



# CITY OF PALO ALTO CITY COUNCIL FINAL MINUTES

Special Meeting  
May 13, 2020

The City Council of the City of Palo Alto met via virtual teleconference on this date at 1:03 P.M.

Participating Remotely: Cormack, DuBois, Filseth, Fine, Kniss, Kou, Tanaka

Absent:

Mayor Fine announced Agenda Item No. 6 had been removed from the Agenda.

## Oral Communications

Laura Bajuk advised that funding for repair of the Roth Building roof had been received, but one-third of the funding would be lost if construction did not begin within a year. A current construction estimate was close to the amount of funds secured for the project.

Nelson Ng, Palo Alto History Museum Board Member indicated 30 letters in support of the History Museum had been submitted to the Council.

Faith Bell supported rehabilitation of the Roth Building and the History Museum.

Eileen Kim requested the Council reconsider closing the streets to allow residents to social distance while exercising and suggested University Avenue, California Avenue and Stanford Avenue be the same.

Hamilton Hitchings was dismayed by the Council's decision to cut Police and Fire positions and preferred to delay construction of the fire station. City management needed to voluntarily reduce their salaries.

Lanie Wheeler supported rehabilitation of the Roth Building as funds had been designated for the project.

John Shenk hoped the City would support the Roth Building and the History Museum.

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John King, Palo Alto History Museum Board Member advised that the Roth Building was a perfect location for the History Museum and believed the Council needed to support rehabilitation of the building.

Evan Alexis believed programs for teens were very important and funding for the programs should not be cut.

James Wang concurred with Mr. Alexis' comments.

Arunin Agarwal stated cutting funding for teen programs would be a tragedy.

Kevin Dee supported continued funding for teen programs because they improved teenagers' lives.

Carol Kiparsky urged the Council to prioritize funding for the History Museum and the Roth Building.

Alan Yang opposed cuts to teen programs.

## Action Items

1. FY 2020/21 Budget Hearing – Continued From May 12, 2020 Budget Hearing– Council will Continue its Discussion of the Upcoming Fiscal Year Operating and Capital budgets, Utility Rates, and Proposed Municipal Fee Schedule.
  - A. May 12th Budget Hearing Continuation
    - a. Community and Library Services Operating Budget
    - b. Approval of the Preliminary Operating Plan and new Municipal Fees for the Junior Museum and Zoo.

Kiely Nose, Chief Financial Officer and Director of Administrative Services summarized the Council's actions on May 12, 2020. Based on the Council's balancing strategies, revenues exceeded expenses by approximately \$1 million. Staff provided At-Places Memoranda regarding City lease information, Cubberley Community Center, Library Monthly Report, Bryant Street Garage Fund and the Residential Preferential Parking Permit Program (RPP).

Ed Shikada, City Manager announced Council Members were not available for another meeting during the week. Legal and contractual obligations required the City to provide notice to employees who could be affected by the Council's Budget decisions. Without a tentative approval of the Budget, there was no time for Staff to prepare a Budget balancing analysis prior to the May 26, 2020 Council meeting. Staff proposed replacing the May 18,

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2020 Council meeting with a Budget hearing and rescheduling the May 18, 2020 Council meeting to May 19, 2020.

Mayor Fine encouraged Council Members to complete the Budget review during the meeting so that the contractual obligation to employees could be fulfilled, which saved the City money.

Vice Mayor DuBois recalled the Council's request for the original Fiscal Year (FY) 2020-2021 and the current FY 2020-2021 revenue and expense summaries.

Mayor Fine clarified that the Council discussed the request but did not approve it.

Vice Mayor DuBois asked if Staff could fulfill the request.

Ms. Nose responded yes, but by bottom line only and for the General Fund only.

**PARKING LOT:** Vice Mayor DuBois moved, seconded by Council Member Tanaka, third by Mayor Fine to place in the parking lot, to request Staff provide budget reconciliation tables that would show changes between the Fiscal Year 2020 and current proposed Fiscal Year 2021 Revenue & Expense Summaries, by department, for the General Fund only.

Vice Mayor DuBois asked if a notice based on the Proposed Budget could be provided to labor groups.

Mr. Shikada related that noticing additional employees would have an organizational impact based on the range of options before the Council.

Council Member Filseth supported the Staff proposal if the Council did not complete the review during the meeting.

Council Member Cormack inquired about the Council action to place the Public Safety Building in the short-term Parking Lot.

Ms. Nose stated her notes reflect three Council Members did not support the Motion. Staff was able to review the meeting video or the Council could move the item.

**PARKING LOT:** Council Member Cormack moved, seconded by Council Member Tanaka, third by Council Member Kniss, to place in the parking lot the understanding of funds for the Public Safety Building.

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Council Member Cormack did not believe a budget item for the Roth Building had been presented to the Council.

Mr. Shikada clarified that the History Museum was not part of the Proposed Budget. The Council had referred evaluation of options to the Finance Committee.

Eileen Kim emphasized the importance of continued funding for teen programs.

Barbara Spreng urged the Council to fund the Youth Connectedness Initiative so that Palo Alto's youth could discover their value and worth in the community.

Yonatan Maor concurred with Ms. Kim's and Ms. Spreng's comments.

Arianna Tabrizi opposed funding cuts for teen services.

Cynthia Dharmawan also opposed budget cuts for teen services.

Josh Mei remarked that teen programs were important for the mental health and development of the City's teens.

Ellen Rudy emphasized the need to fund the Youth Connectedness Initiative so that teens could connect with their peers.

Winter Dellenbach noted the one Library that served West Palo Alto would be closed for two years. The cost of keeping it open, even partially, was minimal. Hours at Mitchell Park Library needed to be reduced, including evening hours added to Rinconada Library.

Vice Mayor DuBois asked if Staff had considered charging a fee for use of the meeting rooms in the Libraries.

Gayathri Kanth, Interim Library Services Director replied no. A fee for use of community rooms was implemented recently.

Vice Mayor DuBois noted Community Services' and Libraries' expenses comprised 20 percent of City expenses, and Staff proposed reducing funding for the two departments by 27 percent. Funding needed to be restored to some of the low-cost and important services. The Public Works Department's expenses comprised 22 percent of expenses, and proposed reductions totaled 12 percent. He wanted to look for cuts in the Public Works Budget in order to fund Libraries, the Art Center, mental health programs for teens and Children's Theatre. He wanted the closures to be one year only. Funding for College Terrace Library needed to be restored.

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For the square footage, the usage was very high. More Libraries served more people under social distancing guidelines. He was not able to support seven new hires for the Junior Museum and Zoo (JMZ).

**MOTION:** Vice Mayor DuBois moved, seconded by Council Member Kou to direct Staff to return with a plan to fund through additional cost recovery and/or through partial funding of: Teen Services (\$400,000), Art Center (\$400,000), College Terrace Library (\$168,000), Baylands Interpretive Center (\$20,000), and to ask Staff to look at reducing three Full-Time Equivalent new hires from the Junior Museum and Zoo.

Council Member Kou indicated the cuts were unacceptable, especially to teen programs and Libraries. More funding was dedicated to monuments than to the community.

Council Member Kniss believed reducing three Full-Time Equivalents (FTE) from the JMZ would impact an enormous amount of money raised by the community. That sent the message that the Council did not want a new JMZ.

Vice Mayor DuBois clarified that the Proposed Budget contained seven FTE for the JMZ.

Council Member Kniss related that the JMZ was concerned about managing with seven new hires.

Vice Mayor DuBois agreed to withdraw the proposal to reduce FTE for the JMZ, in exchange for considering ways the JMZ would not require additional funding.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to remove from the Motion, "... and to ask Staff to look at reducing three Full Time Equivalent new hires from the Junior Museum and Zoo."

Council Member Kniss expressed concern about comments regarding social distancing at Libraries. Library Staff had to ensure there was social distancing in the libraries.

Kristen O'Kane, Community Services Director reported the amount for the Baylands Interpretive Center should be \$20,000 rather than \$200,000.

Ms. Nose suggested the Art Center cost was closer to \$1 million.

Ms. O'Kane answered yes. She inquired whether the intent was to restore a portion of funding for the Art Center.

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Vice Mayor DuBois replied yes.

Mayor Fine inquired regarding the consequences of restoring partial funding for the Art Center.

Ms. O'Kane advised that Community Services Staff proposed deep cuts. There were many options between fully open and complete closure, and Staff was able to propose some programming.

Vice Mayor DuBois requested clarification of the amount for the Baylands Interpretive Center.

Ms. O'Kane explained that Open Space Recreation reductions of \$275,000 included the contract for Rangers.

Vice Mayor DuBois asked if the Baylands Interpretive Center could be partially opened with \$20,000.

Ms. O'Kane answered yes.

Council Member Cormack asked if \$400,000 funded all teen services listed on Page 3 of the At-Places Memo.

Vice Mayor DuBois responded yes.

Council Member Cormack wanted to support the Motion, but the Police Department was to lose 17 positions. Public comment indicated Public Safety was the foundation of the community.

**SUBSTITUTE MOTION:** Council Member Cormack moved, seconded by Mayor Fine to have two main libraries for the next fiscal year, Rinconada with children's services, and Mitchell Park, and that savings be redirected to Public Safety Services.

Mayor Fine noted the Motion would reduce the savings from the prior day's actions to \$80,000. Every department suffered reductions during budget hearings. Rinconada and Mitchell Park Libraries were the largest with respect to usage, programming and hours of operation. Staff's reasons for proposing the closure of College Terrace Library may make sense. All the cuts were really, really hard.

Council Member Kou did not believe the Substitute Motion addressed equity. The Substitute Motion did not satisfy the whole community. A survey found public safety and community were most important to the community.

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Vice Mayor DuBois noted public safety always polled very high, and crime was not a problem in Palo Alto. Additional cuts in Public Works was able to fund these relatively small amounts. The Capital Improvement Program (CIP) was placed in the Parking Lot. Surely the Council was able to find one or two projects in the CIP that could be deferred to pay for these services and police officers.

Council Member Kniss hoped the Council would begin with the emotional issues when it reviewed the budget in the fall. The Council had to revisit the CIP and make difficult choices. She preferred to cut buildings and continue programs for the public.

Council Member Tanaka stated a 17 percent pay reduction for all employees would eliminate the funding gap. Building projects were able to be deferred. Residents used Community Services programs. The Consent Calendar for Monday's meeting contained an item for printing graphics on utility bills at a cost of \$1.4 million. That contract paid for the restoration of these programs.

Mr. Shikada commented that Staff had resolved that contract.

**SUBSTITUTE MOTION FAILED:** 2-5 DuBois, Filseth, Kniss, Kou, Tanaka no

Council Member Filseth asked if the justification for restoring these funds was Community Services incurring 21 percent of expenses but being cut by 27 percent.

