kathy Shen, Melissa Tronquet, Brenna Rowe, Khashayar Alaee)

Employee Organization: Service Employees International Union,

(SEIU) Local 521; Hourly Unit

Authority: Government Code Section 54957.6(a)

The City Council returned from the Closed Session at 6:31 P.M.

SPECIAL ORDERS OF THE DAY

2. Community Partner Presentation by Stanford Arts.

Rhyena Halpern, Assistant Director Community Services, introduced Mr. Tiews, who would discuss the partnership between the City and Arts Programs.

Matthew Tiews, Executive Director of Arts Programs-Stanford University, related the purposes of the Stanford University arts initiative and its history. Stanford University partnered with the Public Arts Commission to increase the amount of engagement offered to the Bay Area community and to create a connection through the arts. Project *Passage*, located at the University

Avenue tunnels, utilized light and sound. This was an opportunity to enhance the energy of the tunnel. Additional funding for implementation of the project was needed. Plans were to open the project in January 2015.

Council Member Price hoped Stanford University could accelerate the schedule for opening the Anderson collection building.

Mr. Tiews reported the building would open in September 2014.

Council Member Burt asked if the time for the *Passage* could be extended beyond six months should it be a favorite of the community.

Elise DeMarzo, Community Services Management Specialist, indicated the Public Art Commission defined temporary art as extending up to one year. The project could remain on display beyond six months; however, it would need to be monitored closely for mechanical failure.

Vice Mayor Kniss requested more information about the sound portion of Project *Passage*.

Mr. Tiews advised that the light element would be two light washes, one for each direction. They would be washes of color varying in intensity and directionality depending on movement in the tunnel. The sound element would interact with sounds being collected from the tunnel. Individuals would be able to interact with sounds in the tunnel through some type of digital media.

Vice Mayor Kniss understood music was comforting to individuals. Adding noise or music to the tunnel could make it more comfortable.

Mr. Tiews commented that one goal of the project was to humanize the tunnel, to give a sense of life to the tunnel.

Council Member Klein favored the Windhover Contemplative Center at Stanford University.

Mr. Tiews explained the center, designed for quiet contemplation, would hold a suite of paintings called *Windhover*.

Council Member Klein believed the center would be a splendid success.

Council Member Scharff inquired whether Stanford University would be a financial partner with the Public Arts Commission for the *Passage* Project.

Mr. Tiews responded yes, for the development phase.

Council Member Scharff agreed the tunnels needed humanizing. He suggested an ongoing program of art for the tunnels between Stanford University and Palo Alto. Perhaps *Passage* could remain on display until a second art work could be installed.

Mr. Tiews stated the project was a proof of concept for ongoing art work, whether a permanent installation or a sequence of temporary installations.

Council Member Scharff supported a series of temporary installations. The challenge was making a commitment to the project.

3. Proclamation - National Police Week.

Council Member Price read the Proclamation into the record.

Dennis Burns, Police Chief, reported the Police Department would dedicate three redwood trees as a hero's grove on May 15, 2014. He thanked the Council for the Proclamation.

4. Appointment of Candidates to the Public Art Commission and the Planning and Transportation Commission.

<u>First Round</u> of voting for one position on the Public Art Commission with the term ending April 30, 2017:

Voting For Christine Kelly Miller: Burt, Holman, Klein, Shepherd

Voting For Jim Migdal: Berman, Kniss, Price, Scharff, Schmid

Voting For Jeanine Murphy:

Donna Grider, City Clerk, announced that Jim Migdal with five votes was appointed to the Public Art Commission for three years with the term ending on April 30, 2017.

<u>First Round</u> of voting for one position on the Planning and Transportation Commission with the term ending October 31, 2017:

Voting For Sea Reddy:

Voting For Przmek Gardia:

Voting For Eric Rosenblum: Berman, Burt, Holman, Klein, Kniss,

Price, Scharff, Schmid, Shepherd

Voting For Brian Hamachek:

Voting For Freda Manuel:

Donna Grider, City Clerk, announced that Eric Rosenblum with nine votes was appointed to the Planning and Transportation Commission with the term ending on October 31, 2017.

<u>First Round</u> of voting for one position on the Planning and Transportation Commission with the term ending October 31, 2016:

Voting For Sea Reddy:

Voting For Przemek Gardias: Burt, Holman, Klein, Kniss, Schmid

Voting For Eric Rosenblum:

Voting For Brian Hamachek: Berman, Price, Scharff, Shepherd

Voting For Freda Manuel:

City Clerk, Donna Grider, announced that Przemek Gardias with five votes was appointed to the Planning and Transportation Commission with the term ending on October 31, 2016.

CITY MANAGER COMMENTS

James Keene, City Manager, announced a squirrel management program for the landfill had been delayed. The final Bike Along event was scheduled for May 17, 2014. Video-based traffic data counters were deployed in various locations across the City to capture bicycle and pedestrian volume. Acterra would honor Phil Bobel as an outstanding local environmental leader on May 16, 2014. Mr. Bobel was also chosen to receive the American Public Works Association award for outstanding service in a public agency. The 92nd Annual May Fete Children's Parade was held the previous Saturday. Counts from the Bike to Work Day totaled 1,757. The Santa Clara County Vector Control District distributed notice regarding an invasive mosquito.

