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June 28, 2004

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The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:02 p.m.

PRESENT: Beecham, Burch, Cordell, Freeman, Kleinberg, Morton  
(teleconferencing from Syracuse, Kansas), Mossar, Ojakian

ABSENT: Kishimoto

CLOSED SESSION

1. Conference with Labor Negotiator  
Agency Negotiator: City Manager and his designees pursuant to the Merit System Rules and Regulations (William Avery, Leslie Loomis)  
Employee Organization: Local 715, Services Employees International Union (SEIU)  
Authority: Government Code Section 54957.6

The City Council met in Closed Session to discuss matters involving labor negotiations as described in Agenda Item No. 1.

**Mayor Beecham announced there was no reportable action.**

ADJOURNMENT: The meeting adjourned at 6:38 p.m.

The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:08 p.m.

PRESENT: Beecham, Burch, Cordell, Freeman, Kleinberg, Morton (teleconferencing from Syracuse, Kansas), Mossar, Ojakian

ABSENT: Kishimoto

SPECIAL ORDERS OF THE DAY

1. Resolution 8433 entitled "Resolution of the Council of the City of Palo Alto Expressing Appreciation to Leon Kaplan Upon His Retirement"

**MOTION:** Council Member Morton moved, seconded by Burch, to adopt the resolution.

**MOTION PASSED** 8-0, Kishimoto absent.

Council Member Morton expressed his thanks to Mr. Kaplan for his years of service to the community.

Council Member Freeman said Mr. Kaplan had served as the staff liaison to Neighbors Abroad, and she was his partner as the Council liaison. She stated she was impressed with his willingness to take a stand on his principles, even if unpopular, and his deftness at facilitating differences. She appreciated his many years of service to Palo Alto and his friendship.

Leon Kaplan expressed his thanks for the opportunity to serve the Council and the City of Palo Alto.

ORAL COMMUNICATIONS

Robin Welles, 459 Oregon, spoke regarding the Palo Alto Art Center.

Harold K. Boyd, 4104 Scripps Avenue, spoke regarding police community relations.

Halimah Van Tuyl, 4017 Middlefield Road, spoke regarding the Juana Briones House.

Norman Carroll, Emerson & University, spoke regarding Lytton Plaza.

PUBLIC HEARING

2. Public Hearing: Adoption of the 2004-05 Budget and Approval of a Budget Adoption Ordinance, including 1) Exhibit A - The City Manager's Proposed 2004-05 Budget; 2) Exhibit B - All changes detailed in the Amendments to the City Manager's Proposed 2004-05 Budget; 3) Exhibit C - Proposed 2004-05 Municipal Fee Schedule; 4) Exhibit D - Revised pages to the Table of Organization; 5) Exhibit E - Amendments to the Proposed 2004-05 Municipal Fee Schedule

Council Member Kleinberg, Finance Committee Chair, said the City was in the second year of a two-year budget, which was implemented in order to streamline decision-making and make plans for the future in a more effective manner. It allowed for the opportunity to conduct long-range planning to effectively achieve the City's priorities. It also provided more flexibility in the use of the City's resources. The City Manager was responsible for developing a budget based on the Council's established priorities. The Finance Committee had spent a total of 12 hours in 2004 and more than 30 hours in 2003 reviewing the budget. The balanced budget produced its fourth year of reductions. It eliminated a \$14 million structural deficit, and was accomplished with minimal service reduction levels, no layoffs, and healthy financial reserves. The budget also included continuation of the Infrastructure Management Plan, and a total Capital Improvement Plan (CIP) of \$45.5 million, which represented \$13 million in CityWorks and \$27 million in Enterprise Fund CIP's. The Finance Committee proposed rate increases to maintain quality services to the public, and to anticipate changes in exterior circumstances. Palo Alto was fortunate to own its municipal utilities, and with the rate increases utilities were still lower than the neighboring communities. The budget, as presented, continued with the Council's Top 5 priorities and maintained a commitment to the community to provide for the best possible services for public safety, and continued improvements of capital facilities and services.

Council Member Freeman stated she would not participate in the Capital Improvement Project 10402, South of Forest Street improvements, Bicycle Movement on the Homer and Channing Avenues project due to a conflict of interest because she resided on Channing Avenue.

Council Member Morton stated he would not participate in the Human Services Resource Allocation Process (HSRAP) portion that dealt with Adolescent Counseling Services, Palo Alto Child Care, and Project Sentinel Mediation due to a conflict of interest because he provided, or had provided, services to those organizations.

City Manager Frank Benest said the City had overcome a \$14 million structural deficit over the past four years. Cuts of \$5 million were made in permanent General Fund expenses by restructuring around 40 staff