Vice Mayor DuBois replied yes.

Council Member Filseth emphasized that the proposed funding was \$1 million per year, not a total of \$1 million.

Vice Mayor DuBois indicated the funding could be offset by reducing expenses in another department.

Mayor Fine reiterated that capital expenses were not comparable to operating expenses. He wanted to fund the programs but, in only 38 minutes, the Council had effectively eliminated the savings they found the prior day.

Council Member Cormack did not know where Staff could find additional cost recovery. She suggested Council Members consider the Motions as temporary decisions until all decisions had been tabulated. Perhaps the Council was able to compile a list of programs to add back when and if revenues increased. The Art Center was well supported by an incredible

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group of people. Volunteers were probably available to operate the Baylands Interpretive Centers. Perhaps teens were able to indicate which programs they wanted.

Council Member Filseth felt this was an ideal topic for the Parking Lot.

Council Member Kniss had high hopes for recovery, either in 2020 or 2021. She proposed placing it in the Parking Lot.

Vice Mayor DuBois noted teen health had a \$225,000 committed funding source, and it should not be removed. The proposal restored an additional \$135,000 to the General Fund. He suggested cost recovery could be entry fees to the Baylands or art exhibits.

Mr. Shikada advised that the Substitute Motion could provide the same result as the Motion, but it provided an incremental step for discussion of the rest of the budget.

Council Member Filseth wanted to review the rest of the budget before adding this funding back to the budget.

**PARKING LOT:** Council Member Kniss moved, seconded by Council Member Filseth, third by Mayor Fine to place in the parking lot, to direct Staff to return with a plan to fund through additional cost recovery and/or partial funding: Teen Services (\$400,000), Art Center (\$400,000), College Terrace Library (\$168,000), Baylands Interpretive Center (\$20,000).

Ms. Nose asked if Vice Mayor DuBois intended for Staff to return with a plan to restore \$400,000 to the Art Center or to look at cost recovery measures to keep College Terrace Library open. The amount for College Terrace Library was the full closure cost. The earlier Motion was a swap of funding.

Mayor Fine explained that Staff should propose cost recovery options where they were available. If none were available, Staff needed to present the consequences of restoring the funding.

Mr. Shikada clarified that the dollar figures were less important than the programs. Staff needed to use their discretion to determine the mix of funding that would address the program.

Vice Mayor DuBois reiterated that the intent was partial funding.

**MOTION AS AMENDED:** Vice Mayor DuBois moved, seconded by Council Member Kou to direct Staff to return with a plan to fund through additional cost recovery and/or through partial funding of: Teen Services (\$400,000),



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Art Center (\$400,000), College Terrace Library (\$168,000), and Baylands Interpretive Center (\$20,000).

## **MOTION AS AMENDED WITHDRAWN BY THE MAKER.**

Mayor Fine advised Council Members that restoring funding to the budget should occur in the budget process. Exploration of cost recovery needed to be placed in the Parking Lot, unless Staff could provide an immediate response.

Ms. O'Kane asked if Staff could propose increased cost recovery for Children's Theatre.

Vice Mayor DuBois answered yes.

## **INCORPORATED INTO THE PARKING LOT WITH THE CONSENT OF THE MAKER AND SECONDER to, "... Children's Theater."**

**PARKING LOT AS AMENDED RESTATED:** Council Member Kniss moved, seconded by Council Member Filseth, third by Mayor Fine to place in the parking lot to direct Staff to return with a plan to fund through additional cost recovery and/or partial funding: Teen Services (\$400,000), Art Center (\$400,000), College Terrace Library (\$168,000), Baylands Interpretive Center (\$20,000), and Children's Theater.

Council Member Filseth commended Vice Mayor DuBois for proposing a few items rather than the Community Services Budget for the Parking Lot.

Council Member Tanaka inquired whether library hours could be shifted to weekends and evenings when more of the community used Libraries.

Mr. Shikada indicated Staff interpreted the restored funding for College Terrace Library as an opportunity to rebalance hours of operation.

Council Member Tanaka wanted to change the community's perception of reduced hours.

Mr. Shikada advised that Staff needed to work through that.

Council Member Tanaka preferred to increase the gap between resident and nonresident fees so that resident fees were not so high.

Mr. Shikada noted the Municipal Fee Schedule would be presented to the Council next.

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Council Member Cormack requested the likelihood that the JMZ would open in March 2021.

Ms. O'Kane responded very likely. Construction was ongoing, and Staff was constructing exhibits.

Council Member Cormack asked if opening in March 2021 would help the Budget.

Ms. O'Kane explained that revenue would begin sooner, but Staff would have to be hired sooner.

Council Member Cormack asked which rate Staff recommended.

Ms. O'Kane advised that the consultant had recommended \$10. Staff increased it to \$18 to maximize cost recovery.

Council Member Cormack requested the membership cost for a family.

Ms. O'Kane reported \$150 for residents and more for the plus membership.

**MOTION:** Council Member Cormack moved, seconded by Council Member Kniss to:

- A. Recommend tentative approval of the Fiscal Year 2021 Operating Budgets for the Community Services and Library Services Departments for City Council consideration on May 26, 2020; and
- B. Recommend approval of the Preliminary Operating Plan and new Municipal Fees for the Junior Museum and Zoo.

Council Member Cormack did not believe further discussion of this topic would be helpful.

Council Member Kniss remarked that the Council was assuming social distancing would not be an issue in March 2021. After touring the JMZ, she knew social distancing would not be possible in the JMZ.

**LONG-TERM PARKING LOT:** Vice Mayor DuBois moved, seconded by Mayor Fine, third by Council Member Cormack to place in the long-term parking lot, to direct Staff to return with a report or agenda item on how the Junior Museum and Zoo will not be subsidized by the General Fund in the future.

**MOTION PASSED:** 7-0

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## B. Discussion of Fiscal Year 2021 Proposed Municipal Fee Schedule Amendments.

Alexandra Harris, Senior Management Analyst reported fees were imposed for City services. The amount of the fee was typically determined by the cost of providing the service or a facility. As part of the Budget process, Staff reviewed Municipal Fees to ensure they were set in accordance with applicable State and Federal laws. Low cost recovery fees were charged for activities that the City wished to subsidize. Medium cost recovery fees were typically optional fees for community enrichment programs. High cost recovery fees were charged when the fee payer was the primary recipient of a benefit. Some fees were not restricted by cost recovery requirements. A general rate of increase was calculated annually. Staff proposed deleting 18 fees, adding 18 fees and changing 33 fees.

Council Member Filseth inquired about the circumstances that could result in a \$500 cleaning fee or a \$2,000 filming fee.

Gayathri Kanth, Interim Library Services Director advised that people wanted to film in the Library for magazines, movies and advertisements. Rinconada Library and the secret garden behind Children's Library were very popular for filming.

Council Member Filseth asked if Parking In-Lieu Fees included an allocation for land costs or construction only.

Brad Eggleston, Public Works Director explained that the fee was based on the incremental cost to add a new parking space. Due to parking structures being built on surface lots only, they did not include a land cost.

Council Member Filseth believed the land cost should be part of the calculation. If land was utilized for parking, it was not able to be utilized for a park or housing or sold to a third party.

**MOTION:** Council Member Cormack moved, seconded by Council Member Kniss to tentatively approve the Fiscal Year 2021 Proposed Municipal Fee Schedule Amendments.

Council Member Cormack noted the Finance Committee usually reviewed the Municipal Fee Schedule and rarely revised it. The Staff Report was clear and concise.

Council Member Kou asked if the Downtown RPP Fee for low-income workers had been increase to \$50.

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Philp Kamhi, Chief Transportation Official indicated the increase was intended to make fees consistent across all RPP districts.

Council Member Kou believed that amount would be a hardship for low-income employees. She requested the amount of the Parking Permit Fee for the Downtown garage and lots.

Mr. Kamhi explained that fees for California Avenue lots were significantly lower than lots in other areas of the City. The increase normalized fees across the City. Staff preferred to raise the fees incrementally rather than doubling them from one year to the next. With the increases, the fees were still lower than fees charged in neighboring cities.

Council Member Kou suggested fees for California Avenue lots should be increased to the current fee for Downtown lots.

Mr. Kamhi clarified that the fee for Downtown lots would be \$820 for FY 2021; therefore, the fee for California Avenue lots needed to be increased to \$820.

Ed Shikada, City Manager, suggested the Council move the topic to the Parking Lot.

Vice Mayor DuBois asked if the dollar amount or a review of the fees would be placed in the Parking Lot.

Council Member Kou indicated discussion of the right amount and consistent pricing could be placed in the Parking Lot.

**LONG-TERM PARKING LOT:** Council Member Kou moved, seconded by Council Member Cormack, third by Vice Mayor DuBois to place in the long-term parking lot to direct Staff to return with a discussion of potential price increases for Annual Parking Permits to the California Avenue Area parking garages and parking lots.

Council Member Kou asked if a hiring freeze would be a factor in the general rate of increase.

Ms. Harris reported most fees would not change. Some fees increased to maintain the existing cost recovery level. The increase was not directly related to whether a position that might perform the service was vacant.

Vice Mayor DuBois recalled the Council's discussion of pricing on garage parking to encourage use of the garages. He inquired whether Staff considered increasing any of the fees temporarily due to the Budget situation.

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Kiely Nose, Chief Financial Officer and Director of Administrative Services explained that by law cost recovery could not exceed 100 percent. Staff considered cost recovery requirements and market rates when setting fees.

Vice Mayor DuBois requested the fee for middle school athletics.

Ms. O'Kane reported Staff proposed a 25 percent increase in fees for middle school athletics and adult sports leagues.

Vice Mayor DuBois inquired regarding the \$1,000 fee for athletics.

Ms. O'Kane indicated that was the fee for a team, not an individual.

Vice Mayor DuBois asked if Staff discussed the fee increase for middle school athletics with the Palo Alto Unified School District (PAUSD).

Ms. O'Kane answered no. PAUSD provided the space, and the City handled all other aspects of the program.

Council Member Cormack related that the Council could add the Roth Building to the discussion. The City had requested the History Museum host the City archives, which were housed at the Library. The City had some unexpended Library Impact Fees. The Roth Building provided a restroom for park users, and there were Park Impact Fees. The project was shovel-ready. Impact Fees were a potential revenue stream for a short time period in order to pay for the project. This was an excellent opportunity to repair a City-owned asset. She proposed a short-term Parking Lot item of considering some level of funding from Impact Fees for the Roth Building so that construction could begin.

Council Member Kou concurred.