Council Member Scharff recalled the need for a policy discussion regarding use of vehicle license plate readers, and requested an Agenda Item.

Mr. Keene would provide information to the Council.

Council Member Price inquired about the use and outcomes of the City's

\$250,000 allocation for homeless services.

Mr. Keene would provide a status report.

ORAL COMMUNICATIONS

Dennis Scherzer, East Palo Alto Sanitary District Board Member, apologized for his demeanor at the Council meeting held April 29, 2014. He requested open communications between the East Palo Alto Sanitary District Board and the City of Palo Alto.

Deborah Gallegos read an article, *Smart Meters, the Opposite of Green,* regarding issues and concerns of smart meters.

Wynn Grcich stated smart meters contained mercury which caused cancer. Microwaves allowed people to survey the interiors of homes.

Joe Hirsch urged the Council to enact a formal moratorium on all highdensity development in Palo Alto. Residents were opposed to developments that increased traffic congestion.

James Keene, City Manager, reported the Council was focused on highdensity development projects. No such projects were scheduled for presentation to the Council.

Molly Stump, City Attorney, recalled the Council directed Staff not to present any Planned Community (PC) development projects until the Planning Department reviewed the process and recommended reforms.

CONSENT CALENDAR

MOTION: Vice Mayor Kniss moved, seconded by Council Member Holman to approve Agenda Item Numbers 5-6.

- 5. Approval of Second Contract Amendment to Contract No. S13149754, for Labor Negotiations Services with Renne Sloan Holtzman Sakai LLC to add \$90,000 for a Total Amount not to Exceed \$180,000 and Extend the Contract Term by One Year.
- 6. Policy & Services Committee Recommends Adoption of an Ordinance for the Use of Online or Electronic Filing of Campaign Statements.

MOTION PASSED: 9-0

ACTION ITEMS

Mayor Shepherd recused herself from Agenda Item Number 7 as her husband maintained an office in Downtown Palo Alto.

7. PUBLIC HEARING: to Hear Objections to the Levy of Proposed Assessments on the Palo Alto Downtown Business Improvement District and Adoption of a Resolution 9412 entitled "Resolution of the Council of the City of Palo Alto Confirming the Report of the Advisory Board and Levying Assessment for Fiscal Year 2015 on the Downtown Palo Alto Business Improvement District."

Vice Mayor Kniss reported this was the time and place for a public hearing on the levy of an assessment on businesses in the Downtown Business Improvement District (BID) for Fiscal Year (FY) 2015. The City established the Palo Alto Downtown BID approximately ten years prior and was required to hold a public hearing to authorize the levy of an assessment. On April 21, 2014, the Council set May 12, 2014 as the time and place for the public hearing. The Council appointed the Board of Directors of the Palo Alto Downtown Business and Professional Association as the Advisory Board for the BID. The Advisory Board prepared an annual report and submitted it to the Council. The City published the required notice in a local newspaper of record regarding reauthorization of the BID for FY 2015 as required by law. All interested persons would have an opportunity to provide testimony. At the conclusion of the public hearing, the Council would determine whether or not a majority protest existed. A majority protest would exist if the owners of businesses paying 50 percent or more of the proposed levy of an assessment filed and did not withdraw a written protest.

Public Hearing opened at 7:31 P.M.

Chop Keenan believed the BID assessment was basically a business license tax imposed on Downtown commercial entities. The assessment was in addition to the amount levied for parking bonds and the cost of parking permits. The Council proposed a \$75 fee for a business registry. Both a registry fee and a BID assessment were not necessary.

Public Hearing closed at 7:34 P.M.

Thomas Fehrenbach, Economic Development Manager, determined there was not a majority protest.

MOTION: Vice Mayor Kniss moved, seconded by Council Member Scharff to adopt the Resolution confirming the report of the Advisory Board and to levy

an assessment for Fiscal Year 2015 on the Downtown Palo Alto Business Improvement District.

Council Member Burt requested Staff respond to Mr. Keenan's claims that the occupancy permit and the business registry would apply to home-based businesses.

Mr. Fehrenbach advised that an occupancy permit applied to a business occupying a commercial space; therefore, a home-based business was exempt by definition. The Council directed Staff to exempt home-based businesses regarding the business registry.

Council Member Klein indicated there was no proposal to increase the Utility Users Tax (UUT).

MOTION PASSED: 8-0 Shepherd not participating

8. Information Follow up to Recommendation to Cancel Request for Proposals for Energy/Compost or Export Option Proposals for Food Scraps, Yard Trimmings and Biosolids and Begin Implementing the Organics Facilities Plan, including pursuing use of the Measure E Site for Composting (Item was continued by Council Motion on April 29, 2014 to May 2014).

