

Special Meeting
May 10, 2010

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:34 p.m.

Present: Burt, Espinosa, Holman, Klein, Price, Scharff, Schmid, Shepherd, Yeh arrived at 7:15 p.m.

Absent:

CLOSED SESSIONS

1. CONFERENCE WITH CITY ATTORNEY -- EXISTING LITIGATION

Subject: Janet Pierce v. City of Palo Alto, et al., Santa Clara County Superior Court, Case No. 1-09-CV-145764

Subject Authority: Government Code section 54956.9(a)

2. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and Regulations (James Keene, Pamela Antil, Lalo Perez, Joe Saccio, Russ Carlsen, Sandra Blanch, Marcie Scott, Darrell Murray)

Employee Organization: Local 521 Service Employees International Union

Authority: Government Code Section 54957.6(a)

CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and Regulations (James Keene, Pamela Antil, Dennis Burns, Lalo Perez, Joe Saccio, Russ Carlsen, Sandra Blanch, Marcie Scott, Darrell Murray)
Employee Organization: Palo Alto Peace Officers' Association
Authority: Government Code Section 54957.6(a)

CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and Regulations (James Keene, Pamela Antil, Dennis Burns, Lalo Perez, Joe Saccio, Russ Carlsen, Sandra Blanch, Marcie Scott, Darrell Murray)
Employee Organization: Palo Alto Police Managers' Association (Sworn)
Authority: Government Code Section 54957.6(a)

The City Council reconvened from the Closed Sessions at 7:40 p.m. and Mayor Burt advised no reportable action.

SPECIAL ORDERS OF THE DAY

3. Selection of Candidates to be Interviewed for the Historic Resources Board.

MOTION: Vice Mayor Espinosa moved, seconded by Council Member Schmid to interview all candidates for the Historic Resources Board.

SUBSTITUTE MOTION: Council Member Klein moved, seconded by Council Member Shepherd to dispense with the interviews and direct Staff to return the appointment of the three applicants on the Council agenda for May 17, 2010.

Council Member Schmid supported the original Motion. He said it was a good opportunity of being able to relate directly to each Board Member and to share concerns and issues.

SUBSTITUTE MOTION PASSED: 7-1 Schmid no, Yeh absent

4. Proclamation Expressing Appreciation to the Track Watch Organizers and Volunteers.

Council Member Price read the Proclamation into the record.

Members of the Track Watch Organizers expressed their gratitude to the volunteers and the City for their support for this worthwhile effort for our youth.

CITY MANAGER COMMENTS

City Manager, James Keene said Project Safety Net and Track Watch were indications of civic engagement for the common good. The Arborist's final analysis and report on the Eucalyptus trees at Eleanor Pardee Park could be viewed on the City's website. Updates would be provided as the process moved forward. The Art Center which annually served over 70,000 community members was being renovated. The project would feature many upgrades and would be landscaped by an architecture firm who designed the California Academy of Science's living roof. The project would be discussed at the Architectural Review Board (ARB) meeting on June 3, 2010. National Bike to Work Day was May 13, 2010. The City would sponsor four energizer stations along bike routes and a report on its success will be provided to the Council. On May 3, the City of Burlingame's Council approved the San Mateo County Convention & Visitors Bureau's request to include Palo Alto hotels in the Tourism Business Improvement District (TBID). Effective June 2, Destination Palo Alto (DPA) would become part of a permanent tourism district and their contract with the Business Bureau would terminate on June 30, 2010, but the DPA website would continue. On May 13, at 8 p.m., the Palo Alto Neighborhoods (PAN) Association and the City's Utility Department conducted a walking tour of Light Emitting Diode (LED) street lights. It was part of an ongoing test to compare different LED street lights to determine the type of LED street lights to purchase using Federal Stimulus grant funds. On April 28, 2010, Staff held a community meeting on the proposed tree replacement project on Phase II of the San Antonio Median Improvement Project. Phase II would complete the replacement of the existing Stone Pine trees on San Antonio Avenue from Middlefield Road to Highway 101.

ORAL COMMUNICATIONS

John K. Abraham, 736 Ellsworth Place, spoke regarding demographics and the leafblower Ordinance.

