

Regular Meeting  
January 19, 2005

Chairperson Ojakian called the meeting to order at 7:00 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Kishimoto, Morton (arrived 7:30 p.m.), Mossar, Ojakian

Absent: None

Chairperson Ojakian formally thanked former Chairperson Kleinberg for the good job she did on the Finance Committee during the past year.

1. Oral Communications

None.

2. Public Art Commission Recommendation to Adopt an Art in City Projects Policy

Director of Community Services Richard James said the policy would include public art in City-owned capital improvement projects (CIPs). In 1999, the Council approved a policy that stated, "All significant City capital construction/renovation projects should include an art element." Guidelines were not included at that time. Staff's recommendation defined guidelines to go forward in the future. The recommendation came with the concurrence of both the Public Works and the Utilities departments. Both departments believed specific guidelines made it easier to implement, plan and budget for projects in the future. Approval of the policy strengthened the long-standing commitment for arts in Palo Alto.

Director of the Palo Alto Art Center Linda Craighead said the City would budget 1 percent of the project's construction costs to include public art. Projects that were identified made a major visual impact on the surrounding area. Projects included were new buildings, parks, plazas, gateways, bridges, walls, and tunnels. Improvements, upgrades, renovations, temporary projects, and street maintenance projects were excluded. The

policy was meant to establish a more formalized process that gave everyone guidelines. Once the project was approved in the CIP planning process, the designer and architect were in place, and the design process began, another team would help the Public Art Commission and relevant department staff to identify and select an artist who would be part of the design process. The one percent was only on the construction cost of the project. The projects listed in Attachment A to the staff report (CMR:112:05) were based on City funding.

Council Member Kishimoto asked whether staff considered a cap on a large ticket item such as a \$20 million project.

Director of Administrative Services Carl Yeats said he was unsure whether the bond covenants would let the City covenant a \$400,000 art project as part of a \$40 million police building. A cap was up to the taxpayers.

Council Member Kishimoto queried if there were a problem with the law, the funds would come out of the General Fund, and if the selection process was through a public hearing.

Mr. Yeats said that was correct.

Council Member Mossar said art as a component of a project was important and asked whether staff discussed the issue of a cap or what was the largest amount of money necessary to provide a meaningful artistic component.

Mr. James said he did not believe a cap was discussed. Art came in all types of forms, and many forms were integral to the architecture of the project. Where 1 percent seemed like a lot for "pubic art," when it was integrated into the architecture, the art became part of the building.

Council Member Mossar clarified the 1 percent formula, regardless of the project, was legitimate.

Mr. James said staff approved of the 1 percent, which was also discussed with by the Public Arts Commission (PAC). Other cities adopted 1 percent for art projects.

Ms. Craighead said across the country 1 percent for art was the low end of the standard but it could go higher.

Council Member Mossar said sometimes a facility was expensive because it had costly interior requirements. If the Committee put itself in a situation where it could not get bond funding for a project and money had to be taken

out of the General Fund to provide the 1 percent for art, it would be a concern. Language was needed to say the General Fund would not be responsible.

Mr. Yeats said he did not recall what the art element was for the parking structures. Staff might be able to get an idea of whether the 1 percent was an accurate number. Staff could provide language that indicated the General Fund would not pick up the cost if the project were excessive or could not be covered as part of the bonds, or the Council had to determine the threshold.

Council Member Mossar wanted to see the issue resolved at the Finance Committee.

Chairperson Ojakian understood the Committee wanted to refine the policy as it related to concerns about money coming out of the General Fund.

**MOTION:** Council Member Kishimoto moved, seconded by Mossar, that the Finance Committee recommends to the City Council to adopt an "art in City projects" policy, that includes a "1 Percent for Art Program," and direct staff to implement the Policy and Procedure. In addition, direct staff to add another bullet, which gives allowance to take into consideration any requirements that would make it difficult for the City to fund the art project and bring back to the Finance Committee for final approval of the wording.

Mr. Yeats said the policy was complete.

Council Member Kishimoto said the City needed to be the leader with the policy.

**MOTION PASSED** 3-0, Morton absent.

### 3. 2005-07 Budget Document Format

Director of Administrative Services Carl Yeats said staff tried to reformat the document to make it more readable. The current document was very text-oriented, and staff wanted to make it more visual with graphs and tables. Staff also wanted to move away from the traditional impact measures and toward performance measurement, which was tied to the Auditor's Service Efforts and Accomplishments (SEA) report.