Phil Bobel, Public Works Assistant Director, reported the Organics Facilities Plan (OFP) had four components. Originally Staff proposed the four components be implemented in stages. Staff provided alternative recommendations to staging the components. The biosolids dewatering and truck off-haul facility was needed regardless of other components, because the City did not have a means to remove biosolids if an emergency occurred. The second component, wet anaerobic digestion, would treat biosolids initially with food waste added at a later time. Food scrap preprocessing, the third component, was needed to remove unwanted material from food The fourth component, composting of yard trimmings, did not include biosolids or food waste. Proposals from Harvest Power, Synagro, and We Generation/Cambi remained after screening. The Staff Report contained a discussion of net present value. The OFP would be less expensive than other proposals and the current situation. proposal scored highest with respect to the City's cost and non-cost criteria. Staff recommended the Council reject all proposals from the current Request for Proposal (RFP) and direct Staff to initiate and pursue the OFP. The new OFP was substantially different from the process described in the original RFP to commence negotiations with any proposals. The City would be better served by shifting to two City-owned facilities. The Synagro proposal did not

produce energy, contrary to the fundamental concept of Measure E. With the new OFP, the City should obtain new prices for tried-and-true technologies. City ownership of two components would be less expensive due to public financing options. Alternative 1 was to cancel the current RFP and immediately issue a new RFP to implement Components 2 through 4. The new RFP should clearly state the City favored use of the 3.8-acre portion of the Measure E site for yard trimmings. The remaining alternatives were essentially the same as presented on April 29, 2014. Meeting with partner agencies would continue as there was no final project for them to approve. An RFP for a program management firm was released in April 2014. The issue of electricity pricing would be presented to the Utilities Advisory Commission (UAC) in July 2014.

Walt Hays was disappointed the initial RFP was rejected, but he understood the reasoning. Implementing the intent of Measure E by favoring yard trimmings on the 3.8-acre site was a key factor.

Bob Wenzlau supported the alternative recommendation. He requested public input into the OFP. He preferred the design consider food waste from the beginning. In-vessel composting should be avoided for yard waste. He hoped the project would not be delayed further.

Carolyn Curtis indicated citizens wanted yard waste composting at the Measure E site.

Peter Drekmeier hoped the Council would clearly indicate the Measure E site was available for composting. It was important to combine biosolids and food waste to take advantage of economies of scale. He wanted the Council to issue a contract or contracts for the project by the end of 2014.

Linda Novich, Harvest Power, felt Harvest Power's joint proposal was faster and safer. Harvest Power had a great deal of experience with processing biosolids and food waste.

Emily Renzel supported Staff's original recommendation. If the Council did not agree, it should consider Synagro. None of the proposals saved money. Harvest Power's proposal failed to comply with Measure E and the RFP.

Matt Harris believed Palo Alto's composting requirements should be met within the City's jurisdiction. The OFP should include an open-air aerobic composting component.

Libby Lucas supported Staff's proposal; however, she was concerned that use of the 3.8-acre site would impact wetlands and the wildlife corridor. Facilities should be located closer to Byxbee Park.

Enid Pearson requested the Council support Staff's original organics management plan. Palo Alto would find a better plan to handle yard trimmings and possibly one to generate power.

Mary Carlstead supported Staff's alternative recommendation. The Council could not afford to make an emotional mistake.

John Kelley felt the Council's decisions would be important and urged the Council to support Staff's alternative recommendation.

Claire Elliott supported use of anaerobic digestion and local composting. Moving the composting site upland would not damage the quality of wildlife habitats in the lowland.

Cedric de La Beaujardiere supported the Staff recommendation with a few changes. Perhaps food scraps from regional preprocessors could be added while the onsite preprocessor was constructed. Vendors should propose solutions regarding mixing food and sewage streams. He hoped a vendor could be selected by November 2014. Yard waste composting should not be excessively engineered.

Alex Cannara, Palo Alto Green Energy (PAGE), suggested the Council implement a carbon tax so that each option in the project accounted for externalities.

Karen Harwell supported the alternative as a compromise. Palo Alto should handle waste onsite.

Herb Borock indicated composting would create carbon dioxide, on which there could be a carbon tax. The City had utilized an anaerobic digester in the past. Harvest Power appeared to be the reason for the entire process.

Cybele concurred with prior comments regarding not trucking yard waste and accelerating the timeline.

Craig Lewis, Clean Coalition Executive Director, requested the Council support the alternative proposal. Palo Alto could be a model for self-reliance by composting yard waste onsite.

Lois Salo believed composting should occur on the Measure E site as commanded by the residents of Palo Alto.

Council Member Scharff was pleased by Staff's alternative recommendation, especially by adding the composting to the Measure E site. He hoped Staff could achieve a faster timeline. He inquired whether Staff envisioned the composting facility as enclosed in order to minimize dust and odor impacts on Byxbee Park.

Mr. Bobel reported Staff initially wanted to indicate processing would occur in an enclosure. Mr. Wenzlau referred to a process in which air was pulled through material and then treated. The RFP would state that odor and air had to be controlled. Staff would continue to research technologies for composting.

Council Member Scharff felt the discussion of energy price was unnecessary. The City should not charge above-market rates for green power, because it would result in Palo Alto ratepayers subsidizing regional partners. He asked if 9.4 cents to 10.4 cents was roughly the current market price for green power.

Mr. Bobel advised that the Regional Water Quality Control Plant (RWQCP) currently paid about 10.4 cents. The Utilities Department indicated 9.4 cents was the low price it expected to pay in the future. Staff would spend more time working on the issue and hoped to identify a method to prevent debate of the correct price from delaying the process.

Council Member Scharff asked if the debate would concern the market price for green power.

Mr. Bobel replied yes.