vacancies, and \$5.5 million was raised in new ongoing revenues, such as the street cut fee. More appropriately, approximately \$3.5 million had been reallocated in expenses. The League of California Cities recognized the City's "Strengthening the Bottom Line" efforts, and presented the Council with the prestigious Helen Putman Award. Staff continued to focus on the Council's Top 5 priorities in terms of the major goals in each of the priorities. When the Council approved the budget the prior year, staff projected a \$1 million contribution in addition to what was normally spent on infrastructure at the end of 2004-05 to the Infrastructure Reserve. The financial commitment of \$6 million to the Palo Alto Unified School District (PAUSD) was maintained. In 2000-01, the City had approximately \$110.3 million in revenues that went into the General Fund. The amount in 2003-04 was \$101.8. Staff was optimistic there would be a slight increase in revenues in 2004-05. The City anticipated an \$8 million loss as commitments were maintained. Approximately one third of the critical revenue was lost. A 5.4 percent increase was projected in sales tax, and a 3.5 percent decrease was projected in property tax. An increase of approximately 4.5 percent was anticipated in transient occupancy tax (TOT), and Utility User Tax (UUT) was projected at an increase of 1.3 percent. During the prior decade, the City lost more than \$33 million in property tax, which previously funded property related improvements, such as CityWorks, police, and libraries. The City maintained reserves at 18.5 percent of expenses, which was the Council-directed reserve level. The City Auditor recommended moving the Infrastructure Reserve to the Capital Projects Fund, which meant a dedicated source of reserves in the Fund. The Assistant Police Chief position was eliminated and the duties were redistributed. The management of the Community Services Department (CSD) was reorganized when Richard James was promoted to the Director of CSD. The Office of Emergency Services was reorganized and one Battalion Chief position was eliminated. The Arts Director was retiring and staff was looking at a plan to consolidate the Arts Division management. Based on the City Auditor's recent audit of code enforcement activities, there is a plan to consolidate code enforcement and police. Staff would continue to pursue opportunities as they arose, through the restructuring team, and would look for vacancies. Staff would also provide a year-end accountability report on restructuring to the Finance Committee in September 2004. Staff believed, given the Long-Range Financial Plan, that conversations with the Council and community were necessary as service levels were reviewed. Given the continued fiscal stress, staff anticipated, as it approached the next two-year budget, the Council and community would need to take a hard look at discretionary services and service levels.

Budget Manager Charles Perl said in 2004-05, staff faced a dramatic growth of \$7.4 million in pension costs, an expense associated with the City's contribution for its retiree's benefits, and a component of the California

Public Employees Retirement System (CalPERS). CalPERS was based on an estimate of average annual returns of 8.25 percent per year. Over the past several years, the difference between the estimate of average returns and the actual returns was a negative 40 percent, which equated to increased costs amortized over a 13-year period. The General Fund component of the benefit expense, including health insurance premiums, and workers compensation costs was approximately \$4.5 million. The health insurance premiums had increased approximately 50 percent over the past three years alone. Staff chose to review all the options of looking at allocations from other funds into the General Fund and looking for a way to offset the increasing benefit expense, which was accomplished by reducing the Technology Fund allocations. The Technology Fund had a large reserve balance of approximately \$12 million, and the reserve balance was brought down to approximately \$8 million. The actual benefit expense was a major challenge in terms of finding a solution in the current year. The City faced more than an \$8 million increase in one year in terms of benefit expenses. The second year of the two-year budget contribution toward the overall \$5 million ongoing cost reduction was achieved with an additional 3.5 Full-Time Equivalents (FTE) removed from the budget. The main difference between the revenues and the total source of funds was the equity transfers that came in from the water, gas, and electric utilities. Expenses were approximately \$109.5 million. Total use of funds including the operating transfers was approximately \$116 million. The main decrease in the operating transfers out was how the Capital projects were funded. The decrease in transfers of approximately \$5.6 million was primarily due to the infrastructure reserve in the current year being transferred from the General Fund to the Capital Fund. In the CIP's for the coming year, the General Fund had projected a \$14.6 million project plan, which would be used for CityWorks or the Infrastructure Management Plan projects dedicated to the rehabilitation of the City's main infrastructure. The Enterprise Funds had projected a CIP of \$26.9 million. There were additional funds that had projects in the City's Internal Services, Street Improvement, and Special Revenue Funds. Overall, the City had a commitment of \$45.5 million for the CIP's for the subsequent year, which was significant given the City's economic climate. The \$45.5 million represented a \$2.1 million increase or 5 percent growth in capital spending from the current year. Staff had a projected plan of \$26.9 million for the Enterprise Funds, of which \$9.8 million or 36 percent would come from the Electric Fund. The Electric Fund projects included the electrical system improvements and underground activities. The second largest utility that had capital work was the \$5.2 million Waste Water Treatment Fund, which represented 20 percent of the Enterprise Funds, and included a major project to replace the network of reclaimed water pipe. The Water Fund had an aggressive Capital Plan underway that cost \$4.2 million. The Gas Fund had a plan of \$3.6 million to replace water mains, and the Waste Water Collection Fund had several

projects related to rebuilding the City's sewer system. In Operations, the City had eight Enterprise Funds with total operating revenues of approximately \$178 million and expenditures of \$176.1 million, which represented a \$4.7 million increase over the current year. The majority of Citywide expenditures were related to the Enterprise Funds, approximating 61 percent. The projected reserves for the Enterprise Funds were \$184.3 million, which was a decline of approximately 4 percent or \$8.7 million for the upcoming year. Several rate increases were proposed for the upcoming budget. They included: 1) an 8.5 percent rate increase to the average electric utility bill; 2) a 10.3 percent rate increase to the average water utility bill; 3) a 9.9 percent rate increase to the average gas utility bill; and 4) a 10 percent rate increase to the average refuse bill. In total, the average utility bill would increase approximately 8.4 percent or \$16.07 per month; however, when compared to the average bill from the surrounding communities, Palo Alto's utilities were approximately 12 percent less.