Budget Manager Charles Perl said staff met with the Finance Committee every other year to discuss the format for the City Manager's proposed budget document presented to the Finance Committee in mid-April. Staff proposes a significant change in the performance measure portion of the

document. Staff looked at many things when considering changes to the presentation of the budget, such as public comment, what Council Members described in terms of improvements to the readability and usability of the document, staff input, the Government Finance Officers Association (GFOA), and best practices. Staff wanted to add a Citywide expense category table in the Operating Budget, which showed total citywide salary and benefit expense by fund. Staff wanted to implement percent change columns to the financial summaries and change impact and performance measures. The concept of benchmarking was implemented in terms of efficiency and comparing service delivery to other jurisdictions. Pie charts and graphs were added. Staff moved toward a one-page format for project description and a redesign of the financial summary.

Chairperson Ojakian acknowledged Council Member Morton's arrival.

Mr. Perl said staff wanted to show trend lines with prior year's capital program budgets. The Municipal Fee Schedule was changed to a portrait versus landscape layout, which was easier to publish on line. Staff worked with departments to look at underlying cost bases for each fee. For example, Administrative Services Department (ASD) would recommend to the respective department an increase based on the underlying expense. The department would then look at volume issues and trends in terms of numbers of transactions and make a recommendation.

Council Member Mossar clarified under Operating Budget Document Changes on page 2 of the staff report (CMR:118.05), the "Addition of a Citywide expense category" would answer the question of how much money was spent on consultants.

Mr. Perl said the addition showed the budget associated with the category.

Council Member Mossar referred to the Capital Budget Document Changes on page 2 of the staff report (CMR:118:05) and asked whether the dollar amount would show for the art component of capital projects.

Mr. Perl said that was correct. A dollar amount relevant to the art would be shown.

Mr. Yeats said the table listed in Attachment B of the staff report (CMR:118:05) was tied specifically to SAP, and staff was able to track the cost of all the CIPs on an annual basis by the categories.

Council Member Mossar endorsed using the SEA measures as part of the budget document. With regard to Attachment A of the staff report

(CMR:118:05), performance measures were not found to be satisfying. The performance measures begged more questions than they answered. There were no base numbers present.

City Auditor Sharon Erickson said she was excited about how the documents fit together. The auditor reported on past measures. The auditor would report on the prior year's performance and the prior five years. The budget talked about the prior year, service level budget, and goals for the next year. As the measures were refined, half were the same. Honing in on the measures that made sense might begin to feel less like a meaningless exercise and would create a document that could be used to tell the level of service.

Council Member Mossar suggested as an example, a member of the public thought the City spent an outrageous amount of money on the Police Department. The measures indicated that 94 percent of emergency calls on utilities were dispatched in 10 minutes but there was no way to handle how many dispatchers were needed because the volume of calls was unknown.

Ms. Erickson said the SEA report indicated the volume of calls. More data was included in the SEA report than could be provided by budget staff.

Council Member Mossar said the budget document was about spending money. The rationale for levels of proposed expenditures was needed in the budget document. Percent of utilities' emergency calls dispatched in 10 minutes was not a justification for spending "x" million dollars in the Police Department.

Ms. Erickson responded if Dispatch did not have to dispatch utility calls, fewer staff were required.

Chairperson Ojakian said the idea in a Colleague's memo was not to have many different measurements. There seemed to be some logic to the fact that the City Auditor put together some measures and vetting that with the public through a survey process.

Council Member Mossar said the performance measures were the same as from six or seven years prior, and she did not like them.

Chairperson Ojakian said the idea was to use the measures that came back through the City Auditor with the public's chance to comment through a survey.

Mr. Yeats said the performance measures were not perfect and needed work. Staff was in the process of reviewing the system as departments submitted their budgets.

Council Member Kishimoto said it was great to incorporate the SEA report and asked whether Attachment A to the staff report (CMR:118:05) was an example of what staff envisioned. The summary in the SEA was useful, which summarized the functional areas. When looking at budgets and departments, the Council looked at spending, saving money and refining department priorities. A key part of the budget was the organizational chart. A detailed organizational chart was important, which provided the information on how a department was structured.

Mr. Perl explained everything in the current budget document, including the current organizational chart and department overview, would be included.

Council Member Kishimoto said cuts might have to be made and suggested that alternatives be looked at by departments and brought to the Finance Committee.

Chairperson Ojakian asked whether the alternatives were included in the budget or an attached memo.

Council Member Kishimoto said the alternatives would come in an attached memo when the Finance Committee looked at the draft staff recommendation.

Chairperson Ojakian clarified Council Member Kishimoto talked about the process.

Council Member Kishimoto said that was correct. With regard to Animal Services, the question was raised whether the percentage listed was net of the services provided outside the City of Palo Alto.