MOTION: Council Member Scharff moved, seconded by Council Member Klein to approve:

- a. Cancel the "Energy/Compost Facility or Export Option for Food Scraps, Yard Trimmings, and Biosolids" Request for Proposals (E/CF RFP).
 - b. Immediately reissue a substitute RFP for implementation of Components #2-4 (Anaerobic Digesters; Food Preprocessing; Yard Trimmings Composting) of the Organics Facilities Plan (OFP). The RFP shall express a preference that the relatively flat portion (3.8 acres or less) of the Measure E Site shall be used for Aerobic Composting of Yard trimmings (Component #4). No later than

December 2014, Staff shall return to Council with recommendations to commence CEQA work and negotiate a contract(s) with the top-rated proposer(s).

- 2. Begin to pursue the Organics Facilities Plan (OFP) by hiring a Program Management firm. Should there be any differences between the OFP and the Recommendations adopted by Council, the Recommendations shall govern.
- 3. Apply for a State Water Resources Control Board State Revolving Fund (SRF) loan for Component One of the Organics Facilities Plan (OFP).
- 4. Initiate design of Component One of the OFP, Biosolids Dewatering and Truck Haul-Out Facility, including direction to prepare related modifications to the Regional Water Quality Control Plant (RWQCP) partner agency agreements.
- 5. Initiate the answering of predesign questions associated with Component Two, Development of a Thermal Hydrolysis Process Wet Anaerobic Digestion (THP AD) facility, at the RWQCP; Component Three, Food Scrap Preprocessing; and Component Four, Yard Trimmings Processing of the OFP, including the following:
 - a. Determine the local market price in Northern California of green electricity that the RWQCP will receive for power generated by the facility;
 - Establish the optimum size of the THP AD facility built to accommodate biosolids for a 30-year planning horizon as well as capacity for food scraps, which Palo Alto and any other jurisdiction would commit to bring to the facility;
 - Establish a list of contributing partner agencies who commit to bring food scraps to the facility;
 - d. Initiate a financing plan for Component Two of the OFP;
 - e. Determine the appropriate purchasing and project delivery mechanisms that should be utilized to develop the OFP; and
 - f. Determine the required CEQA documentation for the Components of the OFP.
- 6. Update the existing timeline and schedule in December 2014 for all Components of the OFP. Direct Staff to expedite the process to the maximum extent feasible.

Mr. Bobel inquired whether the market price referenced in Item 5a would be the price of electricity produced by the facility.

Council Member Scharff answered yes.

Council Member Klein suggested Item 5a state "local price."

Council Member Scharff agreed.

Mr. Bobel assumed local price meant the price that the City could obtain for power offered for sale by the facility.

Council Member Klein felt the key point was to proceed expeditiously. The Council's discussion had to be substantially influenced by citizens' support of Measure E. Staff's alternative recommendation accomplished that.

Council Member Holman supported Staff's original recommendation. The language of Measure E indicated the City had to find that composting would be financially and environmentally favorable. Without a California Environmental Quality Act (CEQA) analysis, that was unknown. She did not understand why it was more advantageous for others to bring their waste to Palo Alto than for Palo Alto to take its waste to others.

SUBSTITUTE MOTION: Council Member Holman moved, seconded by Council Member Schmid to:

- 1. Reject all proposals received in response to the "Energy/Compost Facility or Export Option for Food Scraps, Yard Trimmings, and Biosolids" Request for Proposals (E/CF RFP) process.
- 2. Begin to pursue the Organics Facilities Plan (OFP) by hiring a Program Management firm.
- 3. Apply for a State Water Resources Control Board State Revolving Fund (SRF) loan for Component One of the Organics Facilities Plan (OFP).
- 4. Initiate design of Component One of the OFP, Biosolids Dewatering and Truck Haul-Out Facility, including direction to prepare related modifications to the Regional Water Quality Control Plant (RWQCP) partner agency agreements.
- 5. Initiate predesign of Component Two, Development of a Thermal Hydrolysis Process Wet Anaerobic Digestion (THP AD) facility, at the RWQCP; Component Three, Food Scrap Preprocessing; and Component Four, Yard Trimmings Processing of the OFP, including the following:
 - Determine the price of electricity that the RWQCP will receive for power generated by the facility;
 - Establish the optimum size of the THP AD facility built to accommodate biosolids for a 30-year planning horizon as well as capacity for food scraps, which Palo Alto and any other jurisdiction would commit to bring to the facility;
 - c. Establish a list of contributing partner agencies who commit to bring food scraps to the facility;
 - d. Finalize a financing plan for Component Two of the OFP;
 - e. Determine the appropriate purchasing and project delivery mechanisms that should be utilized to develop the OFP; and

- f. Determine the required CEQA documentation for the Components of the OFP.
- 6. Update the existing timeline and schedule in December 2014 for all Components of the OFP including next steps for the development of Component Four, Processing of Yard Trimmings, where Staff will seek to identify and pursue technologies to harness the energy and resource potential of yard trimmings that could be located on the relatively flat 3.8-acre portion of the Measure E site or elsewhere.

Council Member Holman appreciated Staff's financially conservative approach in the original recommendation. She concurred with public comment regarding home composting. Composting issues could be addressed as new technologies emerged and as Staff identified home composting solutions.

Council Member Schmid indicated the Staff recommendation was logical. Environmental impacts and costs seemed to be both direct and straightforward. Staff should define the characteristics of the aerobic digester such as an enclosure, technologies to mitigate dust and odor, and impacts on the surrounding area. He inquired whether Staff intended to release two separate RFPs.

