

The City Council of the City of Palo Alto met on this date in the Council Conference Room at 6:10 P.M.

Present: Burt, Espinosa (arrived 7:13 p.m.), Holman, Klein, Price, Scharff, Schmid, Shepherd, Yeh

Absent:

1. Interviews of the Architectural Review Board Applicants.

The City Council interviewed the following candidates for one position on the Architectural Review Board ending on September 30, 2014; Brent McClure, Laurie Abbott Chase, and Ron Halfhill.

CITY MANAGER COMMENTS

James Keene, City Manager, announced that Canopy's 16th Mayor's Tree Planting and Awards Ceremony would be held on Thursday, January 19, 2012, at Gunn High School, beginning with a tree planting at 5:30 p.m. with reception to follow at 5:45 p.m.

ORAL COMMUNICATIONS

None

APPROVAL OF MINUTES

MOTION: Council Member Shepherd moved, seconded by Mayor Yeh to approve the minutes of November 7 and 14, 2011.

MOTION PASSED: 8-0 Espinosa Absent

CONSENT CALENDAR

MOTION: Vice Mayor Scharff moved, seconded by Council Member Price to approve Agenda Item No. 2.

2. Appointment of 2012 Emergency Standby Council.

MOTION PASSED: 8-0 Espinosa Absent

AGENDA CHANGES, ADDITIONS, AND DELETIONS

None

ACTION ITEMS

3. Infrastructure Blue Ribbon Committee Recommendation.

Mayor Yeh stated this meeting was important for the Palo Alto Community. He reported it was a significant issue for infrastructure relating to how residents experienced the Community. He stated the City Council had long been committed to an analysis of the needs, and the Infrastructure Blue Ribbon Committee (IBRC) had stepped into this role wholeheartedly. He reported the IBRC, consisting of 17 members, had attended over 200 meetings in 13 months. He stated the IBRC's comprehensive report, delivered in December 2011, included reviews, findings and recommendations. He indicated there were many significant alternatives and recommendations, and the City Council would work through these. He anticipated tonight's Agenda Item would be a dialog between the IBRC members and the City Council. He indicated discussions between Staff and individual Council Members would continue at the City Council's annual retreat. He felt the IBRC had provided an in-depth analysis of local needs. He thanked Ray Bacchetti and Leland Levy for co-chairing the entire Commission.

Ray Bacchetti, Co-Chair Infrastructure Blue Ribbon Commission, asked permission to begin the presentation with a musical event and introduced Leland Levy.

Leland Levy, Co-Chair Infrastructure Blue Ribbon Commission, sang a song about the IBRC.

Mr. Bacchetti stated the IBRC defined infrastructure as everything the City owned that did not move. He noted the IBRC had reviewed consultant studies, data definitions, and budget priorities. He stated the IBRC recommended combining maintenance problems, replacing the existing Public Safety building and two fire houses, and rebuilding the Municipal Service Center (MSC). He indicated preventing a recurrence of infrastructure deficiencies was a major item and could take many forms. He suggested the Council implement policies and practices for eliminating catch-up, maintaining and keeping up, and planning ahead. By policies, the IBRC recommended the City Council dedicate revenue. By practices, the IBRC recommended placing an infrastructure status report in the front of each year's Capital Budget Proposals. The IBRC presented several options for funding infrastructure improvements and maintenance.

Mr. Levy discussed two main areas: catch-up and keep-up. He defined catch-up as deferred maintenance; repair needs significantly overdue leading to increased maintenance costs, shortened component lives, and increased emergency repairs. The IBRC found approximately \$41.5 million worth of catch-up throughout the City's infrastructure. The IBRC recommended the City work on catch-up at the rate of \$4.2 million per year over the next ten years. He defined keep-up as operating maintenance; routine keep-up, and planned maintenance. He stated about half of keep-up appeared annually in the Capital Improvement Projects (CIP) budget. He reported the total amount spent annually on keep-up was \$30 million, which was under-spending by approximately \$2.2 million annually. He said approximately 30 percent of streets had a Pavement Condition Index of 90 percent, and approximately 20 percent had a Pavement Condition Index of under 60 percent. He stated, with sufficient funds and proper maintenance, over the next ten years, the City could eliminate the Pavement Condition Index below 60 and raise all Pavement Condition Indexes above that level. He stated the current average Pavement Condition Index was 73, and could be raised to 85 through this process. He indicated if the City could catch-up and keep-up on all infrastructure, then it could prevent today's infrastructure problems from recurring.

Mark Harris, Co-Chair IBRC Public Safety Working Group, thanked the Council for the opportunity to serve on this Commission. He read from the Executive Summary of the prior Blue Ribbon Task Force concerning the Public Safety Building. He stated the statement was as true today as when it was written. He said the Public Safety Working Group reviewed several reports on the Public Safety Building, spoke with key officials, toured San Mateo's Public Safety Building, and toured fire stations in Palo Alto and Mountain View. He reported the Public Safety Building needed replacing, preferably on a new site, because the building was fundamentally flawed from the start. He reviewed slides comparing Palo Alto's facility with San Mateo's new facility. He indicated San Mateo also had a long process in building their facility. He said these structures were expensive, were not as visible as libraries or soccer fields, yet they were essential for delivery of service. He reported Fire Station Nos. 3 and 4 should be replaced because they were old and obsolete. He stated fire stations were essentially emergency operation centers; places that responded to a community need (mainly medical calls), and the facilities should be designed as such. He stated the Commission's recommendations were fairly simple, but also fairly expensive. He indicated a new Public Safety Building on another site would cost approximately \$65 million, which would cover all the services the new Public Safety Department contemplated. He added the cost to rebuild Fire Stations 3 and 4 would be approximately \$14 million.

Mr. Bacchetti indicated the City's transformation of its Public Safety services into a Public Safety concept was evident in many reports they studied. He said the IBRC concluded renovation of the Public Safety Building was not an

economical or practical solution. He stated consolidation of Public Safety departments across municipal boundaries was a management rather than a physical option, since response times were paramount in issues of public safety.