City Manager Frank Benest said staff dealt with the additional \$1 million State takeaway and could manage an additional \$500,000, if the Governor's budget was approved as proposed. The City had a balanced plan and was able to maintain all the commitments as directed by the City Council.

Mayor Beecham declared the Public Hearing open at 8:00 p.m.

Sara Benson, 245 Emerson Street, Apt. B, expressed her thanks to the Council for continued funding for the Downtown Library. She urged the Council to find additional funding to expand the service hours at the Downtown Library to include Saturdays.

Herb Borock, P.O. Box 632, said he disagreed with the environmental statement that the Alma Substation should be categorically exempt because of the placement of existing utility facilities. He was also aware the Quarry Substation was resituated on the site separately to provide room for the Alma Substation, and a possible California Environmental Quality Act (CEQA) regulation provided an exception to that exemption. He would also like to see Saturday hours restored at the Downtown Library, as an addition to the posted service hours rather than as a replacement.

Gretchen Emmons, 169 Walter Hays Drive, expressed her thanks to the Council for continued funding for the Palo Alto Shuttle and the Urban Ministries food program. She urged the Council to consider adding Saturday hours to the Downtown Library.

Ken Freiberg, 842 Clara Drive, said he understood the Director of Arts and Culture position was frozen; however, he hoped the position would be reopened and a replacement found.

Alison Lee, 1241 Harker Avenue, concurred with Mr. Freiberg and hoped the Arts Director position would soon be reopened.

Mike Liveright, 260 Byron Street, expressed his appreciation for all the work that went into the budget and the priority setting by the Library Director. He hoped to get additional funds for Saturday hours at the Downtown Library.

Elliott Bolter, 286 Walter Hays Drive, expressed his support for Palo Alto's Twilight Concert Series, and urged the Council to consider additional funding to keep it going.

Janice Sedrisk, 325 Waverley Street, encouraged the Council to consider funding for Saturday hours at the Downtown Library. She noted the other Palo Alto libraries were open on Saturdays.

Norman Carroll, Emerson & University, expressed his thanks to the Council for continued funding for the Urban Ministries food program, which could now provide a seventh weekly meal. He said accessibility to public libraries was important for literacy, and he favored Saturday hours for the Downtown Library.

Elaine Meyer, 609 Kingsley Avenue, advocated for Saturday hours at the Downtown Library. She said in the context of the City's budget, the cost of having the Downtown Library opened on Saturdays or evenings was minimal.

Jeff Levinsky, 1682 Hamilton Avenue, said the Downtown Library was open the fewest hours of any of the libraries in Palo Alto, which made it inaccessible to most working people and fulltime students who lived in the area. He asked the Council to restore funding for Saturday hours at the Downtown Library in order to reestablish parity among the neighborhood libraries and to provide access for library users in the part of town that had experienced a population increase.

Emily Renzel, 1056 Forest Avenue, expressed her concern about the Environmental Services Center (ESC) garbage processing plant in the Baylands, which was in the CIP for the "out" years.

Bob Moss, 4010 Orme Street, expressed his thanks to the Council for additional funding for La Comida. He concurred with Mr. Levinsky that Saturday hours should be restored to the Downtown Library.

Patricia Soul encouraged the Council to consider restoring Saturday hours to the Downtown Library.

Kat Kohlsaas, 331 Poe Street, concurred with Ms. Soul's comments.

Lenore Jones, Chair of the Library Commission, 3465 Kenneth Drive, said the Library Advisory Commission (LAC) had not had the opportunity to discuss the issue of extending service hours at the Downtown Library. While she agreed with the comments expressed that evening, she would like to see a coordinated solution of improvements for the entire City library system rather than a piecemeal approach.

Mayor Beecham declared the Public Hearing closed at 8:30 p.m.

Director of Libraries Paula Simpson said while she appreciated the Council's consideration of putting scarce dollars into the library, she had two concerns about the issue coming at that time. First, expanding hours of service at the Downtown Library was not necessarily the current top priority. She asked the Council for more time to assess the City's library needs systemwide before making or endorsing any decisions about library service hours. Secondly, she echoed the concern of Lenore Jones that the LAC had not met to review the issue and provide the Council with recommendations.

**MOTION:** Council Member Kleinberg moved, seconded by Burch, to adopt the 2004-05 Budget and Approval of a Budget Adoption Ordinance, including 1) Exhibit A - The City Manager's Proposed 2004-05 Budget; 2) Exhibit B - All changes detailed in the Amendments to the City Manager's Proposed 2004-05 Budget; 3) Exhibit C - Proposed 2004-05 Municipal Fee Schedule; 4) Exhibit D - Revised pages to the Table of Organization; 5) Exhibit E - Amendments to the Proposed 2004-05 Municipal Fee Schedule with one amendment to the proposed Human Services Division Budget, being the reallocation of \$35,000 in HSRAP funds for La Comida to the City Manager Contingency Fund, to be allocated to Library Services based upon the recommendation of the Library Advisory Commission in consultation with the Library Director for the use of those funds, with special consideration of restoring weekend hours at the Downtown Library.

Ordinance 4833 entitled "Ordinance of the Council of the City of Palo Alto Adopting the Budget for the Fiscal Year 2004-05"

Resolution 8434 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules E-1, E-1-G, E-2, E-2-G, E-4, E-4-G, E-4-TOU, E-7, E-7-G, E-7-TOU, E-14, E-16, E-18, and E-18-G of the City of Palo Alto Utilities Rates and Charges Pertaining to Electric Rates Effective date of the electric rate increase will be 1/01/05.