Mr. Bobel responded initially no. The words in the alternative recommendation implied one RFP. There were good reasons to issue a separate RFP for Component 4. Staff would talk with PAGE and opponents and decide whether to release one or several RFPs.

Council Member Schmid believed the critical issue was finances. The Council and residents should have a good sense of the costs of composting and the value received from it.

Council Member Burt explained that the proposal in the Substitute Motion appeared to require significantly more time than the Motion. The design/bid/build proposal in the Substitute Motion contained the risk of significant add-on costs. A design/build proposal would drastically reduce those risks. Composting was not considered waste.

Vice Mayor Kniss requested Staff comment regarding the appropriateness of placing a composting facility on the 3.8-acre site.

Mr. Bobel reported the Task Force considered alternative locations, but did not identify any viable locations. The Task Force recommended use of the area around the RWQCP.

SUBSTITUTE MOTION FAILED: 2-7 Holman, Schmid yes

Vice Mayor Kniss felt the intent was to proceed quickly and fairly. The end goal was to make the facility a reality. She supported the Motion.

Council Member Price recalled Staff was disappointed not to receive innovative proposals. At some point within the indicated timeframe, Staff would need to determine a final design. She inquired whether Staff could maintain flexibility in design or technology without delaying the process.

Mr. Bobel advised that Staff would build in flexibility at certain points. At various design points, the City could alter the design. However, once a design was approved, no more changes would be possible.

Council Member Price asked how Staff would address capacity issues.

Mr. Bobel stated an analysis of the biosolids stream over 30 years and 50 years projected an increase in the biosolids stream.

James Allen, Assistant Director, Public Works, clarified that Staff utilized Association of Bay Area Governments (ABAG) figures for Palo Alto, then adjusted numbers downward based on the City's Planning Department estimates. Staff utilized the sphere of influence for each partner and told each partner Staff would revisit the latest ABAG numbers during the design stage.

Mr. Bobel added that projecting changes over time for food and yard streams was more difficult. Staff would discuss with PAGE and opponents which numbers to use for food and yard streams.

Council Member Burt asked if Mr. Bobel's understanding of the price of green power included factors of 24-hour availability and avoided cost.

Mr. Bobel was simply attempting to understand the Motion. The market price was the price the local utility would pay for power generated by the facility.

Council Member Burt did not believe the Council had fully discussed the fair market price for green power. The fair market price included avoided cost, availability, and emergency resiliency power. He inquired whether Mr. Bobel understood those factors were a part of the real value of green power.

Mr. Bobel replied yes.

Council Member Burt noted the consideration of alternatives was based upon an advanced scoring system. Staff did not include greenhouse gas (GHG) emissions in the scoring system initially.

Mr. Bobel clarified that GHG emissions were included under the technical category.

Council Member Burt remarked that the supplier with the worst GHG emissions rating scored highest in the technical category. The criteria needed refining.

Mr. Bobel concurred.

Council Member Burt noted the energy component was not a significant factor in the technical category or any other. Another factor was which supplier could construct and begin operations sooner. Also, a threshold for supplier performance could be a third factor. He was concerned that criteria would be omitted or not well defined.

Mr. Bobel agreed.

Council Member Berman felt rejecting current proposals was appropriate. Perhaps creating a separate RFP for Component 4 would be appropriate as well.

Mr. Bobel would not object to a direction for Staff to issue a separate RFP for Component 4. Staff would either issue two RFPs or compartmentalize one RFP so as to function as separate RFPs.

Mayor Shepherd was interested in responses to the next round of RFPs. Designing and constructing the facility would be difficult because of many environmental concerns.

Council Member Schmid noted the Motion directed Staff to release an RFP immediately, and inquired whether Staff would have time to learn about new technologies.

Mr. Bobel advised that Staff would have less time. In the early stages, there would be time for major alterations.

MOTION PASSED: 7-2 Holman, Schmid no

9. Discussion and Council Direction Regarding Potential November 2014 Charter Amendments Related to Council Seats, Including Term Limits,

Beginning/End of Council Terms and Annual Reorganization Meeting, and Other Matters.

Mayor Shepherd reported the item focused on three Charter amendments, identified in two Colleagues' Memoranda in 2013. Charter amendments required majority approval by voters. August 8, 2014 was the final date for Council consideration of placing an initiative on the 2014 ballot. She proposed the Council first discuss potential Charter amendments. If the Council wished, the Policy and Services Committee (Committee) could meet on May 20, 2014 to consider specific language and logistics to assist the City Attorney. If the Council determined other topics for Charter amendments, she recommended they be referred to the Policy and Services Committee for initial discussion.

Council Member Scharff inquired whether the Council should first discuss topics for Charter amendments.

Mayor Shepherd noted the Staff Report included language regarding terms limits. The City Attorney illustrated additional matters for Council discussion.

Roger Smith favored reducing the number of Council seats from nine to seven. That should be a separate ballot measure from other Charter amendments.

Robert Moss opposed term limits for Council Members. Reducing the number of seats would not increase the number of candidates vying for the City Council. Fewer Council Members would have more responsibilities with respect to Boards and Commissions. Fewer Council Members would not affect the length of meetings.

