



CITY OF PALO ALTO CITY COUNCIL MINUTES

Special Meeting
June 13, 2012

The City Council of the City of Palo Alto met on this date in the Downtown Library at 5:10 P.M.

Present: Burt, Holman, Klein, Price, Scharff, Schmid, Shepherd, Yeh

Absent: Espinosa

ORAL COMMUNICATIONS

None

AGENDA ITEMS

1. Council Retreat No. 4 for Further Discussion of Infrastructure Investment and Renewal. Direction to Staff Regarding Implementation Issues Which may Include.

Mayor Yeh stated the Agenda Items were an in-depth discussion of the Public Safety Building and prioritizing infrastructure projects.

James Keene, City Manager, reported Staff's work on the Public Safety Building involved collaboration with the Police Chief, Public Works, and the architectural program consultant regarding alternatives to the original design of the Public Safety Building. There could be some interconnection between the Public Safety Building and infrastructure priorities. The Council directed Staff to prioritize infrastructure projects and to develop a plan and timeline for a 2014 election. Agenda Item 1B was an effort to obtain the Council's thoughts to inform Staff's work on prioritizing infrastructure projects. The City Council should consider the Public Safety Building a priority in order to provide adequate public safety for the City and to address the danger and potential of a serious earthquake. A funding possibility had arisen in relation to another issue before the City. Staff would use that as an illustration of different methods for funding the building.

- A. Potential development and Cost Scenarios, and Discussion Regarding Public Safety Building.

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Dennis Burns, Public Safety Chief, recalled on January 21, 2012, the Council directed Staff to present a public safety plan and potential sites for the Public Safety Building. The intent was to design and develop a Public Safety Building that capitalized on the efficiencies and synergies of having Police, Fire Administration, 911 Dispatch, Office of Emergency Services (OES), and Emergency Operations Command (EOC) in one location. This would maintain separation of Police and Fire operations, but would share Information Technology (IT), budget, administrative services, records, and support Staff. Additional areas for shared use were lobby, conference rooms, and locker rooms. Communications among Public Safety agencies would increase and be more effective. The Infrastructure Blue Ribbon Commission (IBRC) recommended a 49,000 square foot building. After many discussions, Staff had reduced the project by 4,750 square feet.

Mike Sartor, Public Works Director, reported the IBRC recommended a Public Safety Building of approximately 56,350 square feet. Recognizing there were a number of opportunities to share space, Staff had reduced the size of the building by approximately 20 percent while keeping functions in the same building. The project cost estimate was approximately \$47 million, excluding land costs. The construction cost per square foot was in the range of \$500 per square foot. Staff considered removing traffic enforcement, property and evidence storage, dispatch and EOC from the building. Staff had not identified a site for the project.

Mr. Keene asked for an explanation for Staff not reducing the cost in Option 4 from Option 3.

Mr. Sartor explained Staff assumed constructing a regional facility would cost approximately the same as the cost of including it in the building. Staff did not project a cost savings for the City in regionalizing dispatch and EOC.

Mr. Keene stated Staff did not have any data to calculate a cost savings; therefore, they did not attempt to project one.

Mr. Sartor stated there could be a cost savings if the City gained two or three partners in a regional facility.

Michael Ross, Ross Drulis Cusenberry Architecture worked with the City on this project over a period of years. The goal was to establish an appropriate baseline for design and programming for the Public Safety Building in Palo Alto. Architectural programming was basically a snapshot of the workload, staffing, space, and functional requirements of a Public Safety Building at any one moment. These snapshots needed the flexibility to be revisited in

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order to obtain a better understanding of the current mission, operational requirements, and needs of the City as time passed. It was an opportunity to review the project on a line-by-line basis. The study began with a significant addition of Fire Administration. Fire Administration was operationally two parts: command and control, and services. Command and control could be located in the Public Safety Building, and services could be located in the Development Center. The 44,848 square foot version of the Public Safety Building reflected the divergence. Public safety buildings had a mixture of space types and uses. The primary attributes were essential versus nonessential, where essential was defined by the Building Code. Certain elements, such as parking and property and evidence, could be located elsewhere. Additions, deductions, and modifications to the program resulted in a savings of 4,752 square feet after approximately 2,000 square feet of Fire Administration was added.

Mayor Yeh inquired whether Staff wanted to present another potential model after the Council's initial discussion of this model.

Mr. Keene answered yes.

Council Member Price inquired about Staff's assumptions related to growth and service delivery scenarios.

Mr. Sartor assumed the building would last for 20-30 years and have room for growth. If it were located on property with room for expansion, the building could be added on. It allowed for long-term use.