Resolution 8435 entitled "Resolution of the Council of the City of Palo Alto Adopting Revised Utility Rate Schedule EDF-1 of the City of Palo

Alto Utilities Rates and Charges Pertaining to Dark Fiber Licensing Services”

Resolution 8436 entitled “Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules G-1, G-2, G-6, and G-10 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates”

Resolution 8437 entitled “Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule S-2 of the City of Palo Alto Utilities Rates and Charges Pertaining to Wastewater Collection Rates”

Resolution 8438 entitled “Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules W-1, W-2, W-4, and W-7 of the City of Palo Alto Utilities Rates and Charges Pertaining to Water Rates”

Resolution 8439 entitled “Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules R-1, R-2, and R-3 of the City of Palo Alto Utilities Rates and Charges Pertaining to Refuse Collection”

Resolution 8440 entitled “Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Management and Professional Personnel and Council Appointed Officers Adopted by Resolution No. 8353, and Amended by Resolution No. 8378, to Amend One Classification and add two New Classifications”

Resolution 8441 entitled “Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Classified Personnel (SEIU) Adopted by Resolution No. 8056, and Amended by Resolution Nos. 8059, 8141, 8180, 8242, 8251, and 8313 to Add Two New Classifications”

Resolution 8442 entitled “Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Fire Department Personnel (IAFF) Adopted by Resolution No. 8362, to Change One Employee Classification, and to Add One New Classification”

The Finance Committee recommends the City Council approve funding from the 2004-05 Council Contingency as follows: the College Terrace Library, one-time funding of downtown tree light replacement, \$15,000 for Adolescent Counseling Services, ~~\$35,000 for La Comida Senior Nutrition program~~, and \$25,000 for Urban Ministries/InnVision meal program.

The Finance Committee recommends staff present to City Council a new CIP to modernize the City website and its search engine.

The Finance Committee recommends to the City Council approval of the 2004-05 Municipal Fee Schedule as amended.

The Finance Committee tentatively recommends the City Council approve a \$100,000 Contribution to the Santa Clara County Housing Trust.

The Finance Committee recommends the City Council adopt the 2004-05 Contract Scopes of Professional Services Agreements Greater than \$65,000 - Infrastructure Management Plan Project No. PE-05001 (Photovoltaic Design and Installations)

The Finance Committee recommends the City Council adopt the Proposed Reserve Policy. *(2-2, Freeman, Ojakian "no")*

The Finance Committee recommends the City Council adopt an increase of the Returned Check Fee from \$10 to \$35 in the 2004-05 Municipal Fee Schedule

The Finance Committee recommends the City Council adopt the 2004-05 budget, as modified.

Council Member Kleinberg expressed her thanks to the Finance Committee and City staff for their time. She explained the use of the \$35,000 in HSRAP funds for La Comida became possible because La Comida had learned the County of Santa Clara would be funding the \$35,000, and she proposed the funds be put into the City Council's Contingency Fund and used for library services.

Vice Mayor Burch expressed his appreciation for the work of the Finance Committee, and believed it was an excellent second year budget.

Mayor Beecham said separate votes would be taken on the Homer Street Conversion CIP respecting Council Member Freeman's conflict, and on three elements of the HSRAP allocations respecting Council Member Morton's conflict.

**INCORPORATED INTO MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add language clarifying that the monies for the Environmental Service Center (ESC) are for the Environmental Impact Report (EIR), and it is the Council's intent to reserve monies for preparation of the EIR with the understanding that it not be spent until the Council has an opportunity for a Study Session and benefit of the review and analysis of the City Auditor.

**INCORPORATED INTO MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add to the 2004-05 Proposed Budget an appropriation of \$500,000 in the 2004-2005 Electric Fund CIP for engineering design for relocation of the Alma Substation to the Quarry Substation site.

Director of Administrative Services Carl Yeats clarified in order to prevent staff from having to return with a Budget Amendment Ordinance (BAO) once the LAC reviewed the proposal to restore weekend hours at the Downtown Library, funding would need to be moved into the City Manager's Contingency Fund. Otherwise, it would not be appropriated into the budget.

**THE MAKER AND SECONDER AGREED** to move the funding from the City Council Contingency Fund to the City Manager Contingency Fund.

Council Member Morton said it was not the intent of the previous year's Finance Committee to permanently reduce the Downtown Library's service hours. He asked for assurance from staff that if monies were not spent on restoring service hours to the Downtown Library, the item would return to Council.

Assistant City Manager Emily Harrison said she believed the intent was for the LAC to return to the Council with their recommendation.

Council Member Freeman said she understood \$17,000 was needed to restore service hours to the Downtown Library; however, the proposal was for \$35,000. She asked for an explanation of the two amounts.

Mayor Beecham said the \$35,000 was in reference to funds freed up from La Comida, and would be put into the City Manager's Contingency Fund.

Mr. Yeats said the Director of Libraries stated to have enough staffing for Saturday hours at the Downtown Library required turning a half-time position into full time, which totaled \$22,500 in salary and approximately \$9,500 for benefits.

Council Member Kleinberg clarified the motion was to move the \$35,000 into the City Manager's Contingency Fund but not to direct the entire amount be used for expanded library services. The discretion would be left up to the review of the LAC in consultation with the Library Director.

