

Special Meeting
December 08, 2008

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- 1. Viewing of Tom Friedman’s Speech on Understanding U.S. and Global Economies Presented on November 14, 2008 at the National League of Cities Congress of Cities and Exposition. 73
- 2. Continued Discussion on Review of Housing Needs Analysis for the Stanford University Medical Center and Stanford Shopping Center Projects..... 73

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- 3. Approval of Amendment No. One to Contract Number C08122012 with KPA Group, Inc. to add \$54,120 for Construction Support Services for a Total Not to Exceed Amount of \$163,080 for the Fire Stations 5 and 8 Improvement Project – Capital Improvement Program Project PF-01004 75
- 4. Approval of a Contract with AJF Builders, Inc., in the Total Amount of \$464,551 for Fire Stations 5 and 8 Improvements - Capital Improvement Program Project PF-01004..... 75
- 5. Approval of Amendment No. 3 for \$80,750 to Agreement No. S05108852 with The Ferguson Group, LLC for a Total Amount of \$383,389 for FY 2005 – FY 2009 Federal Legislative and Regulatory Representation 75

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ADJOURNMENT: The meeting adjourned at 10:31 p.m. 82

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:05 p.m.

Present: Barton, Burt, Drekmeier, Espinosa, Kishimoto, Klein, Morton, Schmid, Yeh arrived at 6:30 p.m.

Absent:

STUDY SESSION

1. Viewing of Tom Friedman's Speech on Understanding U.S. and Global Economies Presented on November 14, 2008 at the National League of Cities Congress of Cities and Exposition.

No Council Action Required.

2. Continued Discussion on Review of Housing Needs Analysis for the Stanford University Medical Center and Stanford Shopping Center Projects.

Mayor Klein advised he would not be participating in this item due to his wife being on faculty at Stanford University.

Council Member Barton advised he would not be participating in this item due to being on staff at Stanford University.

Staff provided status on the review of the [Stanford University Medical Center and Stanford Shopping Center] Projects (Projects), including the status of the Environmental Impact Report (EIR) the fiscal analysis, hotel study and Development Agreement preparation. Staff stated that housing was not specifically included in the request by the applicants. The EIR would contain an analysis of the housing impacts generated. The Village Concept alternative in the EIR would contain housing in order to reduce automobile trips. The City's employment and housing sub-consultant, Keyser Marston Associates (KMA), informed the Council of the possible employment generation and housing impacts from the Projects. KMA described the various rates of worker households that could be housed within Palo Alto.

Jean McCown, Stanford University, cited key policy areas that should be considered which affected the hospital financially with the additional housing plan.

No Council Action Required

Tommy Fehrenbach, Middlefield Road, spoke to the community benefit of the Stanford Medical Center, Stanford University and the Children's Hospital. He urged that the project move forward.

Walt Hays, 355 Parkside Drive, spoke as Co-Chair of the Friends of Stanford Medical Center. He spoke to the concerns over the proposed housing.

Andy Coe, Stanford University Medical Center, spoke of his concerns for the direction of the housing discussions. He stated hospitals had been exempted from financial contributions to City's affordable housing programs.

Jean McCown, Stanford University Medical Center, stated the campus and workforce housing needed to be constructed within close proximity to the hospital to reduce traffic impacts.

Elaine Meyer, 609 Kingsley Avenue, spoke on the additional number of indirect employees and multipliers which were not included in the housing analysis.

CITY MANAGER COMMENTS

City Manager, James Keene reported that the County's Local Agency Formation Commission (LAFCO) approved the City of Palo Alto's request to annex the Los Altos Treatment Plant site. Master planning is underway for the site and an environmental review in early 2009.

ORAL COMMUNICATIONS

Lorna Fear, 505 Hamilton Avenue #100, spoke regarding Green Takes Action.

David Coale, 766 Josina Avenue, spoke regarding renewable energy. He spoke to Palo Alto becoming a carbon-neutral city in the future.

Carl Anderson, 4044 Amaranta Avenue, spoke regarding the Senior Games and the utility surplus. He questioned the money being spent on the event in consideration of what the City would receive in return.

APPROVAL OF MINUTES

MOTION: Council Member Morton moved, seconded by Council Member Kishimoto to approve the minutes of October 20, 2008.