Mr. Burns noted there were projections for growth within the City, and that growth would translate into additional police officers on the street. The building was designed for a reasonable amount of growth. He felt the building would last for quite some time.

Mr. Ross stated the planning horizon was 2032 for the building. Police stations were an operational platform to support patrol vehicles. The number of sworn police officers could increase without the need to increase the size of the building, because the infrastructure had been appropriately sized. The design included drop-in workstations in anticipation of growth. He recommended obtaining a site of adequate size to increase the footprint if needed, but he understood that was difficult to find.

Mr. Keene stated growth would be divided across three shifts as opposed to growth within the same period of time.

Council Member Price felt the community room should remain at the original

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size for community use and future flexibility.

Council Member Shepherd inquired if Staff began with 46,000 square feet, and then added and deducted space.

Mr. Sartor reported Staff began with the IBRC recommendation of 49,000 square feet and an additional 7,000 square feet to accommodate Fire Administration.

Council Member Shepherd inquired whether Staff reviewed space needs on a line-by-line basis.

Mr. Sartor responded yes. IBRC assumed the Fire Marshal and fire inspectors would be part of Fire Administration; however, Staff moved the Fire Marshal and Staff to the Development Center.

Council Member Shepherd noted Staff began with 56,000 square feet at a cost of \$56 million. She asked why the cost had not decreased to \$31 million when 20,000 square feet had been deleted from the project. She noted the deletion of ten parking spaces, and asked if parking spaces were for police patrol units.

Mr. Sartor reported parking was for building employees and police vehicles.

Mr. Ross worked with the Police Building Blue Ribbon Task Force (predecessor to IBRC), which recommended a 49,600 square foot building. He did not have the source materials to discuss the \$56 million cost. The \$47.5 million cost for the Public Safety Building was comprised of \$520 per square foot for construction, approximately \$40 per square foot for site improvement, and a series of soft costs and contingencies. Option 1 and Option 2 had the same costs. , because

Council Member Shepherd noted a \$4 million difference between 38,000 square feet and 44,800 square feet. She did not want another building that was outdated as soon as it was built.

Council Member Klein asked how big the Library conference room was.

Mr. Ross answered 800 square feet.

Council Member Klein indicated that was approximately the same size as the proposed community room. He asked if it could hold 75 people.

Mr. Ross stated occupancy depended on the configuration. The size of the

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room was approximately the same as a standard classroom.

Council Member Klein inquired whether Staff had talked with anyone in commercial real estate to determine if there might be interest in the proposed vacant space in City Hall and an approximate amount that could offset some of these costs.

Mr. Keene did not believe there had been a recent conversation.

Lalo Perez, Administrative Services Director recalled there had been interest five years ago, but Staff had not updated the information. Property Managers were concerned that the glass wall between the front counter area and Chambers could diminish rent from comparable office space by approximately \$1.00 per square foot. He believed Property Managers remained interested in the space.

Mr. Keene stated office space in the Downtown area was in demand.

Council Member Klein asked for a status update on the Post Office.

Curtis Williams, Planning & Community Environment Director, reported Staff had commissioned an appraisal, a structural analysis, and an historical analysis. The structural analysis indicated it was cost prohibitive to convert the Post Office to an essential facility. The appraisal contained inaccuracies, and Staff was obtaining more information for an updated appraisal.

Council Member Klein asked for the size of the Post Office.

Mr. Williams stated 22,000 square feet.

Mr. Keene indicated Staff should have that information soon.

Mr. Williams stated Staff would have the information in the next few weeks.

Council Member Klein asked if Staff felt the Council should not consider purchasing the Post Office, because the cost to convert it would be prohibitive.

Mr. Sartor agreed. Converting a historic building to an essential facility and meeting the State historic preservation standards would be cost prohibitive.

Council Member Klein asked Staff to provide all costs comprising the construction cost of \$1,000 per square foot.

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Mr. Ross reported construction costs of \$520 per square foot for a 44,848 square foot building totaled \$23 million; a parking garage of 72,000 square feet at \$100 per square foot totaled \$7.2 million; and site work of 73,000 square feet at \$40 per square foot totaled \$2.9 million. Hard costs totaled \$33.45 million. Design costs and soft costs were 15 percent or \$5 million; contingencies were 15 percent or \$5 million; equipment and technology, including furniture, fixtures, and equipment, totaled \$3 million. The grand total was \$47.494 million.

Council Member Klein asked if that was a turnkey cost.

Mr. Ross responded yes except for the cost of the land. There was a large amount of contingencies, which the City did not have to spend. A reasonable budget would include those contingencies.

Vice Mayor Scharff asked whether Certificates of Participation could be based on a stream of rental income.

Mr. Perez answered yes.