Mike Francois, 224 Gardenia Way, East Palo Alto, spoke regarding chemicals in the water.

Jean Wilcox, spoke regarding libraries and trees.

Melissa Caswell, 1139 Channing Avenue, spoke regarding Eleanor Pardee Park.

APPROVAL OF MINUTES

MOTION: Council Member Yeh moved, seconded by Vice Mayor Espinosa to approve the minutes of April 5 as amended, and April 12, 2010.

MOTION PASSED: 9-0

STUDY SESSION

5. Monthly Update on City Activities Related to the California High Speed Rail Project.

Deputy City Manager, Steve Emslie provided an update on activities related to the California High Speed Rail Project (HSR) since the last report in April 2010. He reported on the major milestones in the HSR project from 2008 through anticipated release of the San Francisco to San Jose Project EIR/EIS in early 2011. He reported on the release of the Alternatives Analysis (AA) for the San Francisco to San Jose HSR Project, and the City's process for review and commenting on the document. He presented the issue framework for evaluating the AA based on goals of Community Preservation and Community Values. He cited specific issues related to below grade options, preservation, and enhancement of Caltrain service, compatibility of land use transitions, eminent domain, and maximizing City input into HSRA decisions. Council Members expressed concerns about the impact of the project on Caltrain service and requested that the City's peer review consultant look into the interoperability issues in the AA.

AGENDA CHANGES, ADDITIONS, AND DELETIONS

MOTION: Council Member Holman moved, seconded by Council Member Schmid to agendaize for May 17, 2010 Council meeting, High Speed Rail (HSR) to address policy aspects of the response to the AA and to give guidance to Staff and HSR Committee in preparing comments.

Council Member Price raised concerns regarding the lack of guidance and framing of HSR issues. She asked that Staff identify and discuss the issues that needed to be dealt with and to provide direction on dominant issues.

Council Member Klein said the matter was premature and without context. Response to AA would be discussed at the May 17 City Council meeting which would include a discussion on the policies. Unknown issues and concerns may not be recognized until a draft of the AA response was

completed and input from the Planning and Transportation Commission (P&TC) and HSR Committees were received.

Vice Mayor Espinosa said the City Council Meeting Agenda for May 24 was not a full agenda and the main focus would be on Stanford's Medical Center Renewal and Replacement Project. He supported the Motion.

Council Member Holman raised concerns about waiting an extra week. She said it would help in making comments at the May 17 meeting to have input on the Guiding Principles come back to the Council and expressed the importance of having a conversation on HSR issues.

Council Member Price said in preparation for the Council Meeting on May 24, she asked if Staff could provide a short, bulleted list of the planned and key policy issues which needed to be addressed immediately.

City Manager, James Keene agreed that a bulleted list along with input from the committees and Staff would be beneficial.

Mayor Burt said in addition to discussing the Guiding Principles he would want to focus on elements that were most productive.

Council Member Shepherd said by bringing the Guiding Principles back next week would help frame the thought process while going through the May 24 Council packet. She supported the Motion.

Council Member Schmid said the P&TC and the HSR Committee would be meeting in the coming week. The committees' input at the May 17 Council meeting would help identify top issues that developed in the past 16 months. It would bring the Council up to speed and help in making decisions at the May 24 Council meeting. He supported the Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER that the purposes for meeting are to review Guiding Principles and have a discussion of Staff presentation of the primary near term and long term issues regarding HSR in our area without seeking decisions on those issues

MOTION PASSED: 7-2 Espinosa, Klein no

MOTION: Council Member Holman moved, seconded by Council Member Price to continue Agenda Item Number 9 to May 17, 2010, but to leave open the option to hear it this evening if agenda items move quickly.

MOTION PASSED: 8-1 Klein no

9. Colleagues Memo from Council Members Shepherd and Schmid regarding City Investment Policy.

ACTION ITEMS

6. Acceptance of the Regional Water Quality Control Plant Site Feasibility Study and Authorization to Proceed with an Environmental Assessment of a Recycling Center and Permanent Household Hazardous Waste Drop-Off Facility Improvements for the West Side of the Regional Water Quality Control Plant Site *(Continued from 4/5/10)*.