Mark Michael, Chair IBRC Municipal Services Center (MSC) Working Committee, thanked Staff for their hard work and contributions. He reported the MSC Working Committee had three main objectives: 1) to identify the issues, risks and opportunities; 2) to analyze the problem and to identify potential solutions; and 3) to provide recommendations. He said the Committee concluded that the Council should authorize a project to replace the MSC, because the current facilities were out-of-date, inefficient, and vulnerable to seismic and flood threats. He reported a new MSC could be built at the current East Bayshore location on a single site, or the City services supported by the MSC infrastructure (Utilities, Public Works, Administrative Services, Parks and Animal Services) could be optimized and relocated into split sites. He stated the Committee felt the Council's decision on such a project should be based on an expanded consultant study of the Community's needs and an updated analysis of costs and benefits. The Committee thought a Request for Proposal for such study should specify feasibility and cost estimates for repairing and replacing the current MSC (static option) or relocating and splitting the various departments (dynamic option). The IBRC was interested in the dynamic option, because it was the best mechanism for delivery of services at the lowest cost. He said relocating City operations could address two different types of risk. He reported the present site was exposed to emergency response or disaster risk and economic development risk. He said there were declining sales tax trends from auto dealers. He indicated the City's freeway-visible property could be made available for commercial or business activities (auto dealer cluster, retail, hotel, office space or a combination of uses), which would generate tax revenues. The Committee recommended relocation of Utilities and Public Works to west of Highway 101, and funding the new facilities from a Utility Revenue Bond. The Committee suggested the Los Altos Treatment Plant could provide a new location for the Animal Services Center, if the Council determined outsourcing was not preferable, and possibly for Park Operations. The Committee recommended the City's property on East Bayshore should be appraised to determine its value and to confirm the highest and best use for either the public or private sector. He stated in one possible scenario, assuming a freeway-visible site could substantially increase sales of auto dealers, the City would have a strong position in negotiating a land swap for parcels on East Embarcadero. He reported the Baylands Master Plan Land Use Policy endorsed commercial and office-space usage on East Embarcadero. He said if the City were to acquire those parcels, the City could convert the property to office space. He stated a savings could be generated by using a City-owned facility for personnel, rather than renting office space in the downtown area. He indicated there was space adjacent to the Golf Course for the Parks Department operations.

He stated development of amenities such as restaurants or conference facilities adjacent to the airport could become a revenue source and provide enjoyment for Residents. He reported that, given the priority and importance of acting on the Public Safety Building, changes would be imminent for the Civic Center block. He suggested the existing Public Services Building could be converted for use by other tenants when the new building was constructed. He reported City Hall could have both public and private occupants if occupancy pressures in the downtown area were alleviated by a new Utilities Operations Center and City-owned office space on East Embarcadero,. He noted the method of proceeding and costs should be determined by the forthcoming consultant study. He stated the Council, using IBRC input, could make a wise decision regarding a central element of the City's infrastructure.

Ralph Britton, Chair IBRC Infrastructure Management System (IMS) Working Group, reported City Planning had been limited by a shortage of accessible and reliable data defining the state of infrastructure. He stated this problem had limited the Council's and Staff's ability to make judgments regarding resources required to fund maintenance. He reported Public Works had a process for assessing the state of City assets, but there had been poor visibility outside the department. He indicated there had been no system to provide estimates of the future maintenance requirements, and problems had been repaired only when an urgent problem demanded attention. He noted there was no effective formal communication tool to interactively connect financial resources with needs. He said without a comprehensive financial and maintenance-integrated reporting function, there had been neither visibility nor an adequate mechanism for control. He indicated Public Works, in anticipation of the Commission's requirements for current data, had entered as much as data as possible into a spreadsheet, which required modification and review by the department and various committee members. He reported the Finance Department evaluated resources and produced the gap summary (Table 1.1 on page 31 of the Report) once the comprehensive needs spreadsheets were reasonably complete. He reported the Working Group had reviewed spending over several years on projects not identified in budgets, and found that the Council allocated approximately \$1.5 million per year to off-budget items. He stated adding this amount to the plan was realistic, and would allow the Council flexibility to fund modest projects deemed urgent or of sufficient value to warrant an out-of-budget allocation. He noted these findings were derived from the needs defined by the IMS Committee. He indicated the IMS was an essential part of the Committee's recommendation. He said the spreadsheet contained a reasonably accurate snapshot of the state of the infrastructure today, but was a rudimentary form of IMS. He said the gap summary, combined with the input from Finance, represented the kind of report the Council and Staff needed to make useful judgments related to preparing the General Fund Budget. He explained that catch-up and keep-up values were identified, and a plan could be implemented to eliminate continued catch-up. He stated the

spreadsheet was a manual system and represented a snapshot of needs. A projection of the needs with automatic updating of requirements as due dates approached was needed. He felt the spreadsheet was a clumsy and labor-intensive means for managing a database. He stated the City must implement a comprehensive system to maintain a database and provide useful reports. He indicated a key element to eliminating catch-up was having clear and accurate reports to inform decision making. He noted a desirable capability for the system would be simulating or testing scenarios. He felt such a tool would allow management to optimize funding and maintenance cycles. He said a vital function was the delivery of readable reports clearly showing where there were funding gaps or deferred maintenance. He stated an IMS would make it clear to Council and Staff the consequences of allocating funds away from needs. He noted Public Works and Community Services regularly updated information in the needs element of the database, and Finance provided current data on allocation and availability of funds. He also noted the City Manager had information available for review and action, and was responsible for ensuring that sufficient attention was given to infrastructure issues. The Commission felt this was too complex to be effectively managed without an automated database management tool. He referenced the Commission's seven recommendations shown in the Report on pages 5 and 6. He noted that if a management system wasn't utilized promptly, the good data in the spreadsheet would soon become stale. He said the Committee had made recommendations directed toward establishing a culture where allowing vital infrastructure to deteriorate was unacceptable. He indicated all Commission members agreed on the importance of advocacy through maintaining assets; however, a significant minority did not see the need for a new public commission for that purpose.