Mr. Shikada indicated it would be better discussed under the CIP. He had met with members of the Palo Alto History Museum Board of Directors to discuss the latest proposal for construction and funding. The City Attorney's Office and appropriate departments needed to analyze the use of Impact Fees for the project.

Mayor Fine recalled that the Council referred the matter to the Finance Committee to evaluate options for repairing the Roth Building, shared use of the Building and financing.

Council Member Tanaka asked if rent charged for property was contained in the Municipal Fee Schedule.

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Ms. Nose reported rents were set through leases. Fees were charged for services or activities offered by the City. Rent for real property needed to be discussed under the Administrative Services Department (ASD) Budget.

Council Member Tanaka asked if all facility rental rates were market.

Mr. Shikada indicated they were subject to the subsidy policy.

Council Member Tanaka asked which fees were not at market rate.

Ms. Nose did not believe Staff could identify which fees were not at market rate. All fees were analyzed for cost recovery level and market feasibility.

Council Member Tanaka proposed doubling the difference between resident and nonresident fees.

Council Member Cormack requested the three nonresident fees paid most frequently.

Ms. O'Kane advised that nonresidents most frequently paid for facility rentals and classes.

Council Member Cormack requested rough percentages of facility rentals and classes that could be attributed to nonresidents.

Ms. O'Kane replied approximately 15 percent.

**AMENDMENT:** Council Member Tanaka moved, seconded by Council Member XX to add to the Motion to direct Staff to increase the delta 2X between resident and non-resident fees.

**AMENDMENT FAILED DUE TO THE LACK OF A SECOND.**

**MOTION PASSED:** 6-1 Tanaka no

Council took a break at 3:44 P.M. and returned at 4:01 P.M.

- C. Planning and Transportation Services Operating and Capital Budgets (Including Respective Special Revenue Funds)
  - a. Planning and Development Services
  - b. Office of Transportation.

Kiely Nose, Chief Financial Officer and Director of Administrative Services referred Council Members to the relevant pages in the Operating Budget, City Manager Report (CMR) 11322-Attachment A, Exhibit 1, and the At-Places Memo regarding RPP programs.

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Jonathan Lait, Planning and Development Services Director reported critical programming would be maintained, but at substantially reduced service levels. With the elimination of contract services, building inspections were occurring approximately five days following calls for service. By adjusting staffing in Long Range Planning and Current Planning, Staff was able to advance some of the City Council's priority items. The Development Center remained a cost recovery program.

Philip Kamhi, Chief Transportation Official recommended utilizing License Plate Recognition (LPR) technology and virtual permits for the RPP program; implementing a small fee for all permits; eliminating the Palo Alto Shuttle; and eliminating 0.48 FTE. Office of Transportation Staff planned on continuing to focus on Council priorities and traffic safety-related projects.

Alison Koo expressed concern about cuts to the Planning and Development Services Department affecting the business community.

Jeremy Erman suggested the City collaborate with the Santa Clara Valley Transportation Authority (VTA) and seek a partner for the Palo Alto Shuttle.

Neilson Buchanan supported Staff's recommendations for the RPP program.

Eileen Kim believed Staff needed to reconsider implementation of RPP districts because a few streets within districts were not subject to the RPP programs. She thought this could increase revenue for the City and prevent extended parking.

Council Member Kniss asked if PAUSD had ever offered to share expenses for the Palo Alto Shuttle and if Staff had considered an on-call shuttle system.

Mr. Kamhi indicated PAUSD had not made any offers regarding the shuttle. Approximately a third of trips on school days was attributed to school kids. On-demand service was the best alternative to shuttle routes.

Council Member Kniss inquired whether the Palo Alto Shuttle could be reinstated in the future.

Mr. Kamhi responded yes.

Council Member Filseth asked if there would be significant costs to restart the Palo Alto Shuttle in the future.

Mr. Kamhi replied no because the City did not own the equipment or Staff shuttle positions.

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Council Member Filseth requested a timeframe for implementing LPR technology.

Mr. Kamhi indicated January 2021 was the likely timeframe.

Council Member Filseth inquired about contract services for RPP programs.

Mr. Kamhi advised that contract services would be used for parking enforcement.

Council Member Filseth suspected the community would push back against a fee for the first RPP permit if it was presented as a revenue opportunity.

Mayor Fine recalled Mr. Kamhi stating that the fee would motivate off-street parking. He inquired whether LPR would be used for violations other than RPP violations.

Mr. Kamhi could not speak to anything beyond RPP enforcement.

Vice Mayor DuBois requested the rationale for cutting services that provided revenue.

Mr. Lait explained that the revenues were either equivalent to or less than expenses for those services. All expense adjustments were consistent with revenue projections.

Vice Mayor DuBois asked why Code enforcement did not generate revenue.

Mr. Lait indicated it generated some revenue, but it was not considered a stable source of revenue.

Vice Mayor DuBois asked if any of the cuts would impact environmental or sustainability programs.

Mr. Lait responded no.

Vice Mayor DuBois wanted to retain no fee for the first RPP permit. He inquired whether Staff was exploring plans to handle increased Single-Occupancy Vehicle (SOV) trips as commute patterns changed.

Mr. Kamhi anticipated a shift to SOV trips as people were wary of public transit. Three RPP programs did not provide the first permit free. Implementing a fee for all permits provided consistency across programs. Staff was developing plans for reviewing RPP programs.

Council Member Cormack recognized improvements in the RPP and Planning permitting processes. The shuttle was a huge loss. She suggested Staff



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think about collaborating with Stanford University to expand the Marguerite shuttle. She inquired whether the City could terminate the shuttle contract.

Mr. Kamhi responded yes.

Council Member Tanaka asked if inspections would be needed prior to businesses reopening and the impact of cuts on those inspections. Businesses needed to generate revenue quickly, and the City needed sales taxes.

Mr. Lait explained that an increase in development activity could be handled with a budget adjustment to increase revenue and expenses. At the current time, elimination of contract services was needed. Demand for services was not predicted. Staff was going to have to actively manage the situation.

Council Member Tanaka asked if the permitting process could be streamlined or if staffing reductions could occur after businesses reopened.

Ed Shikada, City Manager reported reopening a business did not require a permit. Businesses were going to have to make physical separation and operational changes. Resources were an issue for new businesses and businesses moving to new spaces. Staff had developed a scalable staffing model.

Council Member Tanaka anticipated 20-30 percent of businesses would fail, and their spaces would be vacant. Streamlining the permitting process allowed businesses to fill the vacant spaces quickly.

Mr. Shikada advised that Council action was required to streamline permitting processes.

Council Member Kou inquired regarding the FTE reduction.

Mr. Kamhi indicated the position was vacant. With the hiring freeze, existing Staff was going to handle the duties of the position.

Council Member Kou inquired about the operation of an on-demand shuttle.

Mr. Kamhi related that funding would be the first requirement for a new shuttle and described a partnership and subsidy for pool trips. VTA was offering one-time grants for innovative transit programs.

Council Member Kou inquired about a legal requirement for the City to respond to records requests within a specific period of time.

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Molly Stump, City Attorney reported the City was legally required to respond regarding the existence of records within a specific timeframe, but the City had discretion about the review and production of records.

Council Member Kou asked if there was a policy to maintain the Development Services Reserve Fund at a certain level.

Mr. Lait understood the balance of the fund was capped in relation to revenues.

Mayor Fine inquired about funding for the Transportation Management Agency (TMA).

Ms. Nose referred Mayor Fine to the Special Revenue Fund section of the Budget.

Mayor Fine inquired about the effect of the Development Services/Public Works Agreement on the Urban Forestry Division.

Brad Eggleston, Public Works Department Director advised that consultant services had been used primarily for plan review and project inspection. Most of the contract funding was eliminated, and Public Works Staff was going to accommodate the work formerly handled by contractors.

Mayor Fine asked if cuts to Long Range Planning and Housing were wise if the City wanted to reach its transportation, housing and land-use planning goals.

Mr. Lait remarked that the cuts were not desirable, but fiscal constraints required adjustments. All Staff members were working on housing issues, but some had more expertise than others.

Mayor Fine inquired about the impacts of restoring funding to that area.

Mr. Lait advised that funding would allow Staff to engage a professional with experience in developing Housing Elements, to track and respond to changes in State law, and to assign resources to the North Ventura Coordinated Area Plan (NVCAP).

Vice Mayor DuBois noted Planning's and Transportation service expenses comprised about 10 percent of City expenses, and the departments had reduced their budgets by 16 percent. He inquired about funding for the TMA.

Ms. Nose indicated funding for the TMA was flat.

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Vice Mayor DuBois wanted to reallocate the funding if it would not be used for transit passes during the pandemic.

**PARKING LOT:** Vice Mayor DuBois moved, seconded by Council Member Filseth, third by Council Member Kou to place in the parking lot, to revisit funding for the Transportation Management Association (TMA).

Ms. Nose explained that the funding was part of the Downtown Parking Fund and could not be reallocated to City expenses. The City's contract with the TMA stipulated funding for the TMA. The amount of TMA funding was possibly going to be reduced through the contract award.

Mr. Kamhi added that the TMA proposed funding of \$500,000 for efforts in Downtown and using \$250,000 of that amount to establish a TMA for the California Avenue area. In the prior Fiscal Year, the TMA received one-time donations for use in the California Avenue area. The TMA hoped the City wanted to allocate \$750,000 to it and allow the TMA to use a portion of the funding in the California Avenue area.

Vice Mayor DuBois asked if more money from Special Funds could be transferred to the General Fund.

Ms. Nose indicated the funding was transferred from the Streets Improvement Fund for roads and sidewalks. The funding was a pass-through from the Gas Tax Fund partially to the Capital Fund and partially to the General Fund.

Vice Mayor DuBois asked if there were reserve funds.

Ms. Nose related that some of the Special Funds had reserves.

Vice Mayor DuBois inquired about the source of funding for the Youth Connectedness Initiative.

Ms. Nose suspected the source of funding was Human Services Resource Allocation Process (HSRAP).

Vice Mayor DuBois proposed adding the Youth Connectedness Initiative to the Parking Lot.

Mayor Fine noted the Council had completed the Community Services Department Budget.

Council Member Cormack advised that she add it to the Parking Lot if Staff determined it was not incorporated into the previous Motion.

# FINAL MINUTES

Council Member Tanaka asked about the delay in inspections if contract services could be scaled up or down. He wanted to know how the City could help businesses reopen more expediently.

Mr. Lait explained that Staff performed fire inspections. The proposal for cuts reassigned two fire inspectors to the Fire Department.

Council Member Tanaka did not believe there should be a delay in fire inspections because the number of inspectors was not cut.

Mr. Lait indicated the fire inspectors embedded within Development Services needed to be able to respond sufficiently to fire inspection needs.