Public Works Director, Glenn Roberts said Staff was asking the Council to accept a Feasibility Study of a designated site to relocate the Recycling Center to allow closure of the landfill. The site location was adjacent to the Regional Water Quality Control Plant (RWQCP), not on parkland, and adjacent to the existing Household Hazardous Waste Drop-Off Facility. The site contained an area for a Resource Recovery Facility which the private sector could use to salvage and reuse building materials. It was intended for future use and not part of the proposed project. Additionally, with Council accepting the Feasibility Study it would authorize Staff to proceed with a preliminary design and an environmental review. It would also include a cost comparison of the Household Hazardous Waste (HHW) Program to the Santa Clara County's HHW program. No commitment had been made for a specific design resulting from the preliminary engineering and the environmental review. He expressed an urgency of moving forward due to the landfill's closure in late 2011 or early 2012. Relocation of the Recycling Center needed to take place before that time.

Council Member Schmid asked the City Auditor to provide the status of the Environmental Services Center (ESC) Audit Report which included household waste.

City Auditor, Lynda Brouchoud said the audit was completed in 2004 with a recommendation to have a cost benefit analysis brought back to the Council to weigh program benefits versus cost. At that time, the audit found the County's program was half the cost of the City's program to operate the HHW program. In 2008, the recommendation closed with the understanding that the Council terminated the ESC project with the component that had the HHW Facility. Staff agreed to come back with a cost benefit analysis if the decision was to proceed in the future with the facility. She noted during this evening's presentation that Staff was proposing to add a cost-effective

review to compare the HHW program to the County's program. She said the exercise could be incorporated into the audit recommendation.

Vice Mayor Espinosa asked if the recommendation would be to downsize the project if the analysis showed the program was not cost-effective.

Mr. Roberts said not necessarily. He said the prior proposal for the ESC and audit recommendation was for a different project. It was of a larger scale with a larger HHW Facility that would have been located in the active area of the landfill. The two proposals were not related and in no way similar to what was being proposed. The current proposal was to relocate the Recycling Center next to the existing HHW Facility and to combine the two areas. An analysis could be performed but Staff felt it would not be an equal comparison since the City's program cost more than the County's program. The City's program provided a higher level of service. The County's program addressed only solid waste related activities where the City's program addressed both solid waste and water quality activities that kept materials out of sewage streams and the Bay. Staff felt a cost-effective analysis would not be pertinent at this time.

Ms. Brouchoud said she was in agreement with Mr. Roberts, and through conversations with Staff found the HHW Program had different components. She said the County's program offered drop-off activities on Saturdays and appointment services. The audit took place in 2004 and did not have the current cost data to determine whether the elements were still less expensive than the City's program. The purpose of having a cost benefit analysis was to provide the Council with cost data to weigh against programmatic benefits to help make policy decisions.

Vice Mayor Espinosa asked Staff to expand on the site's description. It was his understanding that Embarcadero Way would connect through and serve as an entry way to the Baylands and the parking lot, but the site design indicated that would be removed thus creating a larger site.

Mr. Roberts said the new Recycling Center site was larger than the current temporary facility site. Certain programs were eliminated from the temporary site and placed elsewhere on the active landfill area. The goal was to reestablish and consolidate the program activities at the permanent site. Handling of large recyclable items such as appliances at the landfill would terminate when it closed and the new Recycling Center would try to accommodate the process. He said the Embarcadero waste site was not the primary access to the park.

Director of Community Services, Greg Betts said the parking lot at the Bixby Park hills closest to the former recycling site would remain as well as the restrooms in the area. Additional parking area to support part of the landfill was to be determined contingent on the design. He said access to the Bayland unit would be adequate. The entrance to the Bixby Park hills was a popular entrance to that area of the Baylands and would continue to be the main public entrance.

Council Member Scharff asked if there were cost issues in moving forward with the environmental assessment of the Recycling Center improvements to the existing HHW Facility and asked if the two were related.

Mr. Roberts said the two were related in their adjacency and the proposal was the most affective in allowing a one-stop service.