Stephen Levy, Co-Chair Finance Working Group, stated the Commission viewed financing as two sets of capital projects: 1) the five facilities previously discussed; and 2) a set of annual funding needs to combine the catch-up and keep-up needs. He noted funding required for the Public Safety Building was approximately the same size as the library bond. He stated the Commission recommended the major facilities and long-term projects should be funded by long-term borrowing, but the Commission did not include means for repaying the borrowing. He felt thirty-year projects should be funded by future generations as they would benefit from the use. He indicated catch-up and keep-up projects needed annual funding of approximately \$6.5 million. The Commission reviewed a past business license tax campaign and a parcel tax, and thought that a sales tax increase made the most sense if the City needed an additional revenue source. He noted a second potential annual source of funding was Cubberley. The Commission recommended that a large portion of the Municipal Services Center could and should be funded by a Utility Revenue Bond. He stated the initial calculations were that might add 1 percent or 2 percent to the City's utility rates. He noted two funding scenarios if the Cubberley savings were

not available and two funding scenarios if Cubberley savings were available. He said there were two choices: sales tax versus Cubberley savings to fund the annual funding need; and a general obligation bond versus a Certificate of Participation to fund the Public Safety facilities. The Committee felt an infrastructure commission might be helpful; however, Staff disagreed. He stated the Finance Committee focused on the dedication and the reserve options.

John Melton, IBRC Finance Working Group, stated the Working Group reviewed the issue nationally, and found that cities across the country who managed infrastructure best had a dedicated source of revenue for infrastructure, in a variety of forms. He thought a dedicated stream of revenue devoted to infrastructure was a predictor of good infrastructure management. He cited Mountain View, Menlo Park and Redwood City as having dedicated revenue streams. He indicated the Commission had identified financial needs for current and future projects on an annual basis. He noted the City was currently spending approximately 18.5 percent of General Fund revenue on infrastructure, including the Operating and CIP budgets; however, spending for infrastructure should be approximately 23 percent. He said one proposal was that the Council adopt a policy directing the City Manager to dedicate 23 percent of the General Fund revenues each year to maintaining and improving infrastructure, and requiring a supermajority vote of the City Council to reduce the amount. He stated there were two logical infrastructure reserves: 1) an operating reserve modeled on the reserve of the Enterprise Funds; and 2) a strategic construction reserve comprised of funds earmarked for infrastructure and funds received from sale of infrastructure assets. He reported the purposes of a strategic construction reserve would be to fund projects too large for funding in the Annual Budget but too small for bonding, and to fund development work before issuing bonds on a project. The Commission recommended the Council dedicate a revenue stream to infrastructure and establish reserves.

Mr. S. Levy indicated that the Council would need bridge funding to implement the recommendations, if it accepted all recommendations, in the next year or two. The Commission suggested that there could be an innovative means for short-term borrowing, with possible repayment from the sale or lease of the Public Safety Building or revenue opportunities generated by the new MSC. He stated that if infrastructure needs are not addressed immediately, the City would continue to fall behind.

Bob Stillerman, Chair Futures Working Group, stated there were no future projects discussed in the presentations or mentioned in the Report. He indicated Palo Alto had not been proactive on the issue of future needs in infrastructure. The Working Group did not have enough time to suggest specific recommendations for future projects; rather, it suggested recommendations of how to think about future projects. He reported the

Working Group reviewed the changing demographics in the City: increased percentages of seniors and school-age residents and decreased percentage of productivity workers. The Commission asked what services are likely to change and be required with these demographic changes. He mentioned the School District had reviewed the increase in school-age population and was planning for more schools. He stated the Council should consider future needs and services and how to fund those. He noted the Report included suggestions for developing new revenue-generating services, leveraging assets by charging market rate for rents in City buildings, managing assets as an asset portfolio, and opportunities for divesting some buildings. He stated engaging the Community in the decision-making process was central. He said citizen groups could provide input as to how to take advantage of technology. He thought the real challenges were how to address future infrastructure, how to engage the Community, and how to continue the process.

Mayor Yeh thanked the IBRC for its Report and comprehensive presentation. He suggested Council Members' questions be presented in the same order as the IBRC presentation. He asked for questions regarding deferred maintenance (catch-up, keep-up) first.

Council Member Klein expressed concerns about the charts on pages 31 and 33 of the Report being duplicative. He referenced expenditures for major parks (Mitchell, Rinconada, Stanford/Palo Alto) and then another category labeled parks. He asked for an explanation of these items.

Mr. L. Levy stated there was a problem sorting infrastructure data because there was no centralized infrastructure management system; thus, some data was classified by specific facility and some data was classified generally. He indicated there could be some double accounting; although the Commission attempted to remove that. As far as specifics, he deferred to Staff. He explained the Stanford/Palo Alto Park was the facility at the corner of El Camino and Page Mill.

Council Member Klein stated the Stanford/Palo Alto Park was completed a few years ago, and felt a \$1 million expenditure for that park was frightening.

Phil Bobel, Assistant Director Public Works, said Staff added the categories late in the report process; therefore, the subtitles were not exact. He explained the major parks were itemized, and the "parks" category should have been named "other parks". He indicated he would need to provide information on the Stanford/Palo Alto Park at a later time.

Council Member Klein asked why weren't expenditures for the Arts Center, Civic Center Office Building, and libraries included in current projects, when there were projects under way with all three.

Mr. Bobel explained there was a series of projects at the Civic Center, not just one project. He said he would review the Arts Center project to determine why all projects weren't included.

Council Member Klein thought the City Council had voted to include all projects on the Art Center.

Mr. Bobel said he would need to review the item.

Council Member Klein asked about libraries.

Mr. Bobel explained the amount for libraries was updated while the Report was in press. He said the correct number for the libraries category was \$48,000 rather than \$548,000. He reiterated Staff's attempts to revise the information late in the process; however, because the tables of information were interconnected, it was too difficult to make the changes.

Council Member Klein felt no one could be pleased with the Report in the sense that there was a \$250 million bill to pay. However, he thought that was about half the amount Staff and consultants had estimated. He asked if there was an explanation for the difference.

Mr. Bobel indicated the \$500 million was associated with backlog. He said the number in the table on page 33 for catch-up was \$41 million. He stated \$500 million was never the catch-up amount; it was the total needs assessment, and became known as the backlog. He noted that backlog was a misnomer as the work included overdue and future projects. He said there was a fine line between catch-up and keep-up, and the details demonstrated judgment calls about categorizing projects as catch-up versus keep-up.