Council Member Tanaka asked if there would be delays in fire inspections.

Mr. Shikada answered yes, because there were fewer inspectors.

Mr. Lait advised that contractors had filled four or five building inspector positions. The proposal would cut contract services. Building inspections were to be delayed, and the building community was going to complain.

Council Member Tanaka asked if there would likely be a revenue decrease.

Mr. Lait anticipated a revenue decrease and had proposed equal reductions in expenses.

Council Member Kou inquired regarding the number of Code Enforcement positions and the duties of the position.

Mr. Lait advised that one position was filled, and two were vacant. The proposal was to freeze the two vacant positions. Resources were available to support the position.

Council Member Kou asked if the two positions would be filled when revenues returned to normal levels.

Mr. Lait replied yes, if the City Manager and City Council supported the policy direction.

Council Member Kou hoped the City Attorney would support Staff in ensuring fines and penalties were collected. Transparency was very important, and public engagement should not be taken lightly. Staff did not engage the public regarding State laws and their impacts on Palo Alto. She proposed placing presentation of proposed legislation and regional plans to the City Council for discussion or a Study Session in the long-term Parking Lot.

# FINAL MINUTES

Mr. Shikada reported the issue was the amount of resources available to advocate for the City's position on legislation.

Vice Mayor DuBois asked if funding for lobbyists would be maintained.

Mr. Shikada replied yes.

**MOTION:** Council Member Kniss moved, seconded by Mayor Fine to add the Long-Range Planning and Housing Program and related staffing back into the Proposed Budget (\$273,988).

Mayor Fine believed the program was extremely important for the community. This program was able to help implement legislation in a way that was palatable to Palo Alto.

Vice Mayor DuBois supported placing it in the Parking Lot.

Council Member Kou concurred with Vice Mayor DuBois.

**MOTION PASSED:** 4-3 DuBois, Filseth, Kou no

**MOTION:** Council Member Kniss moved, seconded by Council Member Cormack to recommend tentative approval of the Fiscal Year 2021 Operating/Capital Budgets for the Planning & Development Services Department and Office of Transportation Department Budgets for City Council consideration on May 26, 2020.

**PARKING LOT:** Council Member Tanaka moved, seconded by Mayor Fine, third by Council Member Kniss to place in the parking lot the Building Inspection and Fire Inspection budget adjustments.

Council Member Tanaka asked if Staff proposed funding for the NVCAP and Grade Separation Projects.

Mr. Lait reported Staff was searching for funding to continue the NVCAP Project.

Mr. Kamhi advised that work was continuing on the Caltrain Electrification Project. Measure B funding of about \$350 million would be available for grade separations.

Vice Mayor DuBois inquired about the dollar amount for building and fire inspections.

Mr. Lait needed some time to analyze methods to return one or two positions.

# FINAL MINUTES

**MOTION PASSED:** 6-1 Kou no

Council took a break at 5:50 P.M. and returned at 6:34 P.M.

- D. Infrastructure and Environment
  - a. Utilities Department- Operating and Capital
    - i. Electric Fund
    - ii. Fiber Optics Fund
    - iii. Gas Fund
    - iv. Wastewater Collection Fund
    - v. Water Fund
  - b. Public Works Department- Operating and Capital
    - i. Airport Fund
      - i. Refuse Fund
      - ii. Stormwater Management Fund
      - iii. Vehicle Replacement Fund
      - iv. Wastewater Treatment Fund

Kiely Nose, Chief Financial Officer and Director of Administrative Services shared the baseline budget summaries for the Utilities and Public Works Departments.

Dean Batchelor, Director of Utilities reported Reserve Fund balances fell within guideline ranges. Utilities was going to have to reduce reserves to avoid major service and program reductions. He summarized proposals for rates, capital projects, bond financing, commodity purchases and reducing Reserve Fund balances.

Brad Eggleston, Director of Public Works advised that the balancing strategy involved reducing infrastructure maintenance activities in the short term without causing long-term consequences to infrastructure and reducing four vacant positions and a part-time position.

Council Member Cormack asked if a Consent Calendar item for Advanced Metering Infrastructure (AMI) related to planning or construction.

Mr. Batchelor indicated the Consent Calendar item pertained to the expansion of the fiber network.

Council Member Cormack explained that the increase in the assessment for the San Francisquito Creek Joint Powers Authority related to the Environmental Impact Report (EIR).

# FINAL MINUTES

Vice Mayor DuBois noted the Finance Committee was split on the electric and gas rates. Proposed electric and gas rates were cost recovery. Some of the reductions were going to negatively impact sustainability goals and cause multiple years of large rate increases. He inquired whether fiber rates were competitive.

Mr. Batchelor answered yes.

Vice Mayor DuBois asked if fiber expansion would be profitable.

Mr. Batchelor indicated expanding the fiber network would be advantageous, but he did not know if it would generate sufficient funds to cover the cost of the project.

Vice Mayor DuBois reported the Utilities Advisory Commission (UAC) had recommended rate increases of 2 percent for electric and 3 percent for gas. The Finance Committee voted two for 0 percent and one for 2 percent for electric and one for 0 percent and two for 3 percent for gas.

Council Member Cormack clarified that the Staff recommendation for the UAC had been 2 percent for electric and 3 percent for gas. Between the UAC meeting and the Finance Committee meeting, the Staff recommendation had changed to 0 percent for both gas and electric.

Council Member Kniss requested Staff's plans for use of the Fiber Fund.

Mr. Batchelor reported the balance of the Fiber Fund was approximately \$34 million. Staff had spent \$1 million from the Fiber Fund to add conduit to the Gas and Water Project in Downtown.

Council Member Kniss asked how much of the original fiber network had been leased.

Mr. Batchelor indicated about 50 percent.

Council Member Kniss inquired about efforts to market the fiber network.

Mr. Batchelor stated Staff had contacted all businesses on University about the fiber network prior to beginning the Downtown Gas and Water Project, but none was interested probably because they were satisfied with their current provider.

Council Member Kniss inquired about requests to connect to the fiber network.

# FINAL MINUTES

Mr. Batchelor related that Staff was aware of a few customers who were waiting for the network expansion to their areas. Currently, the fiber network was not available for residences.

Council Member Kniss indicated a few of her neighbors were connected to the network.

Council Member Filseth asked if cross-bore inspections were going to be deferred should the Council not support the 3 percent rate increase for gas.

Mr. Batchelor responded yes. Staff felt the safety risk of deferring the inspections was low based on previous inspections.

Council Member Filseth asked if inspections were going to continue but on a case-by-case basis.

Mr. Batchelor replied yes.

Council Member Filseth requested details of renewable energy purchases.

Mr. Batchelor explained that the Electric Utility purchased Renewable Energy Certificates (RECs) 1. Staff proposed selling RECs 1 and purchasing RECs 3. RECs 1 and RECs 3 were both renewable energy products, but RECs 1 were in-State products, and RECs 3 were out-of-State products. The State of California did not recognize RECs 3 as renewable energy. Based on the State's regulations, the City's Power Content Label reflected brown power based on the purchase of RECs 3. The cost of power from outside the State was much less expensive than power from within California.

Council Member Filseth asked if the Utility received credit for hydroelectric power.

Mr. Batchelor answered no.

Council Member Filseth asked if the Utility would be carbon neutral with RECs 3, but not as good as with RECs 1.

Mr. Batchelor clarified that the Power Content Label would not show the Utility as 100 percent carbon neutral even though it was.

Council Member Filseth requested the negative impacts of the Council supporting a 0 percent rate increase instead of a 2 percent increase.

Mr. Batchelor related that \$500,000 could fund building electrification.



# FINAL MINUTES

Council Member Tanaka explained his rationale for supporting a 0 percent rate increase for gas at the Finance Committee meeting. The Council increased the gas rate 8.4 percent on July 1, 2019. Another rate increase during an economic depression was not appropriate. With RECs 3, the Electric Utility was still going to be green. In a few weeks, the UAC would consider the advantages of selling RECs 1 and purchasing RECs 3, including generating additional income. He inquired about use of the Solar Calculator.

Mr. Batchelor advised that it was still in use. It provided information about Palo Alto; whereas, online versions were not location specific.

Council Member Kou asked if the proposal would eliminate the project to plant trees in South Palo Alto.

Mr. Eggleston responded no. Ongoing funding of \$150,000 for implementation of the Urban Forest Master Plan was going to remain in place.

Mayor Fine requested Staff identify the programs that were proposed for two-year savings.

Mr. Batchelor explained that \$18 million in the Electric Fund would support a 0 percent rate increase for two years. The \$9 million savings was over two years.

Mayor Fine inquired about flexibility in the 34 vacant positions in Utilities.

Mr. Batchelor clarified that most of the vacancies were in the Electric Utility, and most were critical positions of lineperson and operators. Multiple recruitments had not yielded qualified candidates. Apprenticeships were going to be used to fill the positions.

Mr. Shikada added that the positions were subject to the hiring freeze, and requisitions to fill positions were being reviewed individually.

Jon Abendschein, Assistant Director of Utility Resource Management reported that due to two years of 0 percent rate increases for gas, that would cause about \$13.8 million in reductions to prevent Reserves from falling below the minimum guideline. A 3 percent rate increase caused about \$2.5 million in reductions. A 0 percent rate increase for water caused no reductions. A single year of 0 percent rate increases for wastewater was going to cause a \$1.8 million reduction, and two years of 0 percent rate increases was going to cause a \$5.5 million reduction. A 0 percent rate

# FINAL MINUTES

increase for electric was going to reduce Reserves by \$14 million and cause \$1.5 million in reductions. A 3 percent rate increase for electric was going to reduce the amount taken from Reserves and cause no reductions. A 2 percent rate increase for electric was likely going to reduce Reserves by \$12-\$13 million.

Vice Mayor DuBois suggested a lot of the \$12-\$13 million would be just transmission loss. He requested the effect of postponing commodity purchases.

Mr. Batchelor indicated the rate increases could be controlled and would not be as high in the out years.

Vice Mayor DuBois noted Public Works' expenses were 22 percent of City expenses, but reductions were only 12 percent. He requested the total FTE in Public Works.

Mr. Eggleston answered 200 with about 50 FTE in the General Fund. The 22 percent amount included the General Fund transfers that were originally budgeted at approximately \$32 million. The actual Public Works Department General Fund Budget was just under \$20 million and represented about 8 percent of the General Fund.

Vice Mayor DuBois asked if two custodial positions would be reduced.

Mr. Eggleston referred to the cross-budgeting of positions. The proposal was to eliminate four full-time positions, two of which were almost entirely budgeted to the General Fund, one was budgeted to the Vehicle Replacement Fund, and one was budgeted to Capital Funding and Public Works General Funding. In addition, a part-time position was to be eliminated.