MOTION PASSED: 9-0

CONSENT CALENDAR

MOTION: Council Member Morton moved, seconded by Council Member Kishimoto to approve Consent Calendar Item Nos. 3-5.

3. Approval of Amendment No. One to Contract Number C08122012 with KPA Group, Inc. to add \$54,120 for Construction Support Services for a Total Not to Exceed Amount of \$163,080 for the Fire Stations 5 and 8 Improvement Project – Capital Improvement Program Project PF-01004.
4. Approval of a Contract with AJF Builders, Inc., in the Total Amount of \$464,551 for Fire Stations 5 and 8 Improvements - Capital Improvement Program Project PF-01004.
5. Approval of Amendment No. 3 for \$80,750 to Agreement No. S05108852 with The Ferguson Group, LLC for a Total Amount of \$383,389 for FY 2005 – FY 2009 Federal Legislative and Regulatory Representation.

MOTION PASSED: 9-0

REPORTS OF COMMITTEES AND COMMISSIONS

6. Policy and Services Committee Recommendation to Approve Staff's Recommendation Regarding City Oversight of the Palo Alto Airport:
 - A) Receive Staff's Progress Report on Negotiations with Santa Clara County Regarding the Palo Alto Airport Lease;
 - B) Approval of the Amended Airport Mission Statement;
 - C) Recommend the City Manager Negotiate a Contract with Wiedemann & Associates for Development of an Airport Business Plan and Airport Community Value Analysis;
 - D) Budget Amendment Ordinance 5025 to Increase Appropriations by \$80,000 from the City Council Contingency Account to the Capital Project Fund to Fund the Contract for Wiedemann & Associates Services.

(Capital Improvement Program Project AS-09000, City of Palo Alto Municipal Airport Transition Project).

Council Member Yeh advised he would not be participating in this item due to his firms' participation in the audit of the County Airports. Council Member Yeh left the meeting at 9:30 p.m.

Council Member Kishimoto stated the Policy and Services Committee had made a change to the Baylands Master Plan which created compatibility between the Baylands Master Plan and the Mission Statement.

Vice Mayor Drekmeier explained his no vote during the Policy and Services Committee meeting. He stated his concern was whether or not we had the ability to maintain and operate the airport.

Real Property Manager, Bill Fellman gave a history of airport management over the years.

Council Member Morton asked where the Mission Statement was located within the materials.

Mr. Fellman stated it was on the second page of the City Manager Report 460:08.

Council Member Schmid voiced concern over approval of a Mission Statement prior to a study regarding the future of the airport.

Mr. Fellman stated Staff's feelings and that of the advisors, was that a Mission Statement was needed in order to direct how the airport would be operated in the future. He stated the Statement could be amended in the future.

Council Member Schmid stated this constrained Council from their ability to change the Mission Statement once they receive the report.

Mr. Fellman stated that the Mission Statement was very basic.

Mayor Klein pointed to an item on page two of the Policy and Services Committee report regarding the County's claim about outstanding balances. He raised the question of whether or not the hired Consultant would be looking into the outstanding balance issues.

Mr. Fellman stated yes, it was included in the responsibilities.

Mayor Klein asked what the Consultant would be doing in addition to the work completed by the City Auditor.

Mr. Fellman stated the Consultant would analyze the findings and either confirm or deny the balance issue. He noted there was still a debate between the County and City.

Mayor Klein asked if the County would withdraw its position if the Consultant agreed with the City Auditors' findings.

Mr. Fellman stated if the Consultants' findings were in favor of the City the City's position would be supported during negotiations with the County. He stated the more support they had the better the negotiations would be with the County.

Mayor Klein asked what would happen if the Consultant disagreed with the City Auditors' findings.

Mr. Fellman stated Staff would rethink their position about the outstanding balance.

Mayor Klein stated the Consultant did not appear to be more qualified in the area than the City Auditor. He asked why it was necessary to have County support a component of the development of the financial plan. He asked where the County factored into the approval of the Business Plan.

Mr. Fellman stated the County's involvement was a language oversight and assured the Council they would not be running the airport.