James Keene, City Manager, stated Council Member Klein's question reflected the Council's need for information and transparency. He thought the Council retreat would provide an opportunity for discussion of prior and current numbers.

Council Member Klein referred to the table on page 31 and footnotes A and C, and asked how the numbers were derived and if Staff was confident in them.

Mr. Melton explained the Finance Working Group asked Public Works how much it would need to keep up the City's infrastructure at a level of maintenance and repair that Citizens expected. He said Public Works answered 10 percent or \$1.6 million per year of operating maintenance. He indicated the current level of funding provided adequate infrastructure, and more funding would provide good to very good infrastructure. He also explained Finance Staff studied the last five years of CIP budgets to

determine projects that were added during the year by Council, which caused other projects to be deferred. He indicated Staff determined the Council added approximately \$1.5 million per year to the CIP budget in new projects.

Council Member Klein indicated he would review that list, and felt the \$1.5 million amount was too large. He mentioned former Governor Ed Rendell's statement that the national bill for infrastructure backlog was \$2 trillion. He inquired if there had been any communication with Governor Rendell's national organization that attempted to provide assistance to state and local governments on infrastructure needs.

Mr. L. Levy answered no, they had not communicated with Governor Rendell's organization. He stated the Commission reviewed Palo Alto's specific problems for the next ten years, which amounted to \$6.4 million per year for catch-up and keep-up, and long-term financing for two major facilities. He said the Commission set aside the \$500 million figure (backlog), and looked for specific needs on annual and long-term bases.

Council Member Price understood catch-up figures were in 2011 and 2012 constant dollars. She asked if the \$4.2 million amount over the next ten years would in reality be higher as the amounts were not indexed.

Mr. L. Levy answered she was correct. He indicated income dollars were also constant dollars. He said the Commission did not attempt to inflate income or expenditures.

Council Member Schmid felt the Report was excellent and would be a resource for future discussions. He asked for the source of the Report numbers and were they credible. He indicated the table on page 119 used the year 2012 as a base, and asked if that was an adequate base given it was the fourth year in a row of revenue shortfalls and cost-cutting measures. He also asked if a pop-up expenditure was outside the normal keep-up/catch-up, something extraordinary. He felt the pop-ups occurred when there was an opportunity for a grant. He asked if a pop-up should be embedded in the base and if \$1.5 million would be added to the budget each year. He thought a pop-up was a unique situation of transferring resources, and should not be built into the base. He referenced the third line of the table on page 119, Other Sources, and noted it declined by \$1 million (40 percent) when pushed into the future and remained below the 2012 number. He asked if that also happened with other sources. He listed projects which were mainly funded by outside sources, not the General Fund. He felt the Other Sources amount was strange. He stated these were the kinds of technical issues he had with the Report.

Council Member Espinosa shared Council Member Klein's concern regarding the variance between the \$400 million amount. He felt data was important

to establish credibility within the Community and to develop a case for infrastructure needs. He asked that Staff revise as soon as possible any amounts not revised because of the Report being in press. He stated he would like to understand keep-up and catch-up relating to sidewalks and streets. He asked if these funding amounts would improve Palo Alto's comparison to nearby cities and would improvements meet the Public's expectations. He also inquired about a realistic timeline for improvements.

Vice Mayor Scharff asked if the \$7 million for Cubberley related to the City's portion only.

Mr. Harris explained the \$7 million covered all of Cubberley over 25 years; it did not separate the City's acreage from the School District's acreage.

Vice Mayor Scharff wanted a sense of what each category meant in terms of extra cash and maintenance. He felt the primary goal should be keep-up, with a view towards prioritizing expenditures. He asked if the Commission had reviewed other means to fund the dedicated revenue stream for catch-up and keep-up. He asked if the City was actually underfunding by \$700,000 (\$2.2 million less \$1.5 million for pop-ups).

Mr. L. Levy stated that was correct, but the Commission felt pop-ups happened regularly and should not be ignored.

Vice Mayor Scharff asked for a detailed list of pop-ups for the retreat.

Council Member Burt felt the Community looked first at potholes, then to other infrastructure. He asked whether the Capital Improvement Plan had doubled the budget for street upkeep.

Mike Sartor, Public Works Director, stated the budget was increased approximately two years ago, from \$1.7 million to \$3.7 million.

Council Member Burt stated there was a sizeable backlog of improvements to streets, and there would not be a radical reduction in the backlog within a year or two. He asked if this level of spending was a catch-up or keep-up in streets.

Mr. Sartor explained it was both. He stated one of the goals was preventative maintenance to keep-up, and then there was much catch-up work particularly in the older parts of town with concrete streets.

Council Member Burt inquired if the \$6 million amount for catch-up of streets was low.

Mr. Bobel stated this was an example of the fine line between catch-up and keep-up. He explained catch-up and keep-up could be defined by choosing

a specific Pavement Condition Assessment score that separated catch-up from keep-up. He said Staff did not do that; instead they established a goal of no streets below a score of 60, and an average score of 85 for all streets. He stated categorizing projects into catch-up and keep-up came from a historical point of view.

Mr. Keene felt the perspective on streets and sidewalks varied from an individual's point of view from the system as a whole. He felt the Council would need to provide specific details about improvements.

Council Member Burt felt increased funding for streets over the previous two years was having an impact; however, the Council had not shared this information with the public. He requested information on alternatives for funding keep-up without new revenue. He did not feel the Council or the Community would be willing to consider new revenue for ongoing maintenance.

Council Member Holman expressed an interest in how project cost estimates were developed, and if the estimates were in alignment with other local jurisdictions. She asked if the current maintenance of streets was cost effective. She then compared landscaped traffic circles in Mountain View with asphalt traffic circles in Palo Alto. She inquired if this was keep-up or catch-up.

Council Member Shepherd asked for a separate conversation at the retreat concerning whether the Cubberley and Ventura projects should be included in the list of \$4.1 million. She cited refurbishment of the Arts Center as an example of public-private partnership and suggested the City investigate partnerships with the Community. She inquired if the downtown parking assessment district had a revenue source.

Mr. Bobel explained some items in the Report did have funding sources, but the Report did not include library bond expenditures because they would have skewed the figures.

Council Member Shepherd asked if the funding source was included in the funding portion of the Report.