Vice Mayor Scharff wanted Staff to prepare an analysis of costs to improve the space and possible revenue from rental of the space. He inquired whether the Police Department had a preference for Option 1 or Option 2, assuming the City located it on California Avenue.

Mr. Sartor stated Option 1 and 2 were comparable. Parking enforcement was not a major change. The major difference was between Option 1 and Option 3.

Vice Mayor Scharff recalled Chief Burns' comment that offsite evidence and property storage was inefficient.

Mr. Burns would prefer onsite storage, if possible.

Vice Mayor Scharff did not believe offsite storage would provide much savings over time. Not all space cost the same to build. He wondered about the amount of savings in decreasing the size of the community room.

Mr. Perez reported the City could have revenue of approximately \$1.2 million, assuming the Police area was approximately 21,000 square feet and a \$5 per square foot rental rate. That would provide approximately \$14-\$15 million in debt issuance at a 4 1/2-5 percent rate.

Council Member Burt inquired about the current use of the print shop and

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whether that area could be leased.

Mr. Perez indicated the print shop was now a smaller area, and it could be relocated.

Council Member Burt asked if the print shop had decreased in size to provide space on an interim basis for the Police Department.

Mr. Perez stated the Council had discussed it, but had not done that.

Council Member Burt noted the Police facility currently occupied approximately 22,000 square feet, and inquired how much space Fire Administration occupied in City Hall.

Mr. Sartor stated Fire Administration including the Fire Marshal and inspectors occupied almost 40 percent of the sixth floor. The Fire Marshal and Staff would relocate to the second floor of the Development Center.

Council Member Burt believed the Police Department space at City Hall could be leased, but the Fire Administration probably could not be leased. Relocating the Police Department and Fire Administration from City Hall created space and reduced expenses. He asked whether the City had held preliminary discussions with neighboring communities regarding a 911 and EOC center.

Mr. Keene responded yes. The Police Chief considered a virtual dispatch consolidation, which was more of a shared technology platform. Some conversations among Palo Alto, Mountain View, Los Altos, and Sunnyvale had occurred regarding opportunities for a brick and mortar consolidation.

Council Member Burt understood the primary reason for those conversations was to reduce costs through efficiencies of combining those functions. A secondary benefit could be a reduced need for space in the new Public Safety Building; however, the study indicated no secondary benefit. The size of the building would be reduced, but the cost of a shared 911 and EOC facility would be comparable to the City continuing to provide those services.

Mr. Ross reported the study did not consider operational costs. Savings would result from shared staff, administration and operational efficiencies.

Council Member Burt suggested Staff insert a placeholder for savings from shared services. The Council assumed there would be a net operating reduction. He inquired whether Staff had considered using the mezzanine for storage.

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Elizabeth Ames, Senior Engineer, reported Staff viewed the mezzanine as part of an essential service facility, and could not differentiate it. The mezzanine contained approximately 9,600 square feet.

Council Member Burt indicated the mezzanine's 9,600 square feet of space was not included in the area that could be leased, if the building did not have to be upgraded to essential services. To utilize that space, the City could upgrade it to essential services which was cost prohibitive; renovate it for office occupancy which could be beneficial; or, renovate it for storage which could be leased and, thus, increase revenue. He asked if the current Police facility had a community meeting room.

Mr. Burns answered no.

Council Member Burt asked if seven to ten years was realistic for instituting a shared 911 and EOC center.

Mr. Keene reported the earliest time would be four or five years if every aspect ran smoothly. Considerations were the location and the facility. He was not advocating designing the regional space in the Public Safety Building, but the Council should consider it possibly to accelerate the opportunity.

Mr. Burns met with colleagues in Mountain View, Los Altos, and Sunnyvale to discuss regional issues and possible collaboration. This was not a primary topic under discussion. The three communities were set on the virtual consolidation, which was a good first step.

Council Member Burt stated the Council would need to know the communities' positions at the time the Council made a decision on the Public Safety Building in order to align timelines.

Mr. Keene felt the Council would not have enough details to define it or to answer the public's questions.

Council Member Burt asked if the programming allowed for a 20-year growth.

Mr. Ross stated it was programmed through 2032. An official expansion space had not been assigned to the building.

Council Member Burt explained that evidence and property storage could be located within the building for the first five or ten years, but it would need to

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be moved offsite in the second decade to allow for expanded operations.

Mr. Ross reported at that point, evidence and property storage could be relocated, and essential facilities could expand into that space.

Council Member Burt stated that would be the case in Option 3. Option 3 had extra space for future programmed space that could initially be used for evidence and property storage. In the second decade, evidence and property storage would have to be located offsite.

Mr. Ross reported evidence and property storage was internal to Options 1 and 2, but not Option 3.