Vice Mayor DuBois asked if the positions were vacant.

Mr. Eggleston responded yes. No employees would be laid off. However, positions were cut every year over the past several years. Budgets for the past two Fiscal Years resulted in the elimination of 4 FTE.

Vice Mayor DuBois asked if the proposed cuts were more one-time reductions than structural reductions.

Mr. Eggleston replied yes. Staff was instructed to view cuts as a two-year fiscal emergency and to reduce services for a two-year period such that they

# FINAL MINUTES

were able to return. Staff viewed reductions as an opportunity to reduce infrastructure maintenance and bring it back after two years.

Vice Mayor DuBois was surprised by the lack of personnel reductions. He inquired whether reducing the frequency of pickups would provide savings in the Refuse Fund.

Mr. Eggleston advised that State law required weekly garbage service. He thought a discussion of reducing service for recyclables could be worthwhile.

Council Member Kniss asked if Staff had explored other areas where efficiencies would provide savings.

Mr. Shikada remarked that policy had driven Public Works to achieve the Zero Waste goal rather than to minimize costs. The innovations were focused on compostables and recyclables.

Council Member Kniss asked what happened to residents' recyclables.

Phil Bobel, Assistant Director of Public Works reported GreenWaste located markets in the U.S. for all plastics except dirty film, which was landfill. Mixed paper was sent overseas to be recycled. Staff was attempting to learn the end use of mixed paper.

Council Member Kniss asked if cardboard could be composted.

Mr. Bobel replied yes. The economics were better for recycling cardboard. The market for cardboard was strong.

Council Member Tanaka noted electric rates increased 5.5 percent on July 1, 2019. Utility rates had been increasing almost yearly. Commercial Rates were much higher than Residential Rates.

**MOTION:** Council Member Tanaka moved, seconded by Council Member Kniss to accept Staff recommendations of a zero percent rate increase to the Electric, Fiber Optics, Gas, Wastewater and Water rates.

Council Member Tanaka reiterated the series of rate increases, the economic depression and the revenue generated by the sale of RECs 1 as reasons for zero percent rate increases.

Council Member Kniss remarked that small businesses were suffering, and zero percent rate increases signaled the City's value of small businesses.

# FINAL MINUTES

Council Member Cormack requested an explanation of the \$13 million amount for gas.

Mr. Abendschein explained that Staff would have to make cost reductions in that amount to prevent Reserves from falling below the minimum guideline.

Council Member Cormack asked if the PVC Pipe Project was a seismic issue.

Mr. Abendschein replied yes.

Council Member Cormack asked if there was a rate increase between 0 percent and 3 percent that funded cross-bore inspections.

Mr. Abendschein thought 2 percent might achieve that.

Council Member Cormack asked if a 0 percent Wastewater Rate increase was proposed for one year or two years.

Mr. Abendschein indicated Staff recommended 0 percent for one year and provided an alternative showing a 0 percent rate increase for a second year resulted in deferring a Wastewater Main Replacement Project.

Council Member Cormack asked about the use of Electric Reserves.

Mr. Abendschein clarified that \$14 million from Reserves and \$1.5 million in cuts was going to be needed to hold electric rates flat for two years.

Council Member Cormack asked how many RECs would be sold to fund a 0 percent rate increase.

Mr. Abendschein reported RECs could be sold regardless of rates. The Electric Utility had surplus RECs, and they were going to be sold regardless of rates. Trading RECs 1 for RECs 3 realized \$3-\$6 million in earnings. Exchanging RECs generated \$3 million. Selling but not replacing RECs 1 generated \$6 million.

Council Member Cormack requested clarification of load loss and transmission loss.

Mr. Abendschein explained that the \$14 million in Reserve reductions and \$1.5 million in cuts were primarily related to an economic downturn for the Electric Utility. Staff projected continued decreases in electric load. Combining that with flat rates over two years resulted in a \$14 million reduction.

# FINAL MINUTES

Council Member Filseth inquired whether Staff would reinstate cross-bore inspections if gas rates were increased.

Mr. Batchelor advised that the PVC Project would be the first priority, with cross-bore inspections second.

Council Member Filseth preferred to increase the gas rate given the safety issues.

Council Member Kou wanted to help businesses, but safety was a primary concern.

Vice Mayor DuBois remarked that gas and electricity were both lifelines. If an emergency occurred, Utilities were at risk because of the levels of Reserve Funds.

Mayor Fine indicated \$13.8 million in reductions for gas was quite significant and affected safety. He expressed concern about reducing Reserve Funds to the minimum guideline. He inquired about the effect of a 1 percent electric rate increase on the Reserve Fund.

Mr. Batchelor indicated it would reduce the Reserve Fund by about \$7 million.

Mayor Fine asked if the \$1.5 million in cuts would remain.

Mr. Batchelor responded yes. A 1 percent rate increase still required the use of \$13 million from the Reserve Fund.

Mayor Fine requested the increase in a residential bill for a 3 percent Gas Rate increase and a 2 percent Electric Rate increase.

Mr. Batchelor advised that a residential bill was going to increase about \$7 annually for the gas increase and \$15 annually for the electric increase. A commercial bill was to increase \$240-\$480 annually for the gas increase.

Council Member Filseth proposed increasing the gas rate to 3 percent and no changes in the other rates.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to amend the Motion to only include the Wastewater Collection Fund and the Water Fund rates.

# FINAL MINUTES

**MOTION AS AMENDED:** Council Member Tanaka moved, seconded by Council Member Kniss to accept Staff recommendations of a 0 zero percent rate increase to the Wastewater Collection Fund and Water Fund rates.

**MOTION AS AMENDED PASSED:** 7-0

**MOTION:** Council Member Filseth moved, seconded by Vice Mayor DuBois to recommend tentative approval of a 3 percent rate increase for one year in the Gas Fund.

Vice Mayor DuBois supported a 3 percent rate increase to fund the AMI Project, which saved money over the long term.

Council Member Cormack stated 3 percent for gas would not fund the AMI Project. She supported a 2 percent rate increase.

Council Member Filseth asked if a 2 percent rate increase would fund the PVC and cross-bore projects.

Mr. Batchelor answered almost. Staff was going to find additional savings to fund the remainder of the projects.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to change the Motion to, "... approval of a 2 percent rate increase for one year in the Gas Fund."

Mr. Batchelor related that a 2 percent Electric Rate increase would increase residential bills by \$4 annually and commercial bills by \$400 annually.

**MOTION AS AMENDED:** Council Member Filseth moved, seconded by Vice Mayor DuBois to recommend tentative approval of a 2 percent rate increase for one year in the Gas Fund.

**MOTION AS AMENDED PASSED:** 5-2 Kniss, Tanaka no

**MOTION:** Council Member Filseth moved, seconded by Council Member Tanaka to recommend tentative approval of a zero percent rate increase for one year in the Electric Fund.

Council Member Filseth noted the Reserve Fund was intended to stabilize rates.

Council Member Tanaka felt there was no better time than now to help ratepayers.

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Mayor Fine concurred with Council Member Filseth's comments. As Enterprise Funds, the Reserve Funds were easy to refill.

**MOTION PASSED:** 6-1 DuBois no

Mayor Fine clarified that the rate increases would apply to FY 2020-2021 only.

Vice Mayor DuBois requested Staff's original recommendation to increase the fiber rate.

Mr. Batchelor indicated the rate increase was 2.5 percent, which was tied to the Consumer Price Index (CPI).

Vice Mayor DuBois asked if that rate increase could fund additional expansion of the network.

Mr. Batchelor replied yes.

**MOTION:** Vice Mayor DuBois moved, seconded by Council Member Kniss to recommend tentative approval to restore the planned 2.5 percent rate increase for one year in the Fiber Optics Fund.

Vice Mayor DuBois suggested a rate increase because the rates were currently below market.

Council Member Tanaka commented that 2.5 percent was significantly higher than the current CPI. This was going to hurt people.

Council Member Cormack asked if any customers had commented on a proposed rate increase.

Mr. Batchelor answered no.

Council Member Cormack requested Staff's recommendation for a fiber rate increase.

Mr. Batchelor answered zero percent. Fiber rate increases had always been tied to CPI.

Council Member Cormack asked how Staff would utilize the increase.

Mr. Batchelor reported expansion of the network would continue without the use of the Reserve Fund. The Reserve Fund was needed for the AMI Project and expansion of the network into residential areas.

# FINAL MINUTES

**MOTION PASSED:** 4-3 Cormack, Fine, Tanaka no

Council Member Tanaka noted vehicle replacement should be cut. He inquired about the advantages or disadvantages of paying employees for mileage rather than supplying them a vehicle from the City fleet.

Mr. Eggleston reported Staff discussed paying employees' mileage for use of their personal vehicles, but labor issues were raised. Staff explored a pilot program to utilize a rideshare program, but the City Attorney's Office identified a long list of liability concerns with the pilot program.

Council Member Tanaka proposed placing analysis of reimbursing employees for use of their personal vehicles rather than supplying fleet vehicles in the short-term Parking Lot.

Mr. Eggleston added that requiring employees to use their personal vehicles on the job was tantamount to encouraging them to commute in their personal vehicles.

Council Member Kniss concurred.

Mr. Shikada reported Staff had explored this concept over many years. It was not going to generate significant savings and would increase risk.

Council Member Tanaka suggested elimination of the social media or public relations position.

Mr. Shikada cautioned Council Members and Staff to avoid speaking to individuals or individual positions. There was a communications function within the Utilities Department.

Council Member Tanaka wanted to allocate resources to the areas that mattered to the community.

**MOTION:** Council Member Tanaka moved, seconded by Council Member XX to eliminate the communications function in the Utilities Department.

**MOTION FAILED DUE TO THE LACK OF A SECOND.**

Council Member Kou requested an update regarding the Palo Alto Airport.

Mr. Eggleston reported the Airport began repaying its loan from the General Fund in FY 2019-2020. The Apron Reconstruction Project was large and costly. A Federal Aviation Administration (FAA) grant paid 90 percent of



# FINAL MINUTES

Phase I and II costs. The Airport delayed Phase III because of the small amount of revenue. The FAA had recently announced Phase III would be funded at 100 percent.

Council Member Kou requested the impact on residents of the sidewalks and streets program reduction.

Mr. Eggleston indicated an increase in the Sidewalk Repair Program completed the 30 year cycle of repairing all City sidewalks. For the next two years, Staff proposed relying on an in-house crew to perform temporary repairs on sidewalks.

Council Member Cormack noted the wide variety of vehicles in the City's fleet. A small portion of the fleet was sedans. She inquired about the effects of changes in the Capital Budget on the Public Works Department Operating Budget.