Mr. Bobel indicated the summary sources included other sources and targeted sources.

Council Member Shepherd inquired about possible grants for some of these infrastructure projects.

Mayor Yeh inquired why the IBRC recommended a ten-year time frame for improving the PCI scores of streets.

Mr. L. Levy explained ten years was a reasonable length of time to plan, raise funds and perform a large amount of work.

Mayor Yeh asked if there was a measurement for sidewalks equivalent to the PCI measurement for streets.

Mr. Sartor asked if the question was how Palo Alto compared with other cities with respect to sidewalks.

Mayor Yeh stated the PCI system was helpful to understand needed improvements, and asked if there was an equivalent measurement for sidewalks.

Mr. Sartor was not aware of any metric for sidewalk conditions.

Mayor Yeh thought visual presentations were the best method for moving forward on this area. He suggested Staff share strategies for visualizing sidewalks.

Mr. Sartor noted Palo Alto had a more robust sidewalk replacement program than most other cities, and performed more replacements per capita than most of the neighboring cities.

Mayor Yeh wanted to understand the dedicated uses of gas tax, and if cities had any flexibility in the use of it.

Paul Edwards spoke on behalf of Joe Hirsch, President of the Cardiac Therapy Foundation. He expressed concerns about the Commission's recommendation that the City not renew the Cubberley lease. He said this would have a disastrous effect on the tenants at Cubberley. He stated Cardiac Therapy had been in business in Palo Alto for 40 years, and provided information on their services and statistics regarding their clients. He indicated finding other suitable rental space would increase his annual rental costs, would increase operating costs, and would effectively close the business. He did not support the need to deal with Palo Alto's infrastructure needs by putting good organizations out of business. He felt the City should continue providing space to worthwhile organizations and individuals who could not afford commercial rates, so they could continue to provide valuable services to the Community.

Mike Cobb suggested Cubberley was too significant to the Community to be lost in the issue of infrastructure needs. He hoped the City Council would ask for and consider public input regarding Cubberley. He stated Cubberley meant a great deal to him as his family used it frequently. As President of Palo Alto Girls Softball league, he said the facility was extremely important to the league and to other sports leagues. He urged the Council to look at the big picture, and to develop a win-win situation. He stated Cubberley was

too important to be lost in the infrastructure decision, and should be handled separately with care, thought and public input.

Rachel Samoff stated she operated the children's preschool center, which could not survive without Cubberley. She was pleased to note the thoughtful and thorough public discussion planned for Cubberley. She stated Cubberley was a complicated issue with major implications for the School District, organizations like hers, and the Community in general. She felt Cubberley was a valuable resource.

Jean Wilcox stated the gentleman who headed the IBRC was also on the Blue Ribbon Committee for the new Public Safety Building six years ago; therefore, she was not surprised by his recommendation of a new Public Safety Building. She reminded the Council of a prior Council's promise to have all utility wires undergrounded. She indicated undergrounding utilities did not make the infrastructure list. She asked when the utilities would be undergrounded in south Palo Alto to the same level as in north Palo Alto. She said a new Public Safety Building, fire houses, animal shelter and municipal yard were taxpayer-funded building perquisites for the administration. She asked when the Council would use the residents' tax dollars and utility fees to do something for the homeowners of Palo Alto. She indicated the taxpayers of Palo Alto want undergrounding at the top of the infrastructure list.

Penny Ellson thanked Mayor Yeh for his memo noting the Council's responsibility to review and consider the IBRC Report recommendations along with other considerations and policy objectives. She hoped that the Council would table the IBRC Cubberley recommendation until the City, School District and Community could complete the planning process. She felt important information regarding future use of the site would be gained during the planning process. She thought it was premature to terminate the Cubberley leasing covenant prior to a plan for the site's future had been identified. She stated Cubberley was the only community center in South Palo Alto to which children could walk or bike from school.

Lanie Wheeler asked the Council to defer any discussion or decision regarding the Cubberley lease and covenant not to develop until there were opportunities for community discussion. She stated Cubberley was much more than a money pit or a source of funds; it was a quality of life issue. She felt the IBRC Report assumed the School District had more funds than it actually did. She indicated there could be Community members who would work diligently to prevent the Council from using the utility users tax in ways other than those promised at its inception. She felt the Community needed to discuss and understand changes over the last 30 years and what needed to change for the next 20 years. She asked that the City not proceed with the Cubberley recommendation.

Robert Moss noted the infrastructure problems dated back 30 years, when Proposition 13 was passed and the City's budget was reduced by millions. He indicated the City spent \$1 million on street repairs in 1979, \$295,000 in 1982, and slightly increased Capital Improvements funding in 1991, but never met the level spent in earlier decades. He stated the City spent approximately \$1.25 million to repair Terman because the School District did not maintain it. At Cubberley, he noted the City spent over \$3.8 million because the School District did not maintain it. He disagreed with the Report's recommendation regarding a business license tax. He felt the City should not be giving \$1.7 million to the School District to prevent closure of schools. He suggested the City place money into an account for capital improvements to cover pop-ups and matching grants.

Tim Gray wanted the City to have a better financial foundation through implementing infrastructure improvements. He stated standard business practice was to set aside a small reserve each year to replace assets. He thought the City needed to set aside more than \$41 million. He felt citizens were being asked for a bond to bail out previous years' deficits. He viewed government as a valuable service provider, but thought government needed to be restrained and right-sized. He wanted to reign in spending, inventory City services, prioritize and trim.

Mayor Yeh asked for questions from Council Members regarding the Public Safety section.

Council Member Burt asked for specific numbers comparing Palo Alto to San Mateo in terms of population and size and cost of the building.

Mr. Keene said those figures would be provided at the retreat on Saturday.

Council Member Burt asked for an update comparing the IBRC's recommendation of remodeling two fire stations to an earlier study's information of combining fire stations.

Mr. Keene thought this was possible; however, it might be part of a larger policy discussion better suited for the City Council.

Council Member Klein inquired if Staff used the same numbers for the estimated cost of the Public Safety Building as those provided four years ago.

Mr. Harris indicated the numbers were similar but not the same. He stated Public Works had reviewed square footage and added elements for fire administration and an emergency operation center, then updated the estimated cost to today's figures.