Council Member Freeman asked for clarification of the City Manager's directive for the Council to maintain the 2002-03 Top 5 priorities.

Mayor Beecham said the Council typically reviewed the Top 5 priorities in early spring; however, due to a number of issues with the City Manager, he stated he did not ask to have it return to the Council for discussion.

Council Member Freeman said the Council was being asked to earmark \$12,500,000 from the years 2006-2009 for various permanent relocations of composting facilities. There were CEQA requirements for the ESC, which she did not believe had been approved by the Council. She expressed concern of being faced with the decision of responsibility for the City's waste versus protecting the Baylands according to the Comprehensive Plan (Comp Plan). She asked what it would cost to develop the Request for Proposal (RFP), how much staff time was involved, and why did it have to be done before knowing the true costs.

Director of Public Works Glenn Roberts said it was important to remember the dollars being used were not new dollars from the budget being proposed that evening, but were carryover funds from prior years CIP's, which were already appropriated and available. Staff had not proposed any new monies. The EIR was estimated to cost \$200,000, and the staff work involved in preparing the report had essentially been done. The urgency issue related to the timing of the use of the landfill, and the need to implement a policy decision in a timely manner before the area became filled with refuse and thereby unusable for other options.

Mayor Beecham clarified a study session would be held that included an analysis of the ESC, the costs that had been discussed within the community, and the review and analysis by the City Auditor. The incorporated motion would prevent the City from spending any monies on the EIR contract until it returned to the Council for confirmation or change. It did allow staff to issue the RFP at a modest price.

Council Member Freeman clarified the item would go to the Policy and Services (P&S) Committee, and then staff would continue with the RFP process without returning to Council.

Mayor Beecham said the study session would be for the entire Council and the community.

Council Member Freeman said she understood from Mr. Roberts, the RFP was written based on the vote from the P&S Committee.

Mayor Beecham said the RFP would be issued following the budget hearing that evening.

Ms. Harrison said the P&S Committee recommendation regarding the ESC was scheduled for the Council meeting of August 2, 2004.

**AMENDMENT:** Council Member Freeman moved, seconded by Cordell, to transfer from the General Fund \$500,000 Document Management Capital Improvement Program (CIP) Fund TE-05022 to the Storm Drain Fund.

Council Member Freeman said she believed the City's storm drains were an important issue and recommended that project over document management.

Council Member Kleinberg said in response to Council Member Freeman's earlier comment, the Council received a staff report (CMR:131:04) dated February 2, 2004, requesting to maintain and continue the Top 5 priorities from the previous years.

Council Member Morton expressed opposition to the transfer of funds and asked his colleagues to vote against the amendment.

Mr. Benest said the IT Fund from which the money would come was an Internal Services Fund, and staff felt it was inappropriate to shift those funds into the Storm Drain Fund. He also noted a study session was scheduled in September 2004 to address the Storm Drain Fund and to develop a strategy.

Mayor Beecham said in the previous year, Council passed a motion that directed staff to return to the Council with a strategy for addressing the storm drain issue that included a revised set of projects and proposals.

Council Member Freeman clarified her motion was to transfer \$500,000 from the General Fund to the Storm Drain Fund, instead of from the General Fund to the Technology Fund. She said she had made the request now because the budget was being voted on that evening, and the item would not return until the Storm Drain Committee had the opportunity to meet.

**AMENDMENT FAILED** 1-7, Freeman yes, Kishimoto absent.

Council Member Cordell expressed her support to restore Saturday hours to the Downtown Library; however, she was aware that "process" was important. She believed Single Stream recycling was intricately tied to the ESC, and wondered whether recycling monies would be held until after the Study Session regarding the ESC.

**AMENDMENT:** Council Member Cordell moved, seconded by Freeman, that the single stream recycling monies not be expended until after the Study Session regarding the Environmental Service Center.

Mayor Beecham asked staff about the costs associated with Single Stream recycling and what would happen if funding were delayed.

Ms. Harrison said if implementation were delayed until after the Study Session, it would mean the Single Stream program would not begin until July 2006. There was currently an opportunity to reduce costs because staff had worked with two other communities to jointly purchase the carts.

Mayor Beecham asked for quantifications of those higher costs.

Deputy Director of Public Works Operations Michael Jackson said the City could incur between 20-30 percent in additional expenses for the cost of the carts, which totaled an additional \$500,000.

Mayor Beecham asked for clarification on why the Single Stream recycling did not affect the ESC.

Mr. Roberts said from staff's perspective the two decisions were independent. Single Stream recycling had been taking place in 20 percent of the City's households for the past two years and those recycling materials were transported to waste management facilities in Watsonville and Oakland for processing. For the foreseeable future, Single Stream would be processed elsewhere as there was no plan or proposal to build an ESC facility for the next seven years.

Council Member Cordell said she recalled reading about a discussion in a document generated by staff of how the ESC had the potential to take on Single Stream recycling. She believed the two were interrelated.

Council Member Freeman said she believed part of the presentation the Council would hear at the Study Session had to do with the integration of the SMaRT Station, which did not accept Single Stream recycling.

Council Member Kleinberg asked whether the SMaRT Station had reviewed the potential of doing Single Stream recycling.

Mr. Roberts said no. The SMaRT Station was physically not capable of accommodating Single Stream processing. The building footprint was too small. The City of Sunnyvale had anticipated holding a study session in August 2004 to discuss the future of the SMaRT Station.