Council Member Scharff asked what would be the outcome if the HHW program was found not to be cost-effective.

Mr. Roberts said a number of policy issues would need to be addressed that related to the RWQCP, the State Board permit, and requirements dealing with pollution prevention activities. He said the word "cost-effective" was misleading because the County's program provided a lower cost per pound or ton and was not the true measure Staff was looking for. Staff was looking for the total capture of materials and keeping materials out of the sewage stream and salt waste stream. The City's plan would have a higher cost per unit to maintain the level of total capture. If the direction was not to maintain a HHW program, the Recycling Center activity could be moved closer to Embarcadero Way.

City Attorney, Gary Baum said liability was an issue and asked that it be included in the analysis.

Mayor Burt spoke of the property adjacent to the Renzel Marsh and the path that was included in the Bicycle Master Plan. He said in terms of a bike path, he needed clarification of the area and asked whether the land was elevated outside the boundary before entering the marsh.

Mr. Betts said the Bicycle Master Plan did not indicate there was a connection between the Bixby Park hills and the path that ended at Faber Place or where a trail was to be placed but confirmed there was adequate room for a six-foot wide trail for a bike path connection.

Council Member Schmid referred to Staff report CMR:183:10, top of page 3, and asked what was meant by the statement "The Blue Ribbon Task Force

(BRTF) was advised by Staff that the RWQCP site shape and proximity to office buildings did not lend it to being suitable for windrow composting or aerated static piles.”

Mr. Roberts said the Composting BRTF had evaluated a number of sites for the project. It was one of the sites found not to be viable for composting. The 2.4 acres was too small for the required activities and the office buildings were too close in regard to potential odor and dust from composting.

Emily Renzel, 1056 Forest Avenue, raised concerns about large items being recycled at the drop-off facility which should be processed at the SMaRT Station. She said the Resource Recovery Facility was not a BRTF recommendation and did not have a policy base to be included in the study. She asked the Council to be specific as to what should be used for the feasibility study and what was placed on a map because things that should not be on a map had a way of staying on and brought back as if they were policy when they were not.

MOTION: Council Member Scharff moved, seconded by Council Member Klein to: 1) accept the Regional Water Quality Control Plant (RWQCP) Site Feasibility Study in concept for the purposes of proceeding with the preliminary design and environmental review to include cost effectiveness review and comparison of household hazardous waste program compared to the Santa Clara County program, and 2) authorize Staff to proceed with design and environmental assessment for recycling center improvements to the existing household hazardous waste drop-off facility at the west side of the Regional Water Quality Control Plant.

Council Member Scharff said he supported the Motion because recycling was needed in Palo Alto with a Household Hazardous Waste Drop-off Facility.

Vice Mayor Espinosa said he was aware of a plan for the elevated area in the marsh area and suggested Staff to review the bike path. He was not sure if there was sufficient room for a bike path without having to go into the wetlands.

Mayor Burt asked who owned the elevated area.

Mr. Roberts said the City of Palo Alto owned the land and was part of the RWQCP lands. In 1970, a partnership master agreement was drawn up between the cities of Palo Alto, Mountain View, Los Altos and East Palo Alto and contributed to the value of the land.

Mayor Burt said he wanted to know in advance whether a Condition of Approval could be imposed for a future date to allow a segment of the bike path to be constructed on the perimeter of the land.

Mr. Baum said he did not know the original ownership of the RWQCP land.

Mr. Roberts clarified it was owned by the City of Palo Alto on behalf of the partners, but the title was vested by the City of Palo Alto.

Mr. Baum said the Council could require the construction of the bike path as part of the proposed project, but he would need to look at the agreement prior to making a definitive answer.

Mayor Burt said the Enterprise Funds were being used to construct the facility and if a Condition of Approval were placed on the land for the bike path, the Enterprise Fund could be used for its construction.

Mr. Roberts said the project was funded by Refuse Fund and he would need to verify if it could be used for that purpose.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to request that the construction of the bike path be included in the analysis and that the cost benefit analysis include liability.

Vice Mayor Espinosa asked Council Member Scharff if he expected Staff to come back with the cost-benefit analysis which would lead to consideration of the site and the existence of the facility.