Council Member Burt explained Option 3 had 20 years of growth space. For the first five or ten years, that spare growth space could be allocated for another purpose. Could evidence and property storage be located in that growth space for the first five or ten years, before moving offsite to allow for operational growth. Option 3 needed 38,000 square feet onsite and 5,700 square feet offsite in 2032.

Mr. Ross explained the core building did not change, while the number of sworn police officers and investigators would grow. Should the City decide to overlay new services in the Police Department, the building could accommodate growth through 2032 at 44,848 square feet. If new needs occurred and the Council wanted to expand the building by 5,785 square feet, then evidence and property storage could be moved to a remote location.

Council Member Burt appreciated the configuration issue. Mr. Ross described the post-2032 scenario or unanticipated needs prior to 2032. A version of that scenario that would apply between the current time and 2022, when anticipated growth occurred but not all the square footage would be utilized. All square footage would be utilized in the later years of this period. After 2032, Option 1 would provide additional room for growth if evidence and property storage was moved offsite. Under Option 3, prior to 2022 evidence and property storage could be located onsite.

Council Member Holman asked if the spaces within the building were designed for flexibility to adapt to changing needs. She noted the building horizon was 2032, but it would not be built for possibly five to ten years. She asked if 2032 was the appropriate horizon.

Mr. Ross stated the building would be fully utilized when it opened; there would not be any empty rooms. Growth was built into Staff positions. The

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planning horizon was 20 years, because projections beyond 20 years were not accurate. He encouraged obtaining a site with expansion room. Internal to the project was 5,785 square feet of growth.

Council Member Holman felt the idea of the building being fully occupied when it opened was contradictory. She asked if space within the building could be reconfigured to accommodate changing needs. Twenty years was not a long life for a building.

Mr. Ross explained the planning horizon was 2032; however, the useful life of the building was 75 years. This building did not have much unoccupied space. Drop-in workstations could become assigned duty stations for officers. The building could absorb new sworn officers, because spaces were adequately sized. The operational platform was designed for a long-term use.

Council Member Holman noted the Council had moved to a 10 percent contingency on some projects, and asked whether a 15 percent contingency was necessary or recommended.

Mr. Ross explained the contingency amount was assigned by the City. He felt it was better to carry a larger contingency amount, because of the high level of the project.

Mr. Sartor reported Staff typically used 15 percent for design and construction at the early stages of a project, but used 10 percent in the construction contract.

Mr. Keene stated this was high level work to reduce the size of the building and the cost. There would be trade-offs in moving to a sharper design. Other factors would be the amount the City and the public could afford. The Council should consider population growth and how it affected demand for services.

Council Member Schmid was struck by the increased square footage, yet it would be fully occupied when opened.

Mr. Keene indicated that was a testament to how bad the current situation was.

Mayor Yeh stated one of the goals of the Retreat was to think holistically. The IBRC identified two fire stations as an issue. Since the consultant's work with the Blue Ribbon Task Force, the City had centralized command under Chief Burns and begun a virtual dispatch consolidation. If the Council

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proposed a bond measure, the Council had to decide about the two fire stations. He asked whether Staff had analyzed the situation for complementary uses of two reconfigured fire stations.

Mr. Sartor reported Staff did not consider replacement of the fire stations as part of this analysis. The analysis was focused on the Police and Fire Administration function. The feasibility study for the replacement of those two buildings was conducted with the Fire Department approximately five years ago. It considered upgrading those facilities for the current Fire needs and EMT functions. Recommendations included room for training facilities within the stations.

Mr. Burns stated Staff had not performed a study with regard to the fire stations; however, a community room within a fire station would bring people into the station and engage firefighters with the community. The next level could be some sort of community healthcare provided at fire stations.

Mr. Ross commented that his firm was working with the County of Alameda to design health portals internal to fire stations. Alameda County Fire and Community Health performed a focus group study, which indicated people felt safe at a fire station and wanted healthcare administered at fire stations. His firm was designing a wellness center partially staffed by EMT personnel.

Mayor Yeh was excited by the consolidated command under Chief Burns and the potential uses of physical assets. Any kind of financing for Public Safety should include financing for the two fire stations. The Public Safety Building was envisioned as a centralized command center also housing administrative functions. A mixed use of Public Safety Buildings and satellite buildings could lead to complementary services and a well-strategized delivery of Public Safety services. Layering Police and Fire services at fire stations merited analysis. Within a 45,000 square foot building, the growth space was approximately 64 square feet for additional workstations. He asked if growth was in increments of 64 square feet.

Mr. Ross reported the space accommodated the Staff count anticipated in the next 20 years.