Mr. Eggleston reiterated the interrelated nature of the operating, maintenance and capital programs.

**MOTION:** Council Member Cormack moved, seconded by Council Member Kniss to recommend tentative approval of the Fiscal Year 2021 Operating/Capital Budget for the Infrastructure and Environment (Utilities and Public Works) for City Council consideration on May 26, 2020.

Council Member Kniss applauded Staff for turning around the Airport after it had operated in the red for so many years.

**MOTION PASSED: 7-0**

Council took a break at 8:47 P.M. and returned at 8:57 P.M.

- E. Internal Service Departments and Council Appointed Officers  
Operating Budgets
  - a. Administrative Services
  - b. Human Resources
  - c. Information Technology
  - d. City Attorney's Office
  - e. City Auditor's Office
  - f. City Clerk's Office
  - g. City Manager's Office
  - h. City Council

Ed Shikada, City Manager requested general direction regarding outstanding issues if the Council completed its review of the Budget. If the Council was

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not able to complete their review, they were going to need to determine availability for a meeting on Tuesday.

Kiely Nose, Chief Financial Officer and Director of Administrative Services provided a list of Motions affecting Budget amounts and a list of items placed in the Parking Lot. If the Council agreed to revisit the CIP to determine savings, that was able to pay for other items, and assuming Staff could find \$1 million, the Council was going to have approximately \$2 million in the General Fund to fund proposals to restore funding. If the Council was able to provide direction, Staff was able to return on May 26, 2020 with a revised Proposed Budget based on that direction.

Mayor Fine clarified that a savings of \$1 million from the CIP would provide a surplus of \$2.05 million.

Ms. Nose indicated a second At-Places Memo regarding requested items and General Fund Budget reconciliations was provided.

Mayor Fine believed the item to understand the sources of Public Safety Building (PSB) funding was a longer-term item and could be obviated by a CIP reduction.

Ms. Nose stated that was included in the At-Places Memo.

Mayor Fine noted the Council had to determine funds that could be found through additional cost recovery.

Ms. Nose advised that the items concerning building and fire inspections and the TMA could be determined on May 26, 2020. The Council's decisions regarding the Cubberley and CIP items affected the \$2 million surplus. Staff needed to evaluate Police Department positions and were going to provide additional analysis on May 26, 2020.

Council Member Cormack noted the \$1.6 million did not exactly match the \$1.7 million, but it was able to match based on allocating funding to the Budget Stabilization Reserve Fund (BSR) or the Section 115 Trust. She asked when the Council could propose additional reallocations.

Ms. Nose responded Agenda Item Number 7.

Vice Mayor DuBois suggested additional budget review could occur during the Monday meeting as the Agenda was not packed. He requested clarification of the negative \$1.1 million.

# FINAL MINUTES

Ms. Nose related that it was the proposal for Staff to review ways to help businesses reopen following the Shelter-In-Place Order. Staff placed the item in the Development Center, which was 100 percent cost recovery.

Vice Mayor DuBois recalled Planning and Development Services Director Lait's comment regarding revenue decreases and expense reductions. Vice Mayor DuBois asked if Ms. Nose expected revenues to return.

Ms. Nose explained that Staff would attempt to balance the \$1.1 million expense with revenue or reserves.

Vice Mayor DuBois asked if it should be a negative or positive \$1.1 million.

Ms. Nose referred to the Motion, which was a reduction of \$1.1 million in cost savings.

Mr. Shikada agreed that the Council could review the Budget on Monday, but Staff could not fulfill noticing requirements for a meeting on Tuesday if the Council did not complete the Agenda and Budget review on Monday.

Council Member Kniss concurred with finding savings in the CIP. Parking Lot items could involve large amounts of funding.

Mr. Shikada noted negotiations regarding Cubberley were ongoing, but he thought it could provide a reduction of \$2.5 million.

Council Member Kniss remarked that the Police and Fire positions were valued by the community, but the expense may be too great.

Mr. Shikada reiterated that Staff would analyze the positions and report to the Council.

Ms. Nose clarified that Staff had assigned approximate values to the items placed in the Parking Lot. Staff would provide information regarding the Parking Lot items on May 26, 2020.

Council Member Kniss felt the cost of Parking Lot items was confusing as some costs had not been determined.

Ms. Nose reported if the Council's actions regarding the remainder of the Budget did not exceed \$2 million and the Council completed Budget review during the current meeting, the Council was not going to need to meet on Tuesday.

Council Member Tanaka inquired regarding the source of the \$272,000.

# FINAL MINUTES

Ms. Nose indicated it reflected savings from the JMZ opening in March 2021 rather than October 2020 and the increase in the JMZ entry fee from \$10 to \$18.

Council Member Tanaka noted Staff recommended an entry fee of \$18. He inquired about the transfer to the Section 115 Trust.

Ms. Nose explained that a Council decision not to fund the Section 115 Trust was going to result in a savings of \$1.7 million. If the decision was to fund the Section 115 Trust, the Council was going to need to spend \$1.7 million.

Council Member Tanaka commented that funding the Section 115 Trust would not affect the \$2 million savings.

Mr. Shikada advised that Council decisions regarding the Parking Lot items with unassigned amounts were the only decisions that would affect the \$2 million savings.

Council Member Tanaka did not understand the Section 115 Trust having a negative amount while the Library item had a positive amount.

Ms. Nose encouraged Council Members not to consider the amounts assigned to Parking Lot items because the Council had not decided those items.

Mayor Fine indicated positive and negative numbers were based on the Council's Motions to place items in the Parking Lot.

Council Member Kou noted funding for Community Services, especially teen programs, was long term. If the Council could find \$1 million for short-term Parking Lot items, surely the CIP was able to be reduced to fund Community Services.

Ms. Nose clarified that the \$990,000 was placed in the short-term Parking Lot for further review during the wrap-up meeting. The Council was able to decide to fund the \$990,000, which reduced the \$2 million surplus. The Council had voted on the items that generated the \$2 million surplus. The Council planned on voting on Parking Lot items after they completed the Budget review.

Council Member Kou asked when Staff would revisit the CIP.

Ms. Nose related that the Council could consider it at the end of the current meeting. Staff was confident a \$1 million savings could be found in the CIP.

# FINAL MINUTES

Council Member Filseth inquired whether the \$1 million placeholder for CIP savings was going to affect FY 2020-2021 only.

Ms. Nose replied correct.

Council Member Filseth asked if a \$1 million reduction in the CIP to fund services required a \$1 million reduction in the CIP every year.

Ms. Nose answered yes. She referred Council Members to the pages in the Budget for Internal Service Departments and Council Appointed Officers (CAO). Most of these Budgets totaled \$1-\$5 million with few FTE. Most of the departments supported the rest of the organization. The Administrative Services Department (ASD) proposed reductions in staffing, the Annual Performance Report, and printing services. ASD was going to continue to process payroll, manage property, the treasury, warehouses and report financial information. The Human Resources (HR) Department proposed reductions in staffing and elimination of the HR Contingency Fund. The HR Department was going to continue to support the workforce, Shelter-In-Place Orders, the Family First Act, and labor negotiations. The Information Technology (IT) Department was funded through an Internal Service Fund. The IT Department proposed freezing vacant positions, adjusting service delivery and reducing reserves. The IT Department was to continue the Enterprise Resource Planning (ERP) upgrade, Geographic Information System (GIS) modernization and the Next-Generation City website. The City Attorney Office proposed reductions in staffing, travel, training and supplies. The City Attorney Office was to continue to provide legal support and services to the organization and focus on new priorities during the COVID-19 recovery phase. The Auditor Office proposed reductions in staffing and reassignment of tax compliance and the National Citizens Survey to the City Manager Office and ASD. The City Clerk Office proposed reductions in staffing, travel, training, supplies, contract services, Board and Commission training and recognition, and printed Agenda Packets. The City Clerk Office was going to continue to support the Council, respond to Public Records Act requests, and notice the public. The City Council eliminated their Contingency Fund and were going to reduce travel, training, supplies, and meeting meals and snacks. The City Council was going to continue to lead the City and guide Staff's work. The City Manager Office proposed reductions in staffing, travel, training and supplies. The City Manager Office was going to continue to manage the organization and focus on new priorities, legislation and business affairs. The reductions totaled about 11 percent of the departments' Budgets.

Council Member Filseth inquired about IT expenses in the General Fund.

# FINAL MINUTES

Ms. Nose advised that they could be found in allocated charges under each department.

Jeremy Erman inquired about cost recovery for these departments. Immense pressure was applied to programs in the Community Services Department to generate revenue.

Mayor Fine asked if there was a legal requirement for the Council to approve their Minutes.

Molly Stump, City Attorney answered yes, but the format of the Minutes was flexible. The Council had requested verbatim Minutes, but they were not required.

Mayor Fine asked if the Council would continue to approve Action Minutes.

Beth Minor, City Clerk answered yes. A few years ago, the Council had approved Action Minutes and videos of meetings as the permanent record. Other Minutes were provided for the Council's and public's use, and the Council did not approve them for each meeting.

Mayor Fine asked if the City paid for KZSU broadcasts of Council meetings.

Ms. Minor replied yes.

Mayor Fine asked if the number of listeners was known.

Ms. Minor responded no. There was no means to determine the number of listeners.

Mayor Fine requested the cost of the contract with KZSU.

Ms. Minor answered \$20,000 per year.

Council Member Cormack asked if the City was self-insured for unemployment.

Ms. Nose replied yes.

Council Member Cormack requested additional information regarding unemployment insurance.

Ms. Nose explained that it was reflected in the General Benefits Fund, which was an Internal Service Fund. All departments and funds paid into it.

Council Member Cormack inquired about Staff's confidence that the City was able to pay unemployment benefits.

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Ms. Nose advised that Staff was monitoring the situation and Council deliberations. Depending on the final recommended Budget, Staff was able to return with adjustments.

Council Member Cormack remarked that the Council's transition to virtual meetings had been incredibly smooth. IT Staff facilitated training and equipment. She inquired whether sufficient funds remained for attorneys in the City Attorney Office to obtain required continuing legal education.

Ms. Stump indicated options were available for a certain amount of no-cost legal education. She thought Staff may have to request the restoration of some funds so that attorneys could maintain their licenses.

Council Member Cormack assumed videos of Council meetings would continue to be available on YouTube and inquired about captioning for the videos.

Ms. Minor indicated captioning was not available through Zoom, but Staff could look into it. Mid Peninsula Media was going to continue to host videos of Council meetings.

Council Member Cormack asked if paid advertising of Board and Commission recruitments would be eliminated.

Ms. Minor clarified that funding for newspaper advertising would be reduced.