Council Member Klein asked if the Police Department had provided input concerning its needs.

Mr. Sartor indicated Staff would provide the information at the retreat.

Council Member Klein inquired if the Police Department needed the same amount of square footage as discussed several years ago.

Mr. Bacchetti stated the estimate was based on the square footage provided in 2006 and augmented by 7,000-plus square feet for fire administration and an Office of Emergency Services.

Council Member Klein asked if Chief Burns agreed with the architectural program produced five or six years ago. He felt Chief Burns' input was needed because Chief Burns was new and because of the size of the project.

Mr. Keene stated the Police Chief's perspective was different from a few years ago, but felt the Council would want specifics from the Chief and the correlation of numbers.

Council Member Price asked if Staff would respond directly to the recommendations being made and how would Staff's responses be managed and brought forward.

Mr. Keene thought this was the reason the Mayor had proposed a series of meetings on the IBRC Report. He felt there would be a considerable range on a number of recommendations as to reconciling the assumptions of the IBRC Report with other policy considerations. He suggested there would be an array of choices to match the Community's needs.

Council Member Price inquired if the assumptions in the Report were related to traditional uses of resources and materials, or was there a range of costs.

Mayor Yeh agreed with the need for Chief Burns' input. He suggested data from other districts that have consolidated would be helpful in considering the impact of consolidation in terms of response time. He asked for questions concerning the MSC.

Council Member Holman suggested a different split option that should be reviewed. She asked if 16 acres was really needed for the MSC. She asked if there was an opportunity for playing fields to be located on the parking area adjacent to the ball fields and golf course as well as at the MSC. She appreciated the IBRC's effort to find income-generating uses, but felt automobile dealerships, especially with billboard signs, would have a visual impact on the Baylands and would change the policy and character of the City. She inquired if swapping land and building offices on Embarcadero meant there would still be offices for some critical services on the east side

of Highway 101. She suggested the soon-to-be-vacated downtown post office could house some critical offices. She expressed concern over issues being presented to the Finance Committee when they could also be presented to the Policy and Services Committee. She requested Staff provide information concerning the decline in sales at auto dealership, how does the decline in Palo Alto compare with other cities, and if the decline was affected by online sales. She asked where the sales tax collected, point of sale or point of deliveries were at. She suggested the City look to boutique auto dealers to replace some of the lost revenue.

Council Member Espinosa understood Staff's timing in not providing feedback or preparing a Staff Report, but felt Staff's responses would be helpful. He asked if Staff had an opinion regarding the need for and costs of expanded studies and economic analyses. He indicated he needed Staff's thoughts in order to review the different scenarios suggested in the Report. He inquired if fundamental first steps had been formulated for moving forward, if Staff had reviewed those, and if there was a timeline for moving forward. He indicated he would like to have Staff's feedback before Council takes it up.

Council Member Schmid thought it would be good to add the possible post office property to the Report list. He felt the item on page 57 was the most articulate expression of sea-level rise and its impacts, because it impacted the MSC and the Embarcadero Road area. He was disappointed that the Commission did not make recommendations, as it was an opportunity for the City to articulate its importance to future infrastructure.

Council Member Klein noted there was a fourth automobile dealer in town, rather than three as mentioned in the Report. Regarding a cluster of automobile dealerships, he recalled that the City previously was in discussions with only one dealer and asked if that had changed. Stephen Emslie, Deputy City Manager, stated Staff would provide a comprehensive answer regarding discussions with auto dealers on Saturday.

Council Member Klein asked for the status of potential hiring of a professional consultant with regard to the MSC and that area.

Mr. Sartor said it was currently on hold until the Council could discuss IBRC recommendations and policy issues.

Council Member Klein noted the numerous references to moving essential activities from MSC to the west side of Highway 101, and inquired where the City had the necessary space west of Highway 101.

Mr. Melton spoke from the audience, indicating that was part of the consultant study.

Council Member Klein did not support hiring a consultant to find space west of Highway 101 when there was not enough acreage or space.

Council Member Burt asked to what degree should the City review tidal-rise impacts. He stated this type of long-term element increased the size of infrastructure improvements. He felt the City Council should discuss integration of longer-term projects with the infrastructure recommendations. He stated work with the Santa Clara County Water District and the San Francisquito Creek Joint Powers Authority to resolve flooding issues could affect decision-making and funding of infrastructure improvements at the MSC and golf course. He felt there was no need to assume funds have to come from normal infrastructure funds.

Council Member Shepherd supported right-sizing the MSC in order to meet all needs as efficiently as possible using as small a footprint as possible. She asked if it was possible to swap land on Park Boulevard to have things closer, excluding Animal Services. She suggested commercial businesses oriented to the Baylands, such as kayaking and bike rentals, rather than auto dealerships.

Council Member Price indicated six or eight years ago there was a discussion of combining some corporation yard activities for the School District at a site jointly with the City of Palo Alto. She asked whether there was a partnership with the School District in terms of relocating. She expressed concerns about projects in concert or in conflict with existing policies. She inquired about discussions regarding best practices in other communities where they had successfully created partnerships directed towards civic facilities. She felt the Council was beginning to make pronouncements and policy directions without having a broader arena of information. She was looking to use this as a foundation for organizing information to allow the Council to be politically sensible, financially sensible and practical. She wanted a plan for addressing this, including Staff's responses to the recommendations.

Mayor Yeh wanted to highlight Animal Services. He agreed with Council Member Price regarding the need to break out short-term, mid-term and long-term projects. He felt understanding the potential cost savings with regionalizing Animal Services would fit in the short-term category. He asked Staff to provide a report of efficiencies and savings achieved quickly.

Council took a break from 9:57 P.M. to 10:07 P.M.

Mayor Yeh indicated members of the Finance Working Group were interested in attending the Council retreat. He asked for questions and comments on Infrastructure Management and Accountability section.

Council Member Price thought it was critical to have accurate and comprehensive information, and up-to-date and manageable data. She

inquired what was Staff's initial response on this proposal, the cost implications for implementing an IMS system as outlined in the Report, how did it relate to the City's current capacity in data management for CIP and other projects, and what were examples of other cities and regions that had done the same thing effectively.