Mayor Yeh stated flexibility of space was in terms of workstations.

Mr. Ross said the core infrastructure was specialty spaces designed specifically for one function. Within the open spaces, drop-in workstations could be used for future Staff growth. A typical workstation was 8 feet by 8 feet.

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Mr. Keene wanted to share a concept illustrating the implications for this project if there were alternatives for funding and the implications for other projects. This concept began with preliminary discussions between Staff and a developer for office space expansion at 395 Page Mill. As part of the discussion regarding potential public benefit, the idea was mentioned of providing land and helping build a Public Safety Building. That idea allowed the Council to consider creative approaches to funding mechanisms. Staff asked the Council to explore the possibility of a public-private option of a developer providing land at no cost and constructing the building with all soft costs included. Estimates of the City's costs in this scenario was approximately \$18 million. The point was to consider performing more analysis and research on an option to provide a Public Safety Building and to consider implications for other priorities. The timeline for a 2014 election would include methods to begin testing dollar amounts and funding sources.

Council Member Klein inquired if the developer had indicated when it could discuss the project in the prescreening process.

Mr. Keene believed the developer would like to discuss the project with the Council as soon as possible. The main problem was the number of Items on the Council's Agenda until the recess. If the Council wanted the Item on the Agenda prior to the recess, the developer would be amenable.

Vice Mayor Scharff said if the Council could save \$50 million for the taxpayers, then it needed to review the project and understand the options. He had a difficult time prioritizing projects, because all were worthwhile. Some of them would have more interest if there was a co-funding source. Funding all projects through a bond or new revenue was not possible, because of the amount of money needed. He'd like to see any method for having a public-private partnership or new revenue stream.

Mr. Keene indicated the Council should consider the importance to the public of the Council considering different methods to solve infrastructure problems without solely asking for more tax dollars.

Council Member Schmid felt the City should have more public-private options and public benefits. He inquired how the costs were different.

Mr. Keene explained the developer's perspective was that it could construct a building less expensively than the City could, but that would need to be proved.

Council Member Schmid asked how the costs could be less when the quality

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was the same.

Mr. Keene stated these were preliminary estimates from the developer. The developer's model indicated the developer would pay \$27 million toward the cost of constructing the building. The project was not definitive, but an opportunity to explore different methods for funding projects.

Council Member Schmid said the base point was private developers were thinking of a lower dollar per square foot per building than the City was.

Council Member Burt recalled a developer's proposal eight years ago to build a Public Safety Building across from City Hall. A smaller building could also expand options. He wanted to allow other public-private partnership scenarios. He asked whether the Stanford Hospital Development Fund designated funds for Public Safety infrastructure.

Mr. Keene did not believe there were any funds specifically identified for Public Safety infrastructure. There were approximately \$21 million for potential City infrastructure investments.

Council Member Shepherd was interested in the concept of constructing the building for less and wanted to review the developer's proposal. She assumed the developer would ask for something in return for the \$27 million contribution.

Mr. Keene reported the developer would have to mitigate the project, but this would connect to the question of public benefit. He viewed this as a serious offer from the developer.

Council Member Shepherd stated the proper order was a study session to inform the Council and stakeholders. She wanted to quantify the dollar amount the developer and the City would receive from public benefits. She felt the proposal should be presented soon to allay public angst.

Council Member Holman said saving money was always attractive. Any other public-private partnerships or other contributions from the public could increase the savings, and the Council should be made aware of them as soon as possible.

Mayor Yeh indicated the financial savings were appealing. The Council should consider whether the City would have exclusive rights to design the building. If the developer intended to have uses other than Public Safety, then that would have implications. He asked if the model for a public-private partnership would include leasing the building to the City for a

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certain period of time.

Mr. Keene reported Staff's concept was the City would own the building. There could be some shared parking to increase cost effectiveness and efficiencies.

Mayor Yeh wanted to understand the land block in the public-private option. He assumed the City would be interested in purchasing the building and not the land. He asked for an explanation of the \$9 million.

Mr. Keene agreed the Council should have a study session before the recess. Staff was not prepared to discuss this as a project, but as a concept. Staff provided basic information to the developer, and the developer acknowledged its offer was preliminary.

Mayor Yeh inquired whether the study session would pertain to this one site only or would it be open to sites proposed by other potential public-private partnerships.

Mr. Keene understood the applicant was interested in working with the City, but was not compelled to do so. He viewed the proposal as an invitation for the Council to consider the project.

Mayor Yeh asked Council Members for their opinions of placing a study session on the Agenda before the recess and continuing another Item from the Agenda.

Council Member Burt expressed concerns about the Council responding to one proposal without hearing alternatives that could be as good or better.