Council Member Cormack inquired whether Minutes of Board and Commission meetings would be eliminated through the City Clerk's proposal.

Ms. Minor reported the Community Services Department and the Utilities Department determined the format of Minutes and who was going to provide the Minutes for the Public Art Commission, the Human Relations Commission and the Utilities Advisory Commission. The Planning Department and the City Clerk Office utilized the same transcription company for Minutes.

Council Member Cormack asked if Council meetings would be a hybrid of in-person and virtual meetings once the Shelter-In-Place Order allowed in-person meetings.

Ms. Minor advised that Staff could look into it. Members of the public had reported that virtual meetings allowed them to participate in more Council meetings.

Council Member Cormack wanted to develop guidelines for Zoom meetings.

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Council Member Kniss expressed concern about the Minutes and KZSU and requested payment information regarding KZSU.

Ms. Minor indicated payment was made to Stanford University. Vince Larkin arrived an hour to a half hour prior to every Council meeting, broadcasted the meeting during his show, and departed an hour to a half hour after meetings concluded.

Council Member Kniss asked if Mr. Larkin was paid.

Ms. Minor responded yes.

Council Member Kniss did not believe Mr. Larkin was highly paid. Many people were going to miss KZSU. She inquired about reductions to Board and Commission training and recognition events.

Ms. Minor explained that the pandemic prevented training. The reduction eliminated food and participant gifts from recognition events.

Council Member Kniss asked about City Clerk support for virtual Council meetings.

Ms. Minor advised that two or three Clerks and two IT Staff supported Zoom meetings.

Council Member Kniss felt the proposed Staff reductions in the City Clerk Office may be too severe.

Ms. Minor remarked that two to four Staff members began preparing Zoom meetings an hour before the scheduled start time.

Council Member Kniss inquired about the notification requirements for virtual meetings under Governor Newsom's Public Health Orders.

Ms. Stump reported Governor Newsom issued Executive Orders that suspended some noticing requirements of the Brown Act. The Legislature was able to amend the Brown Act to provide some flexibility. Some aspects of virtual meetings had increased public access to government.

Vice Mayor DuBois inquired about the expense for unemployment insurance.

Rumi Portillo, Director of Human Resources related the expense was approximately \$175,000.

Vice Mayor DuBois asked if the Legal Contingency Fund was the Liability Insurance Fund.



# FINAL MINUTES

Ms. Stump indicated the Legal Contingency Fund was in place for many years and was used to pay outside counsel. Funding allocated to the Legal Contingency Fund was always spent for outside counsel services and showing it as a contingency was not logical. To improve transparency, Staff moved it into the regular Budget.

Vice Mayor DuBois requested the purpose of the Liability Insurance Fund.

Ms. Stump related that that was the General Liability Account.

Vice Mayor DuBois asked if funding for the account increased.

Ms. Stump explained that Staff routinely reviewed the risk of cases and determined amounts that should be reserved. The fund was healthy, and some funds were reallocated from the fund.

Vice Mayor DuBois asked if the National Citizens Survey would be conducted.

Mr. Shikada advised that he needed to explore staffing for the survey.

Monique LeConge Ziesenhenné, Assistant City Manager indicated it was not conducted in the prior year. She thought conducting it this year may not be appropriate during the COVID crisis. The survey was on hold pending staffing or a new process. Staff was working on a contract and talking with the contractor about recommendations for content and timing of the survey. The survey was not conducted at the same time of year for every jurisdiction. Staff had arranged for the survey of Palo Alto to be conducted in December 2020.

Vice Mayor DuBois suggested Staff not add survey questions specific to Palo Alto or analyze the results in an effort to reduce costs.

Ms. Ziesenhenné advised that that could be done. The survey of Palo Alto was more complicated due to the number of questions specific to Palo Alto and the increased number of surveys sent to residents.

Vice Mayor DuBois found the survey informative and felt it should be conducted in 2020. He inquired about the amount of Staff reductions that were going to result from layoffs, rather than freezing vacant positions.

Ms. Nose related that a majority of the positions were vacant, but she could not provide the number of layoffs.

Council Member Kou asked if the City Attorney Office would continue to support efforts around airplane noise.

# FINAL MINUTES

Ms. Stump clarified that the City Attorney Office's discretionary work included the Council's priorities. With budget reductions and the pandemic, Staff was going to have to prioritize and triage its work. The Council and department managers were going to identify the priority projects.

Mr. Shikada added that City Manager's Office resources were going to have to be reviewed to determine whether work on airplane noise could be sustained.

Council Member Kou asked how the City Attorney's Office would rank prosecution of municipal citations and Code enforcements. Much of that affected the community and potential revenue.

Ms. Stump reported those were policy questions. Staff was working with clients and determining their capacity to set priorities. Currently, municipal prosecutions were on hold because of a lack of activity and court hearings.

Council Member Kou appreciated the need to reduce costs, but each Council Member needed to determine whether he or she wanted a paper or Digital Packet. She expressed concern regarding the Minutes.

Council Member Tanaka remarked that YouTube could provide transcriptions of segments of meetings. The list of properties reflected only those that were currently rented. He wanted a list of all City properties. Renting City property at market rate generated a significant amount of revenue. Most of the property was rented at less than \$1 per square foot, and some of the lessees needed to continue to receive below-market rates. He inquired whether Staff could calculate the total amount of rents if all City-owned properties not used by the City were rented at market rate, regardless of property condition and availability.

Ms. Nose related that Staff could not calculate that amount in the current meeting. It should be a Parking Lot item.

Council Member Tanaka requested the square footage of rental space in the City.

Ms. Nose did not know.

Mr. Shikada clarified that City-owned property included slivers of rights-of-way which could not be rented. Focusing on properties that could be rented involved a fundamental policy question for the Council. Almost all properties were charged below-market rates because of Council direction. The request could be a long-term Parking Lot item.

# FINAL MINUTES

Council Member Tanaka indicated an estimate of the total square footage of City-owned properties would be sufficient. He wanted to increase revenues so that expense reductions were not so severe.

Mr. Shikada suggested it would be at least a year before properties could generate rent revenue.

Vice Mayor DuBois inquired about the impacts of the cost reductions on City Staff.

Darren Numoto, Director of Information Technology, reported there would be impacts to service delivery and multiple large projects.

Vice Mayor DuBois asked if the Disaster Recovery Project would continue.

Mr. Numoto related that Staff always explored methods to increase resiliency and was exploring methods with contractors and the SAP upgrade.

Vice Mayor DuBois inquired regarding the laptop replacement policy.

Mr. Numoto indicated the policy would be delayed for a year. Funding was available for critical replacements. Some laptops were to receive component upgrades to facilitate Windows 10 and new applications.

Vice Mayor DuBois asked if the cycle would increase from three years to four years.

Mr. Numoto reported the current year was the final year of the current cycle, and replacements scheduled for the current year were going to be delayed for a year.

Vice Mayor DuBois expressed concern about eliminating verbatim Minutes. Video was not the same as searchable text and not transparent for the public. He asked if travel funding was eliminated or reduced.

Ms. Nose explained that funding was eliminated in the smaller budgets.

Ms. Stump added that travel was eliminated from the City Attorney's Office Budget.

Vice Mayor DuBois inquired whether Staff asked Stanford University to pay for the KZSU broadcast of Council meetings.

Ms. Minor replied no.

Vice Mayor DuBois asked if the Board and Commission Recognition Event would continue without food and gifts.

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Ms. Minor indicated the cost would be approximately \$1,000.

Vice Mayor DuBois wanted to find low-cost alternatives for Board and Commission recognition. He inquired about the time to discuss management compensation.

Mr. Shikada stated Staff would put that on the Council's Agenda.

Council Member Tanaka commented that these departments supported service delivery rather than delivered services. Their expenses were to be considered overhead. He requested Staff calculate the savings from a 20 percent reduction in management and Council salaries.

Ms. Nose needed time to calculate the amount. If the Council directed, Staff was able to provide information on May 26, 2020.

Council Member Tanaka felt the leaders of the City should set an example, indicate to the community the depth of reductions, and share the pain.

Mr. Shikada reiterated that Staff was in negotiations with bargaining units. The timing of the proposal needed to be synced with conversations. Staff planned on presenting an item soon, concerning this topic for Council consideration.

Council Member Tanaka did not understand asking labor to reduce compensation when City management had not done so.

Mr. Shikada stated the item would pertain to management and professional employees. The Council was able to determine whether it reduced its compensation.

Council Member Tanaka clarified that he was interested in a compensation reduction for directors and above.

Mr. Shikada indicated he had a responsibility to the organization not to advance disconnected math. He wanted to provide recommendations regarding the workforce at a later time.

Council Member Filseth referred to the City Manager's comments and asked the Council to move on.

**MOTION:** Council Member Kniss moved, seconded by Vice Mayor DuBois to recommend tentative approval of the Fiscal Year 2021 Operating Budget for the Internal Service Departments and Council Appointed Officers Operating Budgets for City Council consideration on May 26, 2020, plus to explore ways to continue to support funding for KZSU.

# FINAL MINUTES

**PARKING LOT:** Vice Mayor DuBois moved, seconded by Council Member Kniss, third by Council Member Kou to place in the parking lot the full minutes.

Mayor Fine requested the cost of printing Packet materials.

Ms. Minor indicated printing costs were \$34,000, not including the costs for delivery to Council Members' homes or Staff overtime.

**PARKING LOT:** Council Member Cormack moved, seconded by Council Member Kou, third by Vice Mayor DuBois to place in the parking lot the full cost of printing packet materials.

Ms. Minor advised that printing packets was a challenge with clerks working from home during the pandemic.

Vice Mayor DuBois understood the intention was to print packets when Staff returned to work onsite.

Council Member Kou suggested the cost could be less than anticipated as some Council Members preferred digital packets.

Council Member Tanaka noted the number of employees in the City Manager's Office and questioned whether the number could be reduced. He asked if the Office of Transportation was part of the City Manager Office Budget.

Mr. Shikada replied no.

Council Member Tanaka noted City Manager Office staffing expenses of \$3.6 million.

Mr. Shikada noted a proposed reduction of \$250,000 for staffing.

**AMENDMENT:** Council Member Tanaka moved, seconded by Council Member Kou to reduce the Staff in the City Manager's Office by two Staff members of the City Manager's choosing.

Council Member Kou wanted to explore the reduction.

Mayor Fine asked about the impact of the reduction on the City Manager's Office.

Mr. Shikada iterated that if the City Manager's Office had less Staff, they would be completely unfunctional.

# FINAL MINUTES

Council Member Cormack cautioned Council Members to choose their words wisely. Addressing professionals by titles that did not reflect their responsibilities was disrespectful.