Council Member Kleinberg asked whether the purchase of the Single Stream carts would still allow for a complete, open and neutral analysis of the ESC and complete EIR consideration when the time came.

Mr. Roberts said yes.

Council Member Kleinberg asked whether Single Stream recycling with 100 percent participation could be handled elsewhere.

Mr. Roberts said yes. It was the contractual intent to move forward with PASCO and Waste Management to process 100 percent of Palo Alto's refuse.

Council Member Morton said when the issue of the Single Stream recycling came before the P&S Committee it not only involved carts, but also the purchase of new trucks and other equipment. He urged his colleagues to vote against the amendment.

City Auditor Sharon Erickson said her office had been asked to conduct an independent analysis of the ESC, and preliminarily it involved looking at the SMaRT Station and PASCO contracts, and the decision to go to Single Stream in preparation for the Study Session in September 2004. She asked for staff's assistance to slow down those decisions so they could be revisited in September.

Mayor Beecham asked whether staff could purchase Single Stream recycling carts at the current price, with the option to cancel the order.

Mr. Roberts said theoretically it could be done; however, it would also depend on whether there was a willing buyer at the point the City wanted to sell them.

Mayor Beecham said it also related to the investment being made in the truck chassis, which was part of the cost. He asked whether it would be coming up in the short term as well.

Mr. Roberts said the issue was not about the chassis, but rather what type of body would be installed on those chassis, and what type of recycling program those bodies were designed to accommodate, such as single stream, split cart, or separate totes.

Mayor Beecham asked what the cost was if the City "slow rolled" the process.

Mr. Roberts said if staff did not move forward on ordering the carts and the truck bodies, operations would not begin in 2005, but would slip to the following Fiscal Year, and would be subject to increased costs of 18-20 percent.

Vice Mayor Burch expressed his support for going forward with the RFP for the EIR and was opposed to the amendment. In issuing the scope for the RFP, he suggested it be made to include the largest acreage possible.

Council Member Mossar said she recalled when Single Stream recycling previously came before the Council it was supported, and it could be done whether the City had an ESC or not. The two might be related, but she did not believe by supporting Single Stream recycling it would, by definition, require an ESC in the Baylands.

Mayor Beecham said he was opposed to the amended motion.

**AMENDMENT FAILED** 2-6, Cordell, Freeman yes, Kishimoto absent.

Council Member Ojakian said he agreed with the vote just taken; however, he hoped his colleagues understood that a significant burden had been put on the City Auditor. She was being asked to return in September with a review and analysis on an item with many variables. He also noted the Finance Committee had a split vote regarding the adoption of the Infrastructure Reserve Policy, and he asked whether the item should be brought forward for discussion.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add a minimum to the reserve policy of \$2,000,000 for Infrastructure Reserve.

Council Member Ojakian said in order to avoid future problems it behooved the Council to earmark funds for capital projects.

Council Member Freeman said adding a minimum of reserve would ensure there were monies available for the City's infrastructure.

Council Member Kleinberg said she understood a split vote would come to the full Council with the recommendation as the proposal from the Committee.

Mr. Yeats said a split vote would come to the full Council for consideration as part of the budget, but without a recommendation from the Finance Committee.

Council Member Kleinberg said she would like Mr. Yeats to speak to the question and provide his point of view.

Mr. Yeats said when the item was discussed at the Finance Committee, he did not believe staff had a problem with a minimum level; however, they did

have a problem with a maximum level. In the policy, staff established a target level, but still no maximum because if the reserves reached the top there would be no other place to put monies.

Council Member Kleinberg clarified the motion was to add a minimum to the reserve policy.

Council Member Ojakian said yes.

Council Member Freeman asked for a description of the 13.6 percent of the budget associated with administration, and how the number of staff compared to other cities.

Mr. Yeats said staff could return to the Finance Committee with a report that showed all of the funds it supported, and how it was spread across the entire City.

Council Member Freeman expressed concern about looking at the larger picture of having a large portion of the budget going towards administration and whether it was representative of Palo Alto and its uniqueness or whether it indicated the City was top heavy in administration.

Mr. Yeats said in the cost plan when staff allocated charges back, there was revenue that went into the General Fund and offset the 13.6 percent by approximately \$10 million. On a Citywide basis, the administrative staffing number was down to about 9 percent.

**MOTION PASSED** 7-1, Freeman no, Kishimoto absent.

**MOTION PASSED** 7-0, for the Homer Street Conversion CIP, Freeman not participating, Kishimoto absent.

**MOTION PASSED** 7-0, for the HSRAP (Adolescent Counseling Services, Palo Alto Childcare, Project Sentinel Mediation), Morton not participating, Kishimoto absent.

**MOTION:** Council Member Freeman moved, seconded by Cordell, to direct the Director of Administrative Services to provide the Finance Committee with information describing the 13.6 percent in the budget for administrative personnel compared to other departments and similar cities to determine whether the City is in line with administration in that form of budget.

Council Member Morton said he was concerned about overburdening staff with such a project and urged his colleagues to vote against the motion.

Council Member Cordell said she had spoken with Mr. Yeats who suggested coming to the Finance Committee to discuss the misperception by the public, and the Council about the 13.6 percent in the budget for administrative personnel.