Council Member Holman agreed with Council Member Burt. She wanted to know which Agenda Item would be continued.

Council Member Klein suggested finding an additional time to hold the study session rather than continuing an Item.

Council Member Holman asked whether Staff would have time to prepare an adequate report.

Mr. Williams reported the Agenda for July 2, 2012 included compost and treatment plant facilities plan; July 9, 2012 included the Housing Element and the Bicycle Pedestrian Plan; July 16, 2012 included the Downtown parking study and Professorville Residential Permit Parking; and July 23, 2012 included the California Avenue streetscape design project.

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Mr. Keene reported it was easier for Staff to schedule a prescreening study session than to obtain additional proposals. He asked the Council to consider a timeframe for obtaining proposals and whether that should precede the prescreening session. The Council could hold the prescreening session prior to requesting additional proposals.

Donna Grider, City Clerk, reported the upcoming Agendas contained Items not related to Planning, but could require time for discussion. Those Items were the Golf Course reconfiguration on July 23, 2012, and the Cool City's Challenge on July 16, 2012.

Mayor Yeh asked the City Attorney for her perspective on structuring the meeting.

Molly Stump, City Attorney, stated this project was fairly complex, and there were potentially other areas for the Council to explore. Staff would need to look at all legal issues. The Council should explore these ideas, and she would work with Staff to provide legal guidance.

Council Member Price believed the prescreening concept would be useful and timely, and the Council could broaden the discussion at a later point. She suggested holding the prescreening study session as soon as possible after the break to allow articulation of concepts and Staff to prepare a report.

Mayor Yeh recalled the Council had a Special Meeting scheduled for September 4, 2012, and the Agenda for that was not filled.

Council Member Klein favored the prescreening study session. He did not believe the City would receive many alternative proposals.

Council Member Burt was not opposed to a prescreening study session, but felt it should be after the recess. He did not want the Council to accept the proposal without considering alternatives and consequences.

Council Member Schmid stated the Council had a number of projects for consideration under public benefits. The Council explicitly asked Staff to have prescreening sessions on the larger projects. This seemed an ideal situation to do something like that. Prescreening was to facilitate the project as it moved through the process. He supported a prescreening study session on a date to be determined by Staff.

Vice Mayor Scharff wanted to hold a prescreening session as soon as possible. Any item to be continued from the Agenda should be determined

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by the City Manager and Mayor. He agreed with Council Member Klein's comments. Holding a prescreening session would not preclude alternative proposals, but he did not believe there would be many alternative proposals. The Housing Element would consume parking lots for housing if the Council approved it.

Mayor Yeh believed it was possible to hold a prescreening session with the intention to provide information about the opportunity to offer alternative proposals. Holding the prescreening session would encourage other developers' interest. The consensus of the Council was to hold a prescreening study session specifically about this site on September 4, 2012.

Mr. Keene stated the Council could do these things on parallel tracks. After the prescreening session, the Council could determine its direction.

Council took a break from 07:24 P.M. until 7:34 P.M.

B. Prioritization of Infrastructure Needs and Other Infrastructure Matters.

Mayor Yeh noted the purpose of the infrastructure retreats were to review and prioritize the Infrastructure Blue Ribbon Commission's (IBRC) projects. Each Council Member had the opportunity to review a memorandum regarding prioritizing projects.

James Keene, City Manager, reported Staff was not looking for conclusions from the Council today. Trying to obtain an agreed set of priorities would be a mistake. Staff wanted to obtain impressions individually and collectively to inform their recommendations. Staff would poll and test to determine which projects resonated with the community, which funding sources worked best, and a maximum amount of funding the community would support.

Mayor Yeh repeated the intention was to allow Council Members to discuss preliminarily infrastructure projects. If the Council did reach some consensus points, then the projects could be inserted into the potential 2014 measure. He placed the Public Safety Building and the two fire stations as the highest priority. Creating the most cost efficient Public Safety Building was the basis of many Council discussions. His primary consideration was whether the 2014 bond measure would build the future for Palo Alto. If so, then the bond measure would need to be a larger amount. He asked for the bonding capacity of the City of Palo Alto to retain a AAA rating.

Joe Saccio, Administrative Services Assistant Director reported the City had very little General Obligation (GO) debt. The City had at least \$100 million

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worth of capacity. Standard and Poor (S&P) and Moody provided positive feedback regarding the City's revenues and demographics. Given the demographics and economic climate, the City should receive a high rating.

Mayor Yeh stated for purposes of considering the potential of a bond measure, it would be helpful to know the maximum amount possible.

Mr. Saccio indicated Staff would discuss that with the financial advisor.