Mr. Sartor stated Staff had performed some initial exploratory work with IBRC on other cities' activities to establish software databases, but had not prepared an Request for Proposal to determine hard numbers. He indicated Staff would explore in more detail the scope, based on IBRC's recommendations, and present a plan for the Council to review.

Lalo Perez, Director Administrative Services, agreed this was probably the most important piece, because Staff wanted to capture the City's needs and utilize the tool to run scenarios. He said Staff had reviewed a couple of demonstrations of systems. He stated there were solutions, other than those in place, available at a lower cost. He indicated Staff needed to review the impacts in the operating departments of the capital programs and then the administrative piece of the system. He wholeheartedly agreed with the recommendation of exploring options. He felt Staff would provide variations or a range of options for the Council to consider.

Council Member Price indicated these would be hardware and software implications. She asked if Staff was exploring the track record of other communities or regions who have done this effectively.

Mr. Perez answered yes. He stated Staff had some preliminary discussions, but not with the systems currently being reviewed. He indicated Staff wanted to determine the impacts to current staffing and possible solutions.

Council Member Price asked if Staff had an order of magnitude even at the grossest level.

Mr. Perez stated he was very cautious with that and would wait to provide information rather than a guess.

Council Member Schmid stated he was a strong supporter of the IMS system, and felt it was an essential tool to provide information at either the detail or the aggregate level. He noted over the last few years the City had an additional 20 percent locked up in retiree benefits, which meant the City would have 40 percent to 45 percent of the budget taken off the books. He said this would lead to reducing programs or wages and to crisis. He favored setting targets, setting a base, or having some kind of mandate, but thought across-the-board mandates would lead to many problems.

Vice Mayor Scharff asked for Staff feedback on recommendations such as establishing a single point of responsibility and requiring an IMS summary be

presented to the City Council as a lead element. He also asked for Staff's opinions of how to achieve the goals set forth if Staff did not support the recommendations.

Council Member Shepherd questioned Recommendation 1-7 regarding periodic audits by the City Auditor. She thought the City Auditor's role was to take up formal audits and asked what this recommendation meant for the City Auditor.

James Pelletier, City Auditor, stated he could consider it as part of the annual work plan.

Council Member Shepherd wanted to verify that the concept of audit correlated with the Audit Department's actual selection of its work plan.

Mr. Pelletier stated Staff would approach this based on any policies set by the Council in response to the Report. He indicated the decisions made would become the criteria to audit against going forward to make sure they were meeting requirements set by the Council.

Mr. Keene agreed with the basic statements regarding what is embedded in the IMS approach. He felt it was almost a recommendation to create an organizational infrastructure for managing City infrastructure to deal with systems, transparency and accountability. He thought a number of the recommendations were to reflect that value system. He stated an independent audit would be performed periodically to reinforce the notion that infrastructure is being taken seriously, done openly and transparently, and has some rigorous discipline. He noted there could be variations on how to achieve the goal of the recommendations, but IMS was a prerequisite for the City's ability to carry on in any systemic way on dealing with the City's infrastructure challenges.

Council Member Holman strongly supported an IMS. She expressed concern that an increased sales tax could send sales to other places, especially for big-ticket items. She asked about the typical impact of a sales tax increase.

Mr. Keene stated the discussion had moved from the IMS section to the Finance section.

Council Member Burt noted the recommendation for a commission and Staff's opposition to that. If there was not an independent commission, he was interested in having discussions concerning the roles of the Finance Committee and the Planning and Transportation Commission. He suggested the Council could redefine the role of the Planning and Transportation Commission to advisor to the Council and review the qualifications for members. He was interested in hearing Staff's thoughts on organizational

issues with regard to the recommendation of a single point of contact within the City Manager's office.

Council Member Espinosa asked Staff to include these points in its responses to the Report: methods to provide transparency whether through audits, reviews or Council discussions; methods to plan for transparency; and methods for the Council to discuss and review periodically the status of infrastructure projects.

Mayor Yeh called for questions and comments concerning the Finance section.

Council Member Schmid expressed concern that the City would lose 12 acres of playing fields, two gyms, an auditorium, a theater, parking and classrooms if it followed the recommendation to end the Cubberley lease in 2014. He was also concerned that there was no discussion of the cost inherent in the trade-off and what infrastructure would be lost by the ending of the lease. He felt the City had received some important benefits from the current situation.

Council Member Shepherd was concerned about a ballot initiative and supported using the general obligation bonds to pay for improvements. She expressed an interest in relocating the Development Center in order to stop paying rent. She said this would provide funds to help pay for some projects.

Council Member Holman inquired if an increase in the cigarette tax would provide a meaningful amount of funds, and if that could be dedicated. She stated the Council must review spending and raising money from the public as well as saving money in order to be accountable to the public. She suggested there was potential rental income from space being vacated by the Police Department, and a possible savings by locating Staff in the downtown post office. She did not favor COPs as a funding mechanism.

Council Member Klein disagreed with the box statement on page 81 regarding the School District's intention to reuse the Cubberley site for a secondary school. He said the School District had not taken any formal action. He did not believe the Council could count on that until the School District acted. He requested a brief summary of funds available from the Stanford funds, a timeline, and restrictions on use of funds.

Council Member Burt suggested discussions were needed regarding how quickly the City could catch-up infrastructure projects. He stated it would not be easy to find funds for improvements. He stated the difference between Certificates of Participation and General Obligation Bonds was a simple majority vote versus a two-thirds vote. He thought a two-thirds vote was possible for a focused purpose such as the Public Safety Building. He

said the use of utility user tax funds was not explicit, but thought there was an implicit agreement regarding the purpose of those funds and how they were applied. He indicated the funds were intended for community facilities including fields, and to use them for a different purpose would be problematic. He said the City would be squeezed in terms of public facilities and playing fields because of issues with Cubberley and projected future growth. He thought the Council would need many discussions regarding funding. He felt the recommended sales tax increase was too large for a local tax.

Council Member Price agreed with the recommendations for long-term borrowing options and annual funding including the business license tax. She asked if the Council and Staff felt the Report had exhausted all options that local governments have used. She also asked if there were other funding sources that had not been identified, such as public-private partnerships.