Mr. Yeats said staff already had the internal numbers within the organization; however, the difficult part would be in getting direct comparisons to Palo Alto because it was a unique city. Staff would do their best to gather that data.

Mayor Beecham asked whether staff had an estimate of how long that might take.

Mr. Yeats said approximately 10 hours of staff time.

Council Member Kleinberg asked Council Member Freeman what objective was envisioned in learning that the possible percentage of administrative personnel was high relative to other percentages in the budget.

Council Member Freeman said she wanted to give staff the opportunity to dispel any misconceptions from the public and Council Members of the inordinate number of administrative personnel to other departments within the General Fund.

Mayor Beecham asked whether there was any correlation between the percentage of administrative personnel and the Span of Control audit.

Ms. Erickson believed there was a direct correlation with the Span of Control audit. The Span of Control audit involved managers and supervisors throughout the organization, which was different than the administrative functions.

Council Member Mossar said she was not sure any benefit would be gained from the information. She was more interested in being committed to providing services to the community, paying the bills and balancing the City's budget. She was opposed to the motion.

Council Member Freeman said the City Manager advised during the Finance Committee budget hearings that any further cuts would impact services to the public. She also believed the Finance Committee needed to look at staffing levels.

Vice Mayor Burch said the people he heard from were not interested in numbers, but wanted to know whether the City was well run or not. He believed the City was exceedingly well run.

Council Member Kleinberg said if the motion would lead to an analysis of whether to have employee layoffs, she did not believe it was the right time and would not support the motion.

Mayor Beecham expressed his opposition to the motion. He said he would rely on the City Auditor's assessment on Span of Control. He also pointed out the degree of quality demanded from the City was high, and believed it would be difficult to find comparisons from other cities with the same quality of administrative staff. Palo Alto was the only City in California that owned and operated five utilities. He was concerned about the level of overhead in administration, but did not see an effective way to assess whether the City was at the right point.

**MOTION FAILED** 2-6, Cordell, Freeman yes, Kishimoto absent.

Council Member Ojakian acknowledged and applauded the members of the budget staff for their hard work.

Mr. Yeats acknowledged Deputy Fire Chief Debra Pryor who completed an internship in the Budget Division.

Mayor Beecham said the City staff routinely received awards for having the best presented budget, format, and procedures. Any comparisons to other cities would not reveal the demands and quality placed on staff.

RECESS: 9:52 p.m. – 10:00 p.m.

Council Member Morton left the meeting at this point.

#### CONSENT CALENDAR

Council Member Freeman referred to Item No. 5 and asked whether the irrigation of the playing fields at Jordon Middle School had funding to complete the project.

Director of Administrative Services Carl Yeats said there were sufficient funds to complete the Capital Improvement Project (CIP), and any surplus funding was returned to the reserves.

Council Member Freeman asked whether the tennis courts at Jordan Middle School and JLS Middle School would be maintained since the "Building for Excellence" program had ended.

Director of Parks and Golf Paul Dias said yes, to the best extent possible. Staff had plans to work with the Palo Alto Unified School District (PAUSD) since both sites had the most outdated courts in the school system.

Council Member Freeman asked for an explanation of "maintaining the courts."

Mr. Dias said maintaining meant washing, blowing and cleaning. It did not include resurfacing.

Council Member Freeman referred to Item No. 8 and asked how staff determined that California Land Management (CLM), which patrolled, picked up trash, and kept order in the parks, was the only local organization that could provide the range of needed services for Palo Alto for the past 21 years.

Director of Community Services Richard James said CLM was an organization that supplied many services, such as security, janitorial services, and recreational consultants. CLM supplied all those services at a rate that was far below what could be achieved with multiple companies.

Council Member Freeman asked whether a bid process was conducted to make that determination.

Superintendent of Open Space and Sciences Greg Betts said through contacts with the California Parks and Recreation Society and the California Park Ranger Association, staff looked at a number of different vendors and found CLM to be the only vendor in Northern California.

Council Member Freeman asked whether there was a bid.

Mr. James said CLM was a sole source and, therefore, a bid was not required.

Council Member Freeman registered a no vote on Item No. 8.

Council Member Freeman moved to remove Item No. 7. There was no second and, therefore, the item was not removed.

Council Member Mossar registered a no vote on Item No. 6.

Council Member Kleinberg registered a no vote on Item No. 6.

**MOTION:** Council Member Ojakian moved, seconded by Burch, to approve Consent Calendar Item Nos. 3-17.

## LEGISLATIVE

3. Adoption of the Proposed Appropriation Limit Calculation Resolution for 2004-05 *(Item continued from 6/14/04 at the request of staff)*

Resolution 8443 entitled "Resolution of the Council of the City of Palo Alto Determining the Calculation of the Appropriations Limit of the City of Palo Alto for Fiscal-Year 2004-05"

4. Item removed at the request of staff
5. The Finance Committee recommends the City Council approve the Budget Amendment Ordinance (BAO) to amend the budget for Fiscal Year 2003-04 to return unspent Capital Improvement Program project balances totaling \$4,321,436 consisting of \$150,479 to the General Fund Budget Stabilization Reserve and \$4,170,957 to the Infrastructure Reserve.