Lalo Perez, Administrative Services Director reported a GO bond would be based on the assessed valuation of properties in Palo Alto. Because the City had relatively little debt in comparison to the assessed valuation, Staff could determine that. Another option was a revenue bond for the Wastewater Quality Control Plant. The public would not need to vote on a revenue bond, but Staff would need to consider the capacity of the revenue stream within the Fund. It would be more complicated, because partners were involved in the Fund. He felt \$100 million was likely. Staff would work closely with the financial advisor to determine a range of funding.

Mayor Yeh did not want to risk the City's AAA rating.

Mr. Saccio recalled the City's Library bond was rated AAA. He believed the City was in good shape financially to maintain a AAA rating.

Mayor Yeh wanted to prioritize basic government services first, and then maintain flexibility with respect to Cubberley due to discussions with the Palo Alto Unified School District (PAUSD). There was still a great deal of uncertainty regarding Charleston-Arastradero. The Council had not received much community feedback, and the project did not involve land owned by the City or have a City-wide impact. Improvements to the Civic Center should be financed over several years within the Budget. The Enterprise Funds were a separate discussion regarding a revenue bond. Because there was some urgency concerning Animal Services, the Council should consider a Municipal Services Center (MSC). Prior to 2014 the Council should discuss long-term intentions for the MSC. He believed the Bicycle Bridge, Bicycle-Pedestrian Plan, and Animal Services should have Friend groups to assist with financing. The Council did not have enough funds to implement the last Bicycle-Pedestrian Plan. An active Friends group could hold targeted fundraising for the projects most appealing to the community.

Council Member Schmid felt the Bicycle Bridge had potential funding from Stanford and California Department of Transportation (Caltrans). The Post Office would be self-funded if the Development Center occupied that building. Priorities for the potential 2014 measure were the Public Safety

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Building first and fire stations second. He agreed with the Mayor's comments that fire stations could house emergency services, communications and health services. Byxbee Park was third, because \$3.6 million to build a 90-acre park was a good deal. Next was the update of surface streets, followed by the Bicycle-Pedestrian Plan. The Council could identify a few items in the Plan to show interest and importance of this plan. He felt an appropriate amount would be \$6-\$7 million. The east-west crossings on Charleston-Arastradero were important. He placed Animal Services near the top, due to decreased funding and the need to determine physical improvements. The Civic Center was the most important, because the public did not understand the needs.

Council Member Price listed projects appropriate for the 2014 bond measure. The Public Safety Building was the most important project, followed by parks and buildings. She organized her list by programs or facilities that would serve a broad number of individuals and by public safety and welfare. The Bicycle Bridge was an important linkage issue; it had recreational and transportation aspects; and partnership funding was a possibility. Byxbee Park had recreational, aesthetic, and environmental issues. She placed the Municipal Service Center (MSC) in this category to enhance and reconsider provisions of City services. The MSC had many functions and reached a broad number of people. The lowest priority was the Charleston-Arastradero project. She wanted to ensure improvements occurred in different parts of the City. She did not address Cubberley issues, because other processes were in place. The Post Office and Bicycle-Pedestrian Plan were important. She assumed the bond measure would range from \$200-\$225 million, but the amount would depend on many factors.

Vice Mayor Scharff did not believe the bond measure could exceed \$150 million. The Public Safety Building needed to be constructed, and a cost of \$18 million was achievable. He prioritized the list by projects which increased the quality of life in Palo Alto and caught up infrastructure needs. He included parks, surface, buildings, and Byxbee Park. The cost of improving Byxbee Park was a bargain. The Bicycle-Pedestrian Plan would add to the quality of life in Palo Alto, and the community would benefit from the Plan. If a Friends group could provide some funding, then the Plan would increase in priority. He placed the Post Office at the top of the list, because it was an opportunity to acquire office space for the Development Center. However, purchase of the building should be self-funding. The Bicycle Bridge should not be included in the bond unless other funding was available. He did not include Cubberley issues, because the Council needed to negotiate with PAUSD and understand future possibilities. He did not believe \$200 million for Cubberley should be included in the 2014 bond. The fire stations were important and should be completed. The bond measure

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should include projects the community could relate to. Two-thirds of voters would not support a bond measure primarily to construct the Public Safety Building.

Council Member Holman agreed with other Council Members that the Public Safety Building was a top priority. The Post Office was next in priority, because it would require an initial investment and would attract support for the bond measure. She included the Cubberley issue as a priority, but not a dollar amount. The public would support surface improvements. Buildings needed improvements now to prevent more extensive and costly repairs in the future. The Bicycle Bridge and the Bicycle-Pedestrian Plan were both important, but the Bicycle Bridge created some opportunities. The public had been waiting for improvements to Byxbee Park, and the investment was small compared to the physical improvement. Including Animal Services in the bond measure would add the community's support for the bond measure and resolve issues concerning Animal Services. She did not include a Municipal Services Center, because a plan for the site had not been presented to the Council and the dollar amount had not been explained. She could be tempted into adding fire stations. She also did not include the Civic Center, because the public would not support it and it did not serve the majority of the public.