Joe Hirsch favored a limit of two terms for Council Members. Reducing the number of Council seats would shorten meetings. Regarding districts for Council Members, Council Members should be aware of issues across the City. Compensation for the Council was inadequate, and a significant increase was warranted.

Aram James preferred additional Council seats and opposed term limits. The City should have full-time, well-paid Council Members who selected their own staffs and who represented specific districts.

Herb Borock opposed placing any Charter amendments on the ballot. Alternatively, a Charter amendment to change term limits should apply to newly elected Council Members who had not served previously or should

eliminate retiree medical benefits for Council Members. A meeting of the Council was not necessary for Council Members to be sworn into office. Salary combined with benefits most likely exceeded the amount allowed by State law.

Lois Salo opposed term limits and supported nine Council seats. Council compensation should be increased.

Timothy Gray felt Council Member districts would increase citizen involvement and lead to a more representative government. He requested each Charter amendment be a separate ballot measure. Any changes should not affect current Council Members.

Stephanie Munoz did not favor fewer Council seats. Council Member compensation should not be increased. Impediments to running for office should be removed.

Phyllis Cassel, League of Women Voters, supported at-large elections of Council Members, the current number of seats, selection of Mayor by the Council, and a strong City Manager government structure with no change in the basic relationship between the Mayor and the City Manager.

Vice Mayor Kniss hoped the issues would be separate. Term limits were not necessary as few Council Members served more than one term. Changing the beginning/ending of terms was unnecessary.

MOTION: Vice Mayor Kniss moved, seconded by Council Member Klein to refer this back to Policy and Services Committee to consider and recommend any or all of the items listed in the staff report.

Vice Mayor Kniss inquired whether the Council needed to review the matter by June 20, 2014.

Mayor Shepherd indicated the matter could return to the Council on June 16, 2014. The last day for the Council to vote on placing Charter amendments on the ballot was August 8, 2014.

Vice Mayor Kniss requested Staff comment on separating Charter amendments on the ballot.

Molly Stump, City Attorney, advised that it was permissible to include any or all items in one ballot measure, to separate them into packages, or to list them separately. The Council may want to consider costs associated with placing measures on the ballot.

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Vice Mayor Kniss clarified that the Motion addressed the number of Council seats, term limits, and compensation. The Committee could address other issues as well.

Council Member Klein suggested the Motion direct the Committee to consider and recommend any or all items mentioned in the Staff Report.

Vice Mayor Kniss concurred.

Council Member Klein encouraged Council Members not to address specific items in order to have a full discussion after the Committee made its recommendations. The Council needed public input and additional information prior to taking positions.

Council Member Burt discouraged the Committee from making too many changes as issues needed considerably more vetting. If there were wholesale changes, he would prefer a Charter review committee. He supported decoupling the issues. Language to correct ambiguities in the Charter could be placed in one ballot measure. Seven Council Members would likely lead to more efficient and effective government. Compensation should not be considered until the public provided input regarding the number of Council seats. Incumbency had advantages as did fresh viewpoints. Two terms limits appeared to be effective for the City.

Council Member Scharff asked when the Committee would meet.

Mayor Shepherd replied May 20, 2014.

Council Member Scharff suggested the Committee could need more than one meeting for discussion.

Mayor Shepherd wanted the Committee to make recommendations to the Council on or before June 16, 2014 so that the Council could discuss recommendations thoroughly prior to August 8.

Council Member Scharff inquired whether the Committee could direct the City Attorney to draft language.

Mayor Shepherd explained that if the Council did not have draft language for discussion on June 16, 2014, then the Council would have to review language at the meeting scheduled for August 4, 2014.

Ms. Stump understood the Motion broadly directed the Committee to discuss all issues. Staff would not prepare any language for the Committee meeting. The Committee could direct Staff to perform additional work and return to the Committee.

James Keene, City Manager, added that the Committee could hold a second meeting on June 10, 2014.

Council Member Price reported the Committee had meetings scheduled for May 13 and 20, 2014 and June 10 and 17, 2014.

Ms. Stump advised that the Committee could not discuss Charter amendments on May 13, 2014 as no public notice had been provided.

Council Member Scharff understood the Motion allowed the Committee to direct Staff to draft language for Charter amendments.

Mayor Shepherd disagreed.

Ms. Stump assumed a Council Committee had authority to direct Staff to draft language.

Council Member Scharff did not believe the Committee's discussion should be quite so broad. He inquired whether the Council should direct the Committee to discuss specific issues.

Council Member Klein responded no. If there was no support within the Committee for an issue, then it would not be returned to the Council. He wanted to avoid the Council predetermining the Committee's recommendations. Some of the issues were important to the community, and the Council had not held thoughtful discussions regarding issues.

Council Member Holman hoped the community would provide feedback and the Committee's discussion would include the fact that Council Members did not have to accept compensation. Compensation was a means to broaden the number of candidates for the City Council. The community was too small to support districts for Council Members.

AMENDMENT: Council Member Holman moved, seconded by Council Member Burt to eliminate the discussion of election by district and directly elected Mayor.

Council Member Burt felt excluding topics for Committee discussion narrowed the discussion.

Council Member Price expressed concern that the Committee discussion could encompass any issue mentioned in the Staff Report. She questioned whether Staff had sufficient information to prepare background information for the Committee.

Mayor Shepherd requested Council Members address the Amendment. A discussion of election by district and directly electing the Mayor would need community dialog.

