

Special Meeting
June 28, 2010

The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:03 p.m.

Present: Burt, Espinosa, Holman, Klein, Price, Scharff, Schmid, Shepherd, Yeh

Absent:

SPECIAL ORDERS OF THE DAY

1. Selection of Library Advisory Commission (LAC) Applicants to be Interviewed for Two Unexpired Terms, One Expiring January 31, 2011 and One Expiring January 31, 2013.

MOTION: Council Member Shepherd moved, seconded by Vice Mayor Espinosa to interview all applicants for the Library Advisory Commission.

MOTION PASSED: 9-0

2. Resolution 9069 Expressing Appreciation to John Sanchez Upon His Retirement.

Council Member Shepherd read the Proclamation expressing appreciation to John Sanchez upon his retirement.

MOTION: Council Member Shepherd moved, seconded by Vice Mayor Espinosa to approve the Resolution expressing appreciation to John Sanchez upon his retirement.

MOTION PASSED: 9-0

CITY MANAGER COMMENTS

06/28/10

City Manager, James Keene spoke on the 29th Annual Independence Day Summer Festival & Chili Cook-Off. In the Spring of 2010, the Tree House Affordable Housing Project was one of only two single-room occupancy affordable housing projects to be awarded tax-credit funding from the State.

ORAL COMMUNICATIONS

Herb Borock, Palo Alto, urged the City Council to reverse the action, given to Staff, to place the Consent Calendar Items at the end of the City Council agenda.

Ken Horowitz, Palo Alto, urged the City Council to commence negotiations with Foothill-De Anza Community College for the purchase of the Cubberley Community Center.

James Schmidt, Palo Alto, spoke on recent activities from the Friends of Palo Alto Library. The Friends of the Palo Alto Library approved two grants in the total amount of \$300,000 to support Palo Alto libraries.

Brian Ward, provided an update on the Service Employees International Union contract.

APPROVAL OF MINUTES

MOTION: Council Member Holman moved, seconded by Council Member Yeh to approve the minutes of May 24, 2010.

MOTION PASSED: 9-0

CONSENT CALENDAR

MOTION: Council Member Yeh moved, seconded by Council Member Holman to remove Agenda Item No. 4 from the Consent Calendar to become Agenda Item No. 5a.

MOTION: Vice Mayor Espinosa moved, seconded by Council Member Holman to approve Agenda Item Nos. 3 and 5.

3. Resolution 9070 Determining the Proposed Calculation of the Appropriations Limit for Fiscal Year 2011.

~~4. Approval of Three Contract Documents for the Downtown Library Measure N Bond Project (CIP PE-09005): (1) Contract with W.L. Butler Construction, Inc., in a Total Amount Not to Exceed \$2,875,000 for Construction; (2) Contract Amendment Two with Group 4 Architecture, Research + Planning, Inc., to Add \$312,396 for~~

~~Construction Administration Services for a Total Contract Amount Not to Exceed \$4,231,710; and (3) Contract Amendment One with Turner Construction to Add \$432,000 for Construction Management Services for a Total Contract Amount Not to Exceed \$582,198.~~

5. Resolution 9071 Expressing Appreciation to Tyrone A. Campbell Upon His Retirement.

MOTION PASSED for Agenda Item Nos. 3 and 5: 9-0

AGENDA CHANGES, ADDITIONS, AND DELETIONS

5a. (Former No. 4) Approval of Three Contract Documents for the Downtown Library Measure N Bond Project (CIP PE-09005): (1) Contract with W.L. Butler Construction, Inc., in a Total Amount Not to Exceed \$2,875,000 for Construction; (2) Contract Amendment Two with Group 4 Architecture, Research + Planning, Inc., to Add \$312,396 for Construction Administration Services for a Total Contract Amount Not to Exceed \$4,231,710; and (3) Contract Amendment One with Turner Construction to Add \$432,000 for Construction Management Services for a Total Contract Amount Not to Exceed \$582,198.

Council Member Price stated she would not participate in the Agenda Item because the American Institute of Architects had a significant relationship with Turner Construction.

Council Member Yeh stated the Downtown Library Measure N Bond Project (Bond Project) required a Bond Oversight Committee to ensure appropriate oversight. He did not see any mention of the Bond Oversight Committee's review of the contracts.

Director of Public Works, Glenn Roberts stated the Public Works Department was responsible for the administration of the contracts on the Bond Project. The Bond Oversight Committee had been established, and processes had been put in place for a review of audit expenditures. The review by the Bond Oversight Committee would take place after expenditures have been made to ensure that funds were spent properly and were in compliance with the original bond commitments. He ensured the City Council that the process was consistent with the original intent of the Bond Project. The City Auditor's Office had an additional program to review the conformance of the Bond Project.

Council Member Yeh stated he did not observe the Bond Oversight Committee as serving an auditing role, but rather a committee that provided feedback.

Mr. Roberts stated the Bond Oversight Committee met periodically, and did not meet to review each line item. He spoke on a similar Oversight Committee's success using the same model.