Council Member Scharff said Mr. Roberts had indicated Staff would come back with the data which could be reviewed at that time.

Council Member Holman asked whether an environmental analysis would be performed on the triangle portion of site since it was in the wetlands.

Mr. Roberts said that area of land was not part of the proposed project and was set aside for open space.

Vice Mayor Espinosa referred to Staff report, CMR:183:10, Attachment A, Slide 14, RWQCP Site Option 2. He said Staff had indicated there would be no development in the triangle area and questioned the placement of a Household Hazardous Waste Facility in the conceptual site plan.

Mr. Roberts said it was a site option prepared by a consultant early-on and was not part of the proposed project.

Council Member Holman raised concern about the placement of the HHW Facility adjacent to RWQCP and the two divergent uses and its safety.

Mr. Roberts said the household hazardous waste was being collected and handled according to protocol and regulations. He said chemicals used in the sewage treatment process were on-site at the RWQCP and did not pose a problem.

Council Member Holman asked whether its operations would be included in the environmental analysis.

Mr. Roberts said the on-going activities were permitted use and in compliance with all State regulations. He did not foresee having to include it in the analysis.

Council Member Holman said she did not recall seeing large items such as tires and mattresses at the Recycling Center and asked at what point was size determined.

Mr. Roberts said the downscaling of items was a temporary measure due to the closure of the landfill. Item size was determined by the Zero Waste Plant development work.

Council Member Yeh asked where the nearest Resource Recovery Facility was other than Berkeley.

Mr. Roberts said he believed there was one in Santa Cruz and in East Palo Alto. He said the City had no intentions of developing a Resource Recovery Facility. The triangle-shaped area was intended for future opportunities and development of the site would need to go through its own site design and review with appropriate screening.

Mayor Burt said the land outside of the parkland was screened with vegetation and asked what was being referred to for appropriate screening.

Mr. Robert said the project would look at screening issues with the intent to preserve the land and trees and would come back for approval in a final site and design and environmental process.

AMENDMENT: Council Member Holman moved, seconded by Vice Mayor Espinosa that the environmental assessment include scoping analysis of adjacency issues of the resource recovery park, the bike path, and issues of hazardous waste adjacent to the RWQCP.

Council Member Scharff asked what was meant by scoping analysis of adjacency issues.

Council Member Holman said she was looking for compatibility and typical land use planning adjacency issues.

Council Member Scharff asked whether the analysis would incur additional cost.

Mr. Roberts said in Staff's opinion the adjacency between the HHW Facility and the RWCQCP was not an issue and there would be an extra cost in having to perform an analysis. He said the Resource Recovery Park was not being developed at this time and did not understand the need for an analysis.

AMENDMENT RESTATED: Council Member Holman moved, seconded by Council Member Schmid that adjacency issues be addressed for the compatibility of the bike path, resource recovery park, and the issues of the household hazardous waste being adjacent to the RWQCP.

Council Member Holman said if the land was being preserved for future use it was important to know compatibility issues ahead of time.

Vice Mayor Espinosa questioned the placement of trees indicated in the plan.

Mr. Roberts clarified the plans set before the Council this evening were conceptual plans for informational purposes only and to not be locked in to the design. He clarified what Council was being asked to approve was the usage of the entire site for the Household Hazardous Waste Program, Recycling Center, and the future potential use of Resource Recovery Park.

AMENDMENT TO THE AMENDMENT: Council Member Klein moved, seconded by Council Member Price to remove from the Amendment evaluating issues of the household hazardous waste being adjacent to the RWQCP.

AMENDMENT TO THE AMENDMENT FAILED 3-6 Burt, Klein, Price yes

RESTATED AMENDMENT PASSED: 7-2 Klein, Price no

MOTION AS AMENDED PASSED: 9-0

7. Public Hearing: Approval of a Mitigated Negative Declaration, a Site and Design Review and a Record of Land Use Action, and Adoption of a Park Improvement Ordinance for a New Greenhouse and Shed Located in the Baylands at 2500 Embarcadero Road.