AMENDMENT PASSED: 8-1 Klein no

Council Member Price was concerned about the time needed to address these important issues. She requested Staff clarify topics to be presented to the Committee.

Ms. Stump would work with the Committee Chair to frame the item. She did not anticipate any specific Staff work prior to direction from the Committee.

Mr. Keene reported the Committee on May 20, 2014 could direct Staff to perform additional research and return to the Committee at a subsequent meeting.

Council Member Berman expressed concern that Charter amendments would negatively impact the ability of residents to serve on the Council. Charter amendments should not affect sitting Council Members.

Council Member Schmid noted the Staff report mentioned six items, and the Amendment excluded two of those items. He inquired whether the Motion directed the Committee to discuss only the remaining four items.

Mayor Shepherd advised that the City Clerk requested the Council consider adopting the Secretary of State's method for determining ballot order of names.

Council Member Schmid supported limiting the number of items for Committee discussion in order to create an agenda for Staff and the Committee.

Mayor Shepherd wanted to increase the number of terms Council Members could serve so that they could serve on regional Boards and Commissions.

MOTION AS AMENDED PASSED: 9-0

Mayor Shepherd inquired whether the Council wished to take up the remaining three items on the Agenda.

Council Member Klein suggested limiting Council discussion.

Mayor Shepherd inquired whether the Council would support discussing each item for only 15 minutes.

Council Member Scharff did not believe a 15-minute discussion was possible as the Human Relations Commission's recommendation opposed the Council's previous inclinations.

Mayor Shepherd recommended the Council discuss Agenda Item Number 12, and then consider whether to discuss remaining items.

MOTION: Council Member Scharff moved, seconded by Council Member Berman to discuss Agenda Item Number 12 prior to Agenda Item Numbers 10 and 11.

MOTION PASSED: 9-0

INTER-GOVERNMENTAL LEGISLATIVE AFFAIRS

12. <u>Resolution 9413</u> entitled "Resolution of the Council of the City of Palo Alto Supporting Proposition 13 Reform."

Richard Hackmann, Management Analyst, reported the Resolution did not endorse specific changes to Proposition 13. The Resolution supported a conceptual change to revise the commercial component of property tax assessment.

Council Member Schmid explained that each year residents' share of property tax increased despite the substantial increase in commercial space. Residents increasingly subsidized the Budget. Any corporate structure could avoid a corporate reassessment even though the use of the property could change dramatically.

Ian Fregosi, Evolve, believed the State should address drastic Budget cuts by raising revenue. The fairest way to raise revenue was to reform Proposition 13. Only large, nonresidential commercial property owners would be affected. The structure of the current system was unfair to individual taxpayers, schools, cities, and new businesses.

Courtney McDonald, Evolve, urged the Council to support the Resolution. Support for reform was growing across the State. Evolve hoped to place a measure on the 2016 ballot.

Stephanie Munoz stated the owners of the Buena Vista Mobile Home Park benefited from Proposition 13 while the residents of Buena Vista did not. She encouraged the Council to support the Resolution.

Timothy Gray indicated citizens were concerned that amending Proposition 13 would eliminate protections afforded to residents. Residential and rental protections should remain.

Jonathan Klein agreed loopholes in Proposition 13 benefited commercial property owners. It was patently unfair for residential property owners to pay the majority of property tax revenues. Residential provisions of Proposition 13 should not be changed.

Mayor Shepherd reported the League of Cities revised language in the Resolution to allow the City to support the Resolution without future obligations.

Council Member Holman felt the general tone of the language could have unintended consequences. She was concerned that regular reassessment of commercial property would force small independent businesses out of business.

Council Member Klein did not support Proposition 13. He would support the Resolution even though it was not worded well. The Resolution did not reference the inequity of new homeowners paying substantially more property tax than existing homeowners.

MOTION: Vice Mayor Kniss moved, seconded by Council Member Schmid to adopt the Resolution providing preliminary support for the Proposition 13 reform as it relates to commercial properties; this does not constitute formal support of any particular ballot measure on this issue or related subject, until such a ballot measure is separately reviewed and endorsed by Council.

Vice Mayor Kniss was confident the Resolution concentrated on commercial property. In the past, other groups had attempted to amend Proposition 13.

Council Member Schmid believed the Resolution was general in nature; however, it did specify commercial property. The central issue was fairness.

Council Member Scharff inquired whether commercial included multifamily housing.

James Keene, City Manager, did not read the Resolution to define commercial in any way.

Council Member Scharff felt multifamily housing should be included in commercial property.

Vice Mayor Kniss suggested the Council not amend the Resolution.

Council Member Scharff indicated Staff drafted the Resolution.

Mayor Shepherd clarified that Evolve drafted the Resolution and Staff added two clauses. The Council could suggest revisions to Evolve.

Council Member Scharff understood the Council was supporting a general statement as opposed to a ballot initiative.

Mayor Shepherd reported there was no ballot initiative. The Resolution was a general support for Proposition 13 reform with respect to commercial property.

Vice Mayor Kniss felt in the end all commercial property could be included in reform.

Council Member Scharff understood change in ownership of a corporate structure resulted in reassessment of commercial property. A change of ownership was defined as ownership changing more than 50 percent. He inquired about the purpose of the Council passing the Resolution.