Mayor Klein stated he would take this into account at the appropriate time. He assumed it would not make any difference in the cost of their services.

Mr. Fellman stated there were several items being looked into by the Consultant.

City Attorney, Gary Baum stated his office had examined the balance issue and agreed with the City Auditors' findings and the Mayor's position. He stated the legal analysis determined the City did not owe the suggested balance.

David Creemer, 4065 Campana Drive, spoke to the question raised at the Policy and Service Committee Meeting with regard to returning the airport lands back into the Baylands.

Annette Glanckopf, 2747 Bryant Street, spoke on the airport's benefit to the community during a disaster situation, such as a major earthquake, terrorist attack or other major disaster.

Ralph Britton, 240 Rinconada Avenue, spoke to the merits of the airport versus the suggested alternative uses for the land.

Robert Moss, 4010 Orme Street, spoke to the history of the airport as a valuable asset to the community.

Herb Borock, PO Box 632, spoke to the Mission Statement and how much it did or did not bind Council.

Mr. Fellman stated the Consultant would not be investigating the outstanding balance, they would be advising whether or not it should be paid by the City.

Mayor Klein stated the City Auditor and City Attorney's offices had determined there was no outstanding balance. He stated that made the City's position clear on whether or not the City would pay.

Director of Administrative Services, Lalo Perez stated that if the Board of Supervisors did not waive the amount, the issue would need to be resolved.

Mayor Klein reiterated that two departments had taken the position that the City would not pay the balance to the County.

MOTION: Council Member Morton moved, seconded by Mayor Klein to approve Staff recommendations to:

- A) Receive Staff's Progress Report on Negotiations with Santa Clara County Regarding the Palo Alto Airport Lease;
- B) Approval of the Amended Airport Mission Statement;
- C) Recommend the City Manager Negotiate a Contract with Wiedemann & Associates for Development of an Airport Business Plan and Airport Community Value Analysis;
- D) Adopt Budget Amendment Ordinance to Increase Appropriations by \$80,000 from the City Council Contingency Account to the Capital Project Fund to Fund the Contract for Wiedemann & Associates Services;
- E) Not include an accounting study of the monetary advance from the County in the contract;
- F) Change Airport Business Plan Page 4-5, Number 6 Bullet as follows: Develop financial plan that City ~~and County~~ leadership can support.

(Capital Improvement Program Project AS-09000, City of Palo Alto Municipal Airport Transition Project.)

Council Member Burt stressed the need for the analysis in order to be able to make a good quality decision on the long-term use of the airport. He cited the importance of the airport's role in the event of an emergency. He also mentioned the airport as a significant source of revenue.

Council Member Morton supported the Motion. He stated the issue at hand was changing operators for an airport that the City already owned. He stated the analysis would re-educate Council on the demands, costs and potential of the airport as a resource to the City. More information was necessary to ensure that the airport continued to be self-sustaining and operate in manner compatible with the Baylands Master Plan. He urged his Colleagues to accept the recommendations of the Policy and Services Committee.

Council Member Schmid confirmed that part of the County's response had been to abandon responsibility for the levy. He asked where the burden fell if that was the case with the airport.

Mr. Fellman stated there had recently been a leak in the levy and an agreement was discovered that the County was responsible for the levy. The County made the repairs and with a 30-day escape clause written into the agreement, the County stated they were no longer responsible for the levy. The City and the Flood Control Agency would be responsible for the levy in the future, if a written notice was received by the County.

Council Member Schmid asked if the levy was in the Business Plan and whether it was part of the analysis.

Mr. Fellman stated that was correct.

Council Member Barton stated he was skeptical about the City's operation of the airport. He agreed with Council Member Burt that the analysis would be used to determine whether the airport was a reasonable investment. He supported the Motion.

Council Member Kishimoto stated that while she was Chair of the Policy and Services Committee, she had some further thoughts regarding the airport lands. She stated the Study Session brought to light the need for a continued look at greenhouse gas emissions, sea level changes and composting and how extremely difficult it was to locate acreage in Palo Alto for a 50-foot industrial building. The airport acreage could be considered for alternative uses and revenue. She proposed taking a step back for more in-depth discussions on alternative uses prior to proceeding with the Business Plan.