Mr. Perl indicated the amount was total expenditure. There was no distinction in terms of the revenues or what portion of services directly affected the Palo Alto community. The revenues were included in the financial summary.

Council Member Kishimoto said people suggested the concept of zero-based budgeting.

Council Member Ojakian said Council Member Kishimoto's concern was a process, and the Finance Committee looked at the document format.

Mr. Yeats said staff assumed there was a certain service level the City provided. Each year, as staff began the budget process, one-time additions were removed from the budget. Staff zero base budgeted certain categories of expense.

Council Member Kishimoto said the five-year trend in the SEA report was helpful; for instance, the Police budget showed a 19 percent increase over five years, and the inflation factor was also approximately 19 percent.

Council Member Morton said statistics could be developed but questioned what they would be used for. A concern was how much would be cut from recreation, libraries, or each of the visible services that people cared about in the community. The issue was to get to zero and keep the community happy.

Mr. Yeats said tying the report to what the Auditor measured and surveyed allowed the loop to be closed in many areas, which had not been done in the past.

Council Member Morton suggested taking the total costs, number of employees, and find the cost per employee. Palo Alto was the leader of cities in California that consistently won awards for budget performance. Staff should not be burdened with more demands.

Chairperson Ojakian said the idea was to try to incorporate the City Auditor's report. Calls for service and response times for emergency calls were good measurements. One of the things in the CIP that the Council wanted to handle was to differentiate between the capital projects that had gone through an approval process. Some projects were included as a placeholder because the Council wanted to earmark the money at the current time.

Mr. Perl said the colleague's memo addressed the issue by adding a comment box to discuss whether there was a policy discussion.

Chairperson Ojakian suggested staff use verbiage that made a clear distinction of projects that had been policy approved or needed future discussion.

Council Member Mossar said specific dates should be referenced if Council action were taken. CIPs should be sorted into "policy set/established" or "policy set/not established."

Council Member Morton assumed if the project were in the CIP budget and the Council approved the CIP budget, the project was approved in principle.

Mr. Yeats said the CIP created a placeholder for funds that could be encumbered at a future time.

Council Member Morton said an encumbrance was basically a contract.

Mr. Yeats said there might be an Environmental Impact Report (EIR) or California Environmental Quality Act (CEQA) in some processes. A long-term project, such as a parking structure, required many steps in the process where approval was pending.

Council Member Morton said a multiple year budget was to make current what would end up on the Consent Calendar or a decision by staff, if below the threshold.

Mr. Yeats said the budget let someone new to the Council know when the approval process was started and whether it had occurred. A five-year plan was prepared, but only the first year was actually approved. The second year was approved in concept. The years in the future were not part of the adopted budget.

Chairperson Ojakian said some projects were included as a placeholder prior to Council discussion on the policy.

Mr. Yeats said the emergency water supply was a good example. Placeholders were created at budget time prior to Council approval.

Chairperson Ojakian said the idea in the Colleague's Memo was to get across the change in dollars that happened during the year. Some changes were shown by department, but it was difficult to get the big picture.

Mr. Yeats said a table was developed at the department level called, "Resource Level Changes," which identified additions or deletions that occurred.

Mr. Perl said the Financial Summary and the Fund Summary included a Budget Change column that compared the proposed budget and the prior year's adjusted budget.

Chairperson Ojakian said the summary sheet tied everything together.

Council Member Kishimoto queried a project that did not have Council approval included under Comments "subject to future Council approval."

Mr. Perl said that was correct.

Mr. Yeats said staff would differentiate between having approval of a contract for a CIP and a CIP that required policy action.

Council Member Ojakian said the reason he wanted to discuss the budget format was that within the next two years, through term limits or for other reasons, the Council could have at least five new Council Members, which was a majority.

#### 4. Discussion for Future Meeting Schedules and Agendas

Director of Administrative Services Carl Yeats said he was working on a master calendar for the year, which would outline when the budget hearings were held. The February 1, 2005, meeting was cancelled. The next meeting was February 15, 2005, which included the Mid-Year report, the Auditor's Quarterly Report, and the Audit of Contract Contingencies.

Chairperson Ojakian asked to meet with Mr. Yeats prior to sending out the tentative meeting schedule.

Council Member Kishimoto recalled there were items requested when she was a prior member of the Finance Committee, which included a sidewalk and streets comparison with other cities.

Mr. Yeats said he would check on the list of outstanding items and announced Mr. Perl was leaving the City on February 8, 2005, to work with the San Francisco Mayor's Office.

ADJOURNMENT: The meeting adjourned at 8:15 p.m.

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