Public hearing opened and closed without public comment at 11:00 p.m.

MOTION: Vice Mayor Espinosa moved, seconded by Council Member Scharff to approve the Mitigated Negative Declaration and the application for the Site and Design Review, based upon the findings and Conditions of Approval in the Record of Land Use Action and the associate Park Improvement Ordinance including the amended Park Improvement Ordinance.

Council Member Schmid raised concerns about the environmental impact on aesthetics and questioned the view from the duck pond of the two, 20-foot buildings covered in black polyethylene.

Denise della Santina, Save the Bay, said the workshed building would be a redwood framed, wooden structure and the greenhouse required polyethylene paneling and black sheet cloth over the top of the building to prevent reflectivity. The greenhouse would be completely screened with existing trees and scrubs with the exception of the 12 feet of exposure that eventually would be covered with landscaping.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Conditions of Approval two conditions regarding limitations on lighting and air circulation noise.

Mayor Burt asked whether the added Conditions of Approval were Planning and Transportation Commission (P&TC) recommendations.

Council Member Holman said it was not but felt it was important they be included and to have it in writing.

Ms. della Santina said enclosed in the greenhouse would be two, 16" fans with minimal noise and one manually operated light for darkness. There were no plans to add additional lighting since native plants required only natural light.

MOTION PASSED AS AMENDED: 9-0

8. Resolution 9057 entitled "Resolution of the Council of the City of Palo Alto Authorizing the Issuance and Sale of its General Obligation Bonds

for Measure N Projects in the Principal Amount of Not to Exceed \$60,000,000, Authorizing and Directing the Execution of a Paying Agent Agreement and Certain Other Related Documents, and Authorizing Official Actions Related Thereto.

Council Member Schmid raised concerns regarding the bidding process. He asked if it would affect the final bid since the City was going to the Bond market and announcing they had \$58 million to spend.

Bond Counselor William Madison, Jones Hall, explained the government code governing the issuance of General Obligation Bonds required a competitive sale of bonds. He said the process was to put out as much information about the City and the bond to get the most competitive bids and the lowest interest rate that would benefit the taxpayers.

Administrative Services Director, Lalo Perez clarified it was the process of a public agency to let proposers know the budget in advance and part of the transparency process. Palo Alto carried a good name in the market and intended to do well in competitive bids which were different from project construction cost.

Council Member Schmid asked what would happen if the City received more funds than what was required to build the library.

Mr. Saccio said the funds would be carried forward for the next project which would allow the City to issue less bonds in the second phase of the project.

Mayor Burt asked what would happen if more was issued in the first issuance than what was needed for the first or second project.

Mr. Saccio said it could be used to offset the debt service.

Mr. Keene said the issuance had been scaled down and based on the estimates of the market.

Mr. Saccio said it was proportional to the \$76 million that was originally issued.

Council Member Yeh said he was aware of the recalibration of ratings and asked whether the City should have concerns with potentials related to the calibration.

Financial Advisor, Sohail Bengali, Stone & Youngberg LLC, said the recalibration was not with all sectors. The rates were from zero to 4.0 percent and Palo Alto carried an enhanced AAA rating.

Council Member Yeh asked whether the City was looking at fixed rate debt.

Mr. Bengali said Palo Alto's decision was to look only at the fixed rate debt.

Council Member Yeh said the community asked whether bonds were going to institutional or retail investors.

Mr. Bengali said the underwriters were the bidders and would determine where they would sell.

Council Member Shepherd asked what was the amount going out for bid.

Public Works Project Engineer, Debra Jacobs said the bid for the College Terrace Library came in low. The market was at a different point at that time and was now starting to show inflation in the materials. The College Terrace remodel required less material than the new construction at Mitchell Park Library and Community Center. It was necessary to increase the scope for the Downtown Library to include seismic bracing which had not been included in the initial estimate, plus a roof replacement. The cost estimate for the Downtown and Mitchell Park Libraries was \$58.5 million. Remaining funds from the first issuance could be put towards the temporary library at Main Library, which was not in the initial estimate of the Bond Measure. The second issuance could not be determined due to the many variables.

Council Member Scharff asked whether bonds were callable.