Ordinance 4834 entitled "Ordinance of the Council of the City of Palo Alto Amending the Budget for the Fiscal Year 2003-04 to Return Unspent Capital Improvement Program Project Balances Totaling \$4,321,436 Consisting of \$150,479 to the General Fund Budget Stabilization Reserve and \$4,170,957 to the Infrastructure Reserve"

6. Parks and Recreation Commission and Palo Alto Historical Association Recommendation to City Council to Rename the Arastradero Preserve as Enid Pearson-Arastradero Preserve *(1<sup>st</sup> Reading 06/07/04, Passed 7-2, Kleinberg, Mossar "no")*

Ordinance 4835 entitled "Ordinance of the Council of the City of Palo Alto Amending Palo Alto Municipal Code Section 22.08.330 to Formally Rename the Dedicated Parkland Called the 'Arastradero Preserve' as the 'Enid Pearson Arastradero Preserve'"

## ADMINISTRATIVE

7. Annual Adoption of the City's Investment Policy
8. Contract Between the City of Palo Alto and California Land Management (CLM) in the Amount of \$100,330 for Park Ranger Patrol Services in Palo Alto's Urban Parks, Refuse Area, Byxbee Park and Baylands Nature Preserve
9.  Contract Between the City of Palo Alto and Architectural Resources Group in the Amount of \$398,847 for Architectural Design Services for

the Children's Library Improvements and Expansion - Capital Improvement Program Project PE-04010

10. Contract Between the City of Palo Alto and Dynix Corporation in the Amount of \$232,971 for an Integrated Library System - Capital Improvement Project LI-94018



11. Rejection of Bids for the 2004 Street Maintenance Phase 2 Capital Improvement Program Project PE-86070

12. Memorandum of Understanding Between the City of Palo Alto and the Palo Alto Chapter of the American Red Cross for the Use of Cubberley Community Center for Mass-Care Shelter During Disasters

13. Contract Amendment Between the City of Palo Alto and Telecommunications Engineering Associates (TEA) Increasing the Contract Amount from \$56,996 to \$99,338 for Annual Maintenance Services for Equipment and Related Radio Infrastructure Equipment

14. Amendment to Contract No. C3144933 Between the City of Palo Alto and All City Management Services, Inc., for Adult Crossing Guard Services for the Second Contract Year of 2003/2004 (\$281,000) and the Third Contract Year of 2004/2005 (\$300,000)

15. Contracts Between the City of Palo Alto and Loral Landscaping Inc. in the Amount of \$284,880 and Gachina Landscape Management in the Amount of \$201,933 for Landscape Maintenance Services

16. Amendment No. Three to Employment Agreement with Lance Bayer for Code Enforcement and Public Safety Training Services

17. Agreement Between the City Of Palo Alto and the Palo Alto Unified School District for Maintenance and Capital Improvements of City and District Owned Athletic Fields, Tennis Courts and Basketball Courts

**MOTION PASSED** 7-0 for Item Nos. 3-5, 7, and 9-17, Kishimoto, Morton absent.

**MOTION PASSED** 5-2 for Item No. 6, Kleinberg, Mossar no, Kishimoto, Morton absent.

**MOTION PASSED** 6-1 for Item No. 8, Freeman no, Kishimoto, Morton absent.

Council Member Freeman said it was the prudent responsibility of the City and for the sake of judicious use of public funds to ensure equal opportunity

to new businesses to bid for separate services, especially those who had contracted with the City for more than 21 years. She would have supported CLM if she had seen a record of other options that either did not fit the bill or were more expensive.

Mayor Beecham said staff did indicate there were no other organizations in Northern California that would meet the needs of the City.

#### AGENDA CHANGES, ADDITIONS, AND DELETIONS.

***THE CITY COUNCIL ADJOURNED TO A SPECIAL MEETING AT 10:10 P.M. AS THE PALO ALTO REDEVELOPMENT AGENCY AND RECONVENED AS THE CITY COUNCIL AT 10:18 P.M.***

#### COUNCIL MATTERS

18. Colleagues Memo from Mayor Beecham and Council Members Kleinberg, Mossar, and Ojakian regarding a Referral to Finance Committee to Discuss the Accounting for Depreciation in the Operating Budget

**MOTION:** Mayor Beecham moved, seconded by Mossar, to direct staff to bring a discussion to the Finance Committee regarding whether, and how, Palo Alto should include explicit depreciation expenses in our Operating Budget. This discussion should be scheduled so subsequent policy decisions by Council can be implemented in the next two-year budget.

**MOTION PASSED** 7-0, Kishimoto, Morton absent.

#### COUNCIL COMMENTS, QUESTIONS, AND ANNOUNCEMENTS

Council Member Mossar updated her colleagues that she, along with Council Member Kleinberg and staff, had positive initial conversations with Mid-Peninsula Open Space regarding trail alignments from the Bay to the ridge trail. She further suggested staff prepare an informational report to Council regarding the grant applications for that purpose.

Council Member Ojakian noted there would not be a Council meeting on July 5, 2004. He appreciated staff's sustainability report in the packet with a special thanks to Walter Hays.

Council Member Freeman requested the meeting be adjourned in memory of Army Spec. Patrick McCaffrey, Manager of Akins Collision Center in Palo Alto, who was killed in Iraq.

FINAL ADJOURNMENT: The meeting adjourned at 10:25 p.m. in memory of Army Spec. Patrick McCaffrey, Manager of Akins Collision Center in Palo Alto, who was killed in Iraq on June 22, 2004 while on patrol. He had worked for Akins Collision for 13 years.

ATTEST:

APPROVED:

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City Clerk

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Mayor

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