Mr. Keene felt there were opportunities for variations on a theme or different ways of cobbling pieces together. He thought the IBRC focused its recommendations in a strategic way to attack problems as they were defined. He stated there may be mixed alternatives that weren't in the Report but could be discussed. He agreed with Council Member Burt's comment that raising funds was difficult.

Mayor Yeh asked to what extent and how confident Staff was in the level of revenues received through the gas tax. He stated the City could bond against the gas tax if it was a dependable and consistent stream of revenue. He inquired what the baseline level of the gas tax was. He indicated if the gas tax provided a steady stream of revenue it could function as a revenue bond. He inquired if gas tax revenues could be used for streets and sidewalks and, if so, it would be a good means to finance street and sidewalk improvements.

Mr. Keene stated there were many parameters for revenue bonds and the risk factor had a bearing on interest rates. He said that the City would basically be using an existing rate, and that could allow the City to front load investments in infrastructure. He thought the City could actually save money in the long run, if it were bonding in order to do more in the near term.

Mayor Yeh reported Assembly Member Gordon's impression that a bill for a 55 percent threshold for infrastructure was unlikely in this Legislative session. He noted the IBRC had proposed funding for the Public Safety Building and two fire stations, and requested Staff's thoughts on including those projects in bond financing options.

Mr. Perez suggested the topic of bonds could be discussed at the retreat as Staff had requested the City's bond counsel's participation at the retreat.

Mayor Yeh City stated the City Attorney was preparing a list of bonds and corresponding elections within Palo Alto, which would be helpful for the discussion.

Molly Stump, City Attorney, indicated her office would prepare a user-friendly chart of the various types of financing options discussed by the IBRC, the various options in terms of the type of election they could be placed on, and the voting requirements.

Council Member Price asked for more details regarding bridge funding options, particularly specific examples of mechanisms that could be used for bridge funding.

Mr. Perez indicated Mayor Yeh's example of the gas tax was a good example. He stated basically the City would receive an advance on future revenue, and the key would be the stability of the State providing funding. He said the City would have to pledge some type of revenue from the General Fund in case the State did not provide funds. He noted other examples such as borrowing from the Stanford funds and the Council's recent approval of a loan from the General Fund to the Refuse Fund.

Mayor Yeh asked for comments and questions on the Futures section.

Council Member Schmid liked the notion of reaching out to a wider context and to exploring new ideas. He felt the forecast of 0.9 percent growth noted in the demographic section was aggressive. He indicated this forecast changed the dynamics of the Cubberley. He inquired about the source of these numbers, their accuracy, and if they committed the City to consider building and expanding infrastructure to compensate for population growth. He thought the information was a Staff Report, so it became a semi-official City position, but had not been discussed by the Council.

Mr. Emslie indicated the Planning Department collaborated with the Futures Working Group on that information. He felt Curtis Williams, Director of Planning and Community Environment should prepare a response regarding the basis and precedent for growth projections.

Council Member Espinosa expressed an interest in having conversations regarding establishing a commission on infrastructure, the important issues raised in this part of the Report, and Staff's recommendation of an alternative to a commission.

Council Member Klein disagreed with Council Member Schmid that population growth was a semi-official or official position of the City. He

asked why the Report did not reflect a performing arts center and more playing fields.

Mr. Stillerman stated the Commission did talk generally about some ideas that surfaced at earlier working sessions with the Council. He indicated a performing arts center, transportation hub and similar concepts were termed "blue sky ideas." He said the Commission did not want to place specific projects on the table; although any projects are viable as future projects. The Commission felt there was a plethora of performing arts venues nearby; and it wasn't the Commission's role to determine if another one was needed.

Council Member Klein asked about the need for playing fields.

Mr. Stillerman thought the playing fields were strictly a demographic concept. He felt if the City needed them, they should be considered.

Council Member Burt noted the City had a comprehensive community-based analysis on playing field shortages eight to ten years ago. He understood the Recreation Department had better utilized space and given Palo Alto residents priority in using the space. He stated there was a moderately well-defined deficit of playing fields. He thought the Council needed to consider accommodating growth in a variety of ways.

Council Member Holman supported the formation of an oversight commission for a variety of reasons. She noted that underground utilities was not mentioned in the Report, and asked if that was inadvertently or deliberately not included. She felt the Council needed to discuss how it can best utilize resources in terms of multiple functions, whether it's buildings or playing fields.

Mr. Melton explained undergrounding of utilities was not in the Report because the Commission did not include utilities in the Report.

Mr. L. Levy commented that the Commission did not feel it could arbitrarily recommend closing one facility and replacing it with soccer fields. He thought a survey would be in order to bring the recreational infrastructure up to date.

Council Member Shepherd suggested Staff contact the School District to obtain its report on projected population growth. She noted the Finance Committee was working on fiber to the premises, and AT&T no longer provided grants for undergrounding utilities. She asked Staff to provide more detail on undergrounding.

Mr. Perez stated the prior Finance Committee had discussed having the Utilities Department provide an undergrounding plan, and Staff planned to

work with the current Finance Committee on this topic in the current fiscal year.

Council Member Price thought this section complemented the Council's efforts in terms of economic development strategy. She supported the concept of an open-ended future ideas repository. She felt the smart cities concept of discussing infrastructure and finance concerns and sharing successes and challenges with other cities were compelling and useful.

Council Member Espinosa thanked the IBRC for its hard work and efforts in providing an excellent Report.

Council Member Klein agreed with Council Member Espinosa's comments. He stated the IBRC and its Report exceeded his expectations.

Council Member Shepherd thanked the IBRC. She said the Report showed her the personal effort that each member put into the Commission.

Mayor Yeh stated a just reward for producing an excellent Report was to officially discharge the IBRC from its official duties.

By acclamation the City Council discharged the Commission from its official duties.

Mayor Yeh presented certificates of appreciation to IBRC members and requested IBRC members pose for a photo. He acknowledged and thanked Staff for its efforts and support of the IBRC.

COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Vice Mayor Scharff reported he attended the Santa Clara County Cities meeting, where they selected three goals: regional economic development, supporting innovative schools, and sustainable community strategy in transportation. He felt the third goal would be relevant to Palo Alto.

ADJOURNMENT: The meeting was adjourned at 11:14 P.M.