Mr. Bengali said they were and came with a 10-year, non-call period. Bonds could be called after that time and Escrow could be setup before the 10-year period expired.

Council Member Scharff asked if there was any reason the "Estimated Bond Size" was not the amount being requested.

Mr. Bengali said it was an engineer's estimate and his firm would handle the amount.

Council Member Scharff asked if the underwriters would bid on the Bond, sell it to the institutions and the retail public, the City would receive the funds, send it to the Assessor and request an assessment of the property to pay the interest on the debt.

Mr. Bengali said that was correct. The City would receive the funds on June 30 from the underwriter who won the bid.

Council Member Scharff asked where the money would be kept when the funds were received.

Mr. Saccio clarified Bond proceeds would be placed in a project fund with an agency called California Asset Management Program (CAMP). The agency would invest the funds according to the City's investment policies where it would earn interest. The City would draw from the funds immediately after getting the invoices for expenditures incurred from March 2 to the present to reimburse the infrastructure that already had been paid.

Richard Hackmann, 235 Embarcadero Road, said preference should be given to residents of a city issuing the Bond and first priority of the bonds should be given to Palo Alto residents footing the \$16 million for the bill. Residents voted to approve the bonds and should be given the option to reap the financial benefits. He asked the Council to consider the option.

Mr. Perez said it was a challenging task because the investment banker did not like to be told where to place the issues.

MOTION: Council Member Price moved, seconded by Council Member Klein to: 1) authorize Staff to issue and sell General Obligation Bonds for Measure N Projects in an amount not to exceed \$60,000,000, to finance City library and community center capital improvements, and 2) approve Paying Agent Agreement, Official Notice of Sale, Official Statement, and authorize official actions related thereto.

Council Member Price supported the Motion.

Council Member Klein supported the Motion.

Mr. Madison said State law required bonds be sold competitively. There were no State provisions that reflected the public speaker's comments or preferential treatment for local residents when purchasing bonds. Residents could contact the agency submitting the winning bid with no guarantee of maturities being available. The City's obligation would be to get the lowest interest rate for its bonds.

Vice Mayor Espinosa asked if there was a way to get the word out to the residents in the event the City was in a situation where the bonds could be sold locally.

Mr. Saccio said it was a challenging task but notice could be posted on the City's website.

MOTION PASSED: 9-0

10. Update on Santa Clara Valley Water District Redistricting Plan and Direction to Staff.

Mayor Burt spoke of the letter that was electronically sent to the Council that he and Council Member Holman wrote and signed on May 7, 2010. The letter reconfirmed the letter City Manager Keene sent in support of the City of Gilroy's position opposing the redistricting design. Gilroy filed a lawsuit against the District. He said the Water Board scheduled a meeting for May 11 but the item was not on the agenda. He hoped the Board would agendaize the item in an upcoming meeting and have a representative present their position at the meeting.

Council Member Shepherd asked how this issue came about.

Mayor Burt said AB466 attempted to address a governance issue where the Water Board formally had five members representing districts that were geographically based; two at large of which one from North County and one from South County. The Bill required seven districts that were equal in population and shared a variety of different characteristics. An advisory committee headed by former County Supervisor Susie Wilson, author of the County's ethics law, worked for months and came up with three alternatives. The Board came up with their own fourth alternative creating a contiguous district which included the area up to Gilroy's ridgeline, over the Loma Prieta, down to Foothills Park, Palo Alto, Mountain View, and Los Altos. Gilroy asserted there were a number of procedural issues that were potential legal violations.

Council Member Klein said it was appropriate for the City to take the position to try and protect the interest of colleagues in Gilroy.

MOTION: Vice Mayor Espinosa moved, seconded by Council Member Yeh to endorse the letter sent by Mayor Burt and Council Member Holman and to endorse any future actions consistent with the position taken in the letter.

MOTION PASSED: 9-0

COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Council Member Yeh thanked Youth Community Services and Public Allies-Silicon Valley for coordinating a youth forum with alumni from Palo Alto High School and Gunn High School this past weekend.

ADJOURNMENT: The meeting adjourned at 11:44 p.m.