Council Member Burt stated it was difficult to have a meaningful discussion without information regarding the potential revenue from different forms of taxation and without knowing the voter threshold. He considered which projects had other likely revenue streams. Much of the funding for the Bicycle-Pedestrian Plan was available through grants. The water control plant was a different revenue source. \$200 million for Cubberley was a high number. There was not an immediate need for new projects at Cubberley; however, deferred maintenance could be an immediate need. He did not include the Bicycle Bridge, because it was a candidate for grants. His first priority was the Public Safety Building, and a close second was the fire stations. If the Council could reduce the cost of the Public Safety Building, then perhaps the voters would support other projects. He wondered if the community would support funding elements of the Bicycle Master Plan for which grants were not available. The City needed a master plan for parks to ensure uses were aligned with future needs. He did not have enough information to determine whether the City needed to spend \$14.5 million on parks in the near future as part of essential catch-up projects. His two key priorities were the Public Safety Building and fire stations, with a strong interest in knowing the public support for those and other items.

Council Member Klein stated the City's AAA rating was meaningless unless the City used it. The City's bond capacity was the amount the public would

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support. Four projects would be significantly influenced by outside sources: 1) the Public Safety Building, 2) Cubberley, 3) the Post Office, and 4) the Bicycle Bridge. The Public Safety Building might not be included in the bond measure if the cost can be reduced to \$5-\$10 million. He was not committed to a bond measure. He was concerned with projects that were salable to the community, and wanted polling information. The Council did not have sufficient information regarding revenue. He asked Staff for the infrastructure total amount.

Mr. Perez answered approximately \$11 million.

Council Member Klein indicated prioritizing projects should include a combination of what is essential and what is salable to the public. Public Safety, streets, and the Post Office would attract the most public support. Cubberley would be difficult to explain to voters. He urged the Council to consider revenue, timing, and themes.

Council Member Shepherd stated the Council had to determine which projects voters would support in a bond measure. The Public Safety Building could be funded through a public-private partnership or a bond. Animal Services and parks interested the public; whereas, the Public Safety Building and fire stations did not but were a fiduciary responsibility. She wanted to see polling results on those four topics. The Cubberley issue had a process, and the Council would have answers by 2014. It could be interesting to determine whether the City should attempt to capture the larger boundary area of PAUSD in order to form a larger tax base to recover funding for Cubberley projects. She also wanted to poll the community on other revenue options and the Bicycle-Pedestrian Plan. If the community was willing to tax themselves for quality of life projects, then General Fund dollars could be allocated to infrastructure projects. The measure should be crafted for success before determining the projects to be included in the bond measure.

Mr. Keene felt the discussion was successful. It informed Staff's work in relation to preliminary polling and a timeline.

Mayor Yeh acknowledged the infeasibility of bonding all infrastructure projects. He appreciated the public-private partnership model and the implications for other projects. Cubberley was a good candidate for consideration of a public-private partnership. He stated it was not a good year for local government infrastructure bonds to become part of the legislative program. He hoped the following year the Council could prioritize that with State elected officials, because all local governments would be in the same situation of funding infrastructure projects.

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Council Member Schmid noted the scale of the bond measure would be \$80-\$90 million. The Public Safety Building would comprise 60 percent of the measure, with the remainder divided between parks, bikes, the Post Office, and Animal Services.

Council Member Shepherd indicated property values within Palo Alto were increasing, yet it was difficult for the City to capture that stream of revenue. Palo Alto offered a reliable quality of life; however, explaining funding to maintain services and upgrade infrastructure to the community was difficult.

Council Member Price believed the Council should consider whether PAUSD planned a ballot measure in the next three to five years. A very modest source of income could be naming opportunities for these projects.

Council Member Klein reported the Library campaign had offered naming opportunities; however, no one provided the needed funding. The Council should consider any and all funding opportunities, but should not count on funding from the private sector.

Mayor Yeh stated this had been a series of extraordinary meetings. The Council would move forward on the issue of infrastructure within Palo Alto.

Mr. Keene was glad to hear the Council's comments regarding the Public Safety Building. The discussion allowed the Council to share information and gain perspective, while Staff received feedback. Staff had a great deal of work to perform relating to the 2014 election.

Mayor Yeh noted this was the last Retreat for the Council.

ADJOURNMENT: The Meeting was adjourned at 8:41 P.M.