SUBSTITUTE MOTION: Council Member Kishimoto moved, seconded by Vice Mayor Drekmeier to direct Staff to agendize a broader discussion of alternative uses of the Palo Alto Airport before proceeding with a Business Plan.

Mayor Klein asked the City Attorney if this was within the scope of what was listed on the agenda. His thought was that this would need to be agendized separately.

Mr. Baum stated the only way to get to what was being suggested would be to reject 6A through D of the recommendations, and direct Staff to agendize those items for a future meeting.

Council Member Kishimoto withdrew the Substitute Motion

Mayor Klein supported the Motion. He stressed that what was before Council was not the long-term use of the property. What was before Council was a succession of recommendations to offer the necessary information in order for Council's consideration on whether or not to operate the airport, prior to and after 2017. He repeated the history of the airport and emphasized the trigger for the Palo Alto Airport Working Group was the County's announcement that it would no longer be involved in airport improvements. He stated that decision left the City with a deteriorating economic asset. He stated the airport contributed to the General Fund and the importance of the City being good guardians to this significant asset.

Vice Mayor Drekmeier stated the land was going to be an airport until 2017, but asked what would happen if Palo Alto took it over from the County and decided to use it for something else.

Mr. Fellman stated there was an obligation that any funds received from the Federal Aviation Administration (FAA), whether it was the County or the City, meant the airport would continue to run for those 20 years once the funds were accepted. He stated the funds would either have to be paid back or the airport would be required to run until 2027.

Vice Mayor Drekmeier asked if that was the only answer.

Mr. Fellman stated that the Fixed Based Operators (FBO's) would be bought out if the City took over the airport. There were two at the airport, which ran most of the businesses on the site.

Vice Mayor Drekmeier asked if there was a lease agreement.

Mr. Fellman stated they had a valid lease until 2017.

Vice Mayor Drekmeier asked how much money was generated annually.

Mr. Fellman stated between the two FBO's they generated approximately \$1.5 million annually. He stated a buy-out prorating the years left on the lease would be at a significant cost.

Mr. Baum stated there would be additional options and costs to be considered if the City terminated the leases.

Council Member Morton spoke to a change on pages 4-5. He stated the last item which detailed the existing and future economic impacts was listed as a potential task. He asked if it were a required task, would the Consultant's fee be increased.

Mr. Fellman stated no, the cost for the entire analysis included the economic impacts.

Council Member Morton stated they should remove the word "potential" and make it required.

Council Member Burt asked about property tax revenue, and the taxable amounts. He stated if there was a property tax revenue in the total of \$2 million, how much went to the School District. He wanted to be sure it was understood what the impact would be on the School District.

Council Member Barton asked if the Motion formally removed the County. He also was not clear if the second to the Motion removed the potential tasks.

Mayor Klein stated the original Motion included the removal of anything related to the alleged amount that the County was owed. He stated that was not part of the Motion. The proposal and the Motion, as he understood it, was that this directed the City Manager and his Staff to negotiate a contract.

MOTION PASSED: 6-2 Drekmeier, Kishimoto no, Yeh not participating
COUNCIL COMMENTS, ANNOUNCEMENTS, AND REPORTS FROM CONFERENCES

Council Member Kishimoto spoke about an upcoming Santa Clara Valley Transportation Agency (VTA) Board meeting to certify the results of Santa Clara County Measure B, and to discuss other VTA projects.

Vice Mayor Drekmeier reported on attending the Menlo Park City Council Reorganization meeting last week, and Palo Alto Humane Societies 100th birthday party celebration along with Mayor Klein.

Mayor Klein reported on attending the East Palo Alto City Council Reorganization meeting last week.

ADJOURNMENT: The meeting adjourned at 10:31 p.m.

ATTEST:

APPROVED:

City Clerk

Mayor

NOTE: Sense minutes (synopsis) are prepared in accordance with Palo Alto Municipal Code Sections 2.04.180(a) and (b). The City Council and Standing Committee meeting tapes are made solely for the purpose of facilitating the preparation of the minutes of the meetings. City Council and Standing Committee meeting tapes are recycled 90 days from the date of the meeting. The tapes are available for members of the public to listen to during regular office hours.