**AMENDMENT FAILED:** 2-5 Cormack, DuBois, Filseth, Fine, Kniss no

Ms. Minor advised that Staff had been exploring the outsourcing of printing Council Packets, which reduced the cost of printing. She said printed packets would be available on Monday rather than Thursday. If Zoom meetings and printed packets continued, the loss of City Clerk staffing was going to have a great impact on services.

**MOTION PASSED:** 6-1 Tanaka no

- F. ~~Discussion and Direction to Staff Regarding the Establishment of a Pension Funding Policy and Approval of Amendment Number 1 to Contract Number C15159278 to Increase Compensation by \$97,675 for Additional Actuarial Consultant Services for a new Total Not-To-Exceed Amount of \$230,000.~~ (This item has been continued to a date uncertain.)

- G. May 11, 12, and 13th Budget Hearing Wrap-up Discussion.

Kiely Nose, Chief Financial Officer and Director of Administrative Services requested the Council indicate any areas they wished to revisit or restore. If the Council wished to restore funding to a department, the department director wanted to explore the most efficient and effective way to restore a service or programming for the designated dollar amount.

**MOTION:** Mayor Fine moved, seconded by Council Member Kniss to:

- A. Remove the Section 115 Trust;
- B. Cubberley Finances from the short-term parking lot; and
- C. Add \$1 million in the General Capital Improvement Project Fund cuts back into the budget.

Mayor Fine clarified that these items were open for discussion, and the remaining items were going to be discussed on May 26, 2020.

Council Member Cormack asked if Staff wanted Motions or comments.

Ms. Nose reported the Council did not act to change the assumptions for the Section 115 Trust or Cubberley finances. Council direction to remove them from the short-term Parking Lot was sufficient. Reducing the CIP by an additional \$1 million required a Motion.

# FINAL MINUTES

Mayor Fine indicated that is the intent of the Motion.

Council Member Cormack recalled the City Manager's statement that the information regarding Cubberley was accurate. She wanted to hear Council Member Filseth's comments regarding the Section 115 Trust. She wanted to understand the projects affected by the \$1 million CIP reduction. She expressed concern regarding maintenance of parks when residents were using them heavily during the shelter-in-place order. She did not agree with reducing Police Department staffing by 17 positions.

Mayor Fine noted Staff could provide details of reductions in the CIP.

Council Member Tanaka wanted to increase the CIP reduction to increase funding for the Police Department and Community Services Department. More CIP projects should be delayed.

Council Member Filseth supported removing Cubberley from the Parking Lot. Allocating anything less than \$1.7 million to the Section 115 Trust was essentially borrowing money at 6.2 percent interest to pay expenses. It was worse than a one-time deferral of a Capital Project. He preferred using the BSR than borrow funds. There was a difference between the normal cost and paying down the existing liability. Not covering the normal cost accrued new liability. Not paying on the existing liability was not good either. He inquired about the projects affected by the \$1 million CIP reduction. The cut to the Capital Plan over the next five years was to be quite a bit larger than Staff's \$46 million estimate. That was possibly the result of the amount Staff believed could be restored in the out years. Some of the cuts appeared to be permanent.

Mayor Fine noted the Motion restored 50 percent of funding to the Section 115 Trust. Another \$1.6 million was reserved from capital. He inquired whether the 50 percent and \$1.6 million was going to total the normal cost.

Ms. Nose answered yes.

Mayor Fine requested an overview of the \$1 million CIP reduction.

Ms. Nose advised that the CIP would be reduced by a total amount of \$2.6 million, \$1.6 million for the BSR or Section 115 Trust and \$1 million. Half the reduction was going to come from the Downtown Parking Garage Project in that Staff would cancel the design contract. Funding sources for the remaining half was going to be for ongoing projects, Impact Fees slated for

# FINAL MINUTES

dog parks, and carryover from 2020 savings. Ongoing projects included off-road pathways, repairs, and ADA compliance.

Mayor Fine remarked that in a normal year, the transfer to capital was going to be \$32 million. Staff reduced that amount to \$16 million, and the Council reduced the amount by an additional \$2.6 million. The capital transfer was going to be reduced about 60 percent in order to fund services and other needs.

Vice Mayor DuBois asked if transferring \$3.3 million to the Section 115 Trust covered the normal cost.

Ms. Nose responded yes.

Vice Mayor DuBois inquired whether use of the 2020 carryover would cause the cancellation of a project.

Ms. Nose advised that ongoing projects, such as sidewalk repairs and maintenance, were to be reduced. Staff had evaluated the carryover amount in February and May 2020 to determine the potential carryover amount.

Vice Mayor DuBois asked if the reduction could be increased to \$1.5 million.

Ms. Nose indicated exceeding \$1 million was likely going to affect projects.

Vice Mayor DuBois commented that several important organizations would lose their spaces at Cubberley. He supported allocating \$1.7 million to the Section 115 Trust rather than the BSR. His impression from the discussion was that police officers were not going to be laid off.

Ms. Nose reported if all reductions for the Police Department were implemented immediately, it would impact sworn positions. The Police Chief wanted to retain new employees and requested flexibility to reduce the number of positions through attrition.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add to the Motion, "Dedicate \$1.6 million reduction in Capital Improvement Project Fund to the Section 115 Trust Fund." (New Part D)

Council Member Filseth wanted to ameliorate some of the Police Department reductions.



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Council Member Tanaka wanted to increase the \$1 million CIP reduction.

**MOTION AS AMENDED:** Mayor Fine moved, seconded by Council Member Kniss to:

- A. Remove the Section 115 Trust from the short-term parking lot;
- B. Remove the Cubberley Finances from the short-term parking lot;
- C. Add \$1 million in the General Capital Improvement Project Fund cuts back into the budget; and
- D. Dedicate the \$1.6 million reduction in Capital Improvement Project Fund to the Section 115 Trust Fund.

## **MOTION SEPARATED FOR THE PURPOSE OF VOTING**

**MOTION AS AMENDED PASSED FOR MOTION PART A:** 6-1 Kou no

**MOTION AS AMENDED PASSED FOR MOTION PART B:** 6-1 Tanaka no

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to update the Motion, Part C to read, "cut an additional \$1 million from the General Capital Improvement Fund and reduce the General Fund Transfer to the Capital Improvement Project Fund by a corresponding amount."

**MOTION AS AMENDED PASSED FOR MOTION PART C:** 6-1 Tanaka no

**MOTION AS AMENDED PASSED FOR MOTION PART D:** 6-1 Kou no

Ms. Nose advised that the Council had \$2 million. Minutes transcription and Packet printing remained in the Parking Lot. She requested the Council direct Staff to explore restoring services with some of the \$2 million or to allocate it to the BSR. She thought the Council should not spend the full \$2 million as there were Parking Lot items to consider.

**MOTION:** Council Member Tanaka moved, seconded by Council Member Kou to remove the College Terrace Library from the parking lot.

Council Member Tanaka noted community support for College Terrace Library.

Council Member Kniss did not support this without considering other items.

**MOTION FAILED:** 3-4 Cormack, Filseth, Fine, Kniss no

# FINAL MINUTES

Ed Shikada, City Manager suggested the Council identify \$1 million in restorations.

Council Member Kniss asked if the Council could designate funding by department.

Ms. Nose replied yes. She requested the Council not designate funding for specific line items.

Council Member Tanaka requested the number of cuts to the Police Department.

Ms. Nose responded slightly more than \$6 million in total.

Mr. Shikada requested the Council identify additional priorities for \$1 million.

Vice Mayor DuBois suggested the Council add items to the short-term Parking Lot and direct Staff to explore funding for all short-term Parking Lot items.

Mayor Fine believed that could result in a number of votes on items with only three Council Members supporting the items.

**MOTION:** Council Member Filseth moved, seconded by Council Member Cormack to allocate \$1 million back into the budget to address the following areas: 60 percent Police Department and 40 percent Community Services Department.

Council Member Tanaka requested clarification of the Motion.

Ms. Nose explained that Staff would return with recommendations based on the Council discussion and priorities for restoring services proposed for reduction in the Police and Community Services Departments.

**MOTION PASSED:** 7-0

Mayor Fine noted the more items the Council moved to the Parking Lot, the fewer funds could be allocated to each.

Council Member Kou related that the Youth Connectedness Initiative was a suicide prevention program for youth. Without City funding, the Initiative was going to lose matching funds from the County of Santa Clara (County). Public comments indicated many youth found the program helpful.

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**PARKING LOT:** Council Member Kou moved, seconded by Council Member Kniss, third by Council Member Tanaka to place in the parking lot the Youth Community Service Youth Connectedness Initiative of \$50,000.

Vice Mayor DuBois understood the \$1 million could cover all items in the Parking Lot. The Council just restored \$400,000 to the Community Services Department. He asked if funding for the Youth Connectedness Initiative was included in the \$400,000.

Mr. Shikada indicated the department would want to recommend priorities for that funding. The priorities possibly included the Youth Connectedness Initiative.

Vice Mayor DuBois stated the Motion indicated a Council priority for funding the Youth Connectedness Initiative.

**LONG-TERM PARKING LOT:** Vice Mayor DuBois moved, seconded by Council Member Kou, third by Council Member Filseth to add to the long-term parking lot to direct Staff to analyze a re-balance of the Capital Fund to contribute to the Roth renovation, with the use of impact fees and up to \$1 million from the General Fund, a preference for impact fees, and to refer the results to the Finance Committee.

Council Member Filseth asked if this would constrain the Budgeting process in the short term.

Mayor Fine suggested this was an attempt to use the Budget process and the three-vote rule to redirect a majority Council decision on policy.

Vice Mayor DuBois clarified that he proposed Staff analysis, not a commitment of funding.

Ms. Nose advised that Staff present the long-term Parking Lot for Council approval as part of Budget adoption.

Mr. Shikada added that Staff would review Impact Fees and their use in restoring funding to Community Services and Library Departments.

Council Member Filseth asked if Staff had time to analyze the proposal within the relevant timeframe.

Mr. Shikada indicated Staff would need to confer with the Palo Alto History Museum and were likely able to perform the analysis in a timely manner.

# FINAL MINUTES

Council Member Filseth was not prepared to commit \$1 million from the Proposed Budget to the Roth Building.

Council Member Cormack inquired about information concerning Impact Fees.

Mr. Shikada suggested the Palo Alto History Museum Board Members had emailed Council Members about the use of Impact Fees.

Council Member Cormack requested Staff forward emails to Council Members.

Vice Mayor DuBois explained that the Board Members had some ideas for using Impact Fees, but Staff needed to analyze the ideas.

Ms. Nose thanked the many Staff members that supported her reports to the Council.

Adjournment This meeting was adjourned at 11:51 P.M.