Mr. Fregosi reported the goal of the Resolution was to address the fairness issue. Approximately 59 percent of voters supported regular assessment of nonresidential, commercial properties. Proposition 13 was popular amongst homeowners. The State Legislature needed to address the fundamental inequity in the taxation system.

Council Member Berman sympathized with the inequities of Proposition 13; however, he was aware of the political realities of the situation. He supported the conversation about reform.

Mayor Shepherd supported the Resolution. Reform would take many years. She hoped some accommodations could be made for small businesses.

Council Member Holman favored reform of Proposition 13 but would not support the Resolution. She wanted to focus on loopholes and property owners of a certain size.

MOTION PASSED: 8-1 Holman no

Mayor Shepherd recommended the Council discuss Agenda Item Number 10.

Council Member Schmid requested a time limit for discussion.

Council Member Scharff felt a time limit was bad public policy.

Mayor Shepherd suggested the Council hear the issues and attempt to take action. If the Council could not take action, then the item could be continued to another meeting.

10. Policy and Services Committee Recommendation to Council on Moving Agreements with Avenidas and Palo Alto Community Child Care out of the Human Services Resource Allocation Process.

Minka van Der Zwaag, Community Services Senior Programs Manager, reviewed the Finance Committee's actions and the Human Relations Commission's (HRC) recommendations. The Council referred removal of Avenidas and Palo Alto Community Child Care (PACCC) from the Human Services Resource Allocation Process (HSRAP) to the Policy and Services Committee. PACCC and Avenidas had long relationships with the City. Before the HRC, representatives of PACCC and Avenidas articulated their wish to be removed from HSRAP. The HRC was concerned that removal of PACCC and Avenidas along with their funding would jeopardize future funding for smaller agencies. In addition, other long-time funding recipients would request direct contracts with the City. The HRC attempted to draft a compromise that addressed the concerns of the Council, PACCC, and Avenidas while retaining PACCC and Avenidas within HSRAP. The Policy and Services Committee (Committee) recommended the Council direct Staff to separate funding contracts with Avenidas and PACCC from HSRAP and to contract directly with them.

Council Member Price reported the Committee had a split vote on the item with one Member absent. All Members present agreed that senior and youth services were a critical part of services.

MOTION: Council Member Price moved, seconded by Council Member Klein to direct Staff to separate the funding contracts with Avenidas and Palo Alto Community Child Care (PACCC) from the Human Services Resource Allocation Process (HSRAP) and to contract directly with them.

Council Member Klein indicated the Council should recognize that PACCC and Avenidas were different from other agencies. PACCC and Avenidas provided services that in other cities were provided directly by the city.

SUBSTITUTE MOTION: Council Member Holman moved, seconded by Council Member Schmid to keep Avenidas and Palo Alto Community Child Care (PACCC) in the Human Services Resource Allocation Process.

Council Member Holman explained that Avenidas and PACCC were recognized as different from other agencies in that they submitted a Request for Proposal (RFP) every six years. She referenced Human Relations Commissioner Bacchetti's remarks regarding competition for budget increases.

Council Member Schmid remarked that the City had a limited Budget for human services. The Council identified a Commission to review and recommend funding for HSRAP to allow the Council to consider additional funding for human services.

Council Member Scharff requested Ms. O'Nan comment on the HRC's recommendation.

Jill O'Nan, Human Relations Commission Chair, believed all agencies would benefit from Avenidas and PACCC remaining within HSRAP to work through funding issues. The HRC did not intend to foster agency competition for funding. It was difficult for the HRC to address new and emerging needs without reducing agency funding. The HRC recommendation attempted to protect Avenidas and PACCC.

Council Member Scharff felt the HRC recommendation met PACCC's and Avenidas' concerns. The Council should honor the HRC's work.

INCORPORATED INTO THE SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER **AND SECONDER** to add the recommendations identified on Packet Page 274: 1) Avenidas and PACCC will be assured that their HSRAP funding will not be cut in order to fund reallocations to other HSRAP grantees; 2) when the Council determines annual adjustments to reflect the increased costs of doing business in the nonprofit sector, Avenidas and PACCC will be assured their proportional shares; 3) when the Council makes an incremental allocation over and above any annual adjustment, the HRC will recommend redistribution of those funds according to its assessment of human service needs at that time. Incremental allocations will be recommended according to a review covering all HSRAP recipients (including Avenidas and PACCC) and new applicants; and 4) in the case of budget reductions set by the Council and staff, Avenidas and PACCC will bear their proportional share, but no more, in the HRC'S recommendations.

Mayor Shepherd expressed concern that PACCC and Avenidas had no commonality with smaller agencies. The Council should allow PACCC and Avenidas to withdraw from HSRAP.

SUBSTITUTE MOTION AS AMENDED FAILED: 3-6 Holman, Scharff, Schmid yes

James Keene, City Manager, reported Staff may need to issue a Request for Proposal (RFP) for services provided by PACCC and Avenidas to allow the City to contract directly with PACCC and Avenidas.

MOTION PASSED: 7-2 Holman, Schmid no

Agenda Item Number 11 was continued to another Council meeting.

11. Consideration of Finance Committee Referral to the Human Relations Commission Regarding Additional Funding for Human Resource Allocation Process Agencies.

<u>ADJOURNMENT</u>: The meeting was adjourned at 11:40 P.M.