Council Member Yeh stated the Bond Project was the first major bond issuance in the City in several years. Defining the roles and responsibilities of the Bond Oversight Committee would be beneficial as new costs arise. He spoke on his concern on the frequency of the meetings held by the Bond Oversight Committee.

Deputy Director of Administrative Services, Joe Saccio stated Staff met quarterly with the Bond Oversight Committee to review the guidelines of the Bond Project, and provided a report of expenditures made. The City Auditor's Office provided documentation to the Bond Oversight Committee on which items would be covered under the Bond Project.

Council Member Yeh requested clarification on the role of the Bond Oversight Committee.

City Manager, James Keene stated Staff would follow up with the request made by Council Member Yeh.

Council Member Klein stated the Bond Oversight Committee was not a policy committee, and its intent was to serve as an auditing committee. He stated changing the function of the Bond Oversight Committee would slow the process down. He felt adequate controls were in place to verify, to the community, that funds had been spent in appropriate ways.

Council Member Holman stated the Agenda Item recommended that the City Manager execute one or more change orders to the contract with W.L. Construction, Inc. for unforeseen work which may develop during the Bond Project. She inquired whether those change orders would be executed in a lump sum or as needed.

Mr. Roberts stated \$375,000 was a reserve set aside for unforeseen issues that may arise during the construction of the Bond Project and would be used as needed. He spoke on an audit that had been performed on the use of expenditures and contingency funds.

Council Member Holman inquired whether there was a consideration, in the estimated cost, on the fact that the Bond Project had an existing building.

Mr. Roberts stated yes. He spoke on the rigorous process of requiring potential bidders to become prequalified and attend mandatory pre-bid conferences which discussed the nature of the Bond Project. He stated construction on a 50-year old building would likely have unforeseen conditions and flexibility was necessary.

Council Member Holman inquired whether a 27 percentage rate for oversight was a typical rate for a project of this magnitude.

Mr. Roberts stated yes.

Council Member Schmid concurred with the comments made by his colleagues, and congratulated Staff for receiving the Bond Project funding.

Mayor Burt stated the bid was 25 percent below the Engineer's estimate. He inquired when the Engineer's estimate was made.

Mr. Roberts stated the Engineer's estimate was prepared between the Fall of 2009 and Spring of 2010.

Mayor Burt inquired whether the Engineer's estimate contained adjustments that took into consideration the current economic downturn.

Mr. Roberts stated that was correct. He stated many contractors were bidding projects at their cost to stay in business and keep crews busy.

MOTION: Council Member Yeh moved, seconded by Council Member Scharff to approve and authorize the City Manager or his designee to execute a contract W.L. Butler Construction, Inc., in a total amount not to exceed \$2,875,000 for construction of improvements at the Downtown Library, to execute Amendment Number Two to Contract C09130744 with Group 4 Architecture, Research + Planning, Inc. in an amount not to exceed \$312,396 for construction administration services, and execute Amendment Number One to Contract C10131631 with Turner Construction, Inc. in the amount of \$432,000 for construction management services.

MOTION PASSED: 8-0 Price not participating

ACTION ITEMS

6. Public Hearing: Adoption of the Operating and Capital Improvement Budget for Fiscal Year 2011 and Adoption of a Budget Amendment Ordinance 5085, including 1) Exhibit A – City Manager's Fiscal Year 2011 Proposed Budget; 2) Exhibit B – Amendments to the City Manager's Fiscal Year 2011 Proposed Budget; 3) Exhibit C - Revised Pages in the Fiscal Year 2011 Table of Organization; 4) Exhibit D –

Fiscal Year Proposed Municipal Fee Schedule; 5) Exhibit E – Amendments to the Fiscal Year 2011 Proposed Municipal Fee Schedule.
(ITEM CONTINUED FROM JUNE 21, 2010 - PUBLIC TESTIMONY CLOSED)

City Manager, James Keene provided a presentation on the Fiscal Year 2011 Proposed Budget (Proposed Budget). The City was in year three of a four year financial crisis. The structure of the Proposed Budget contained no tax, electric, gas, water, or wastewater utility rate increases. Staff focused on reducing costs in staffing and reduction to some City services. A number of proposed service reductions, avoided by a Finance Committee action, were as follows: 1) reestablished for four of five traffic safety Police Officers; 2) reinstating the crossing guard funding; 3) reinstating two fraud detectives; 4) reinstating four tree trimmers; and 5) avoiding full closure of College Terrace and keeping libraries open on Mondays. He spoke on permanent staffing reductions, which included 44.25 regular full-time and part-time positions eliminated, and 13.97 temporary positions eliminated. He indicated that this resulted in 10 actual layoffs, out of 56 proposed. The Proposed Budget would include short-term cutbacks that would be transitioned in to create a leaner organization, and long-term changes that would drive the City to more efficiency and value. He spoke on the future challenges that faced the City, as follows: 1) \$2 million deficit in Fiscal Year 2012; 2) need to achieve wage, pension, and benefit structural cost savings from all employee groups; and 3) need to acknowledge the fact that the City was facing a future with tremendous uncertainty.

Administrative Services Director, Lalo Perez recapped the position of the Proposed Budget. He stated there were estimated revenues of \$139,445,000 million, and expenditures of \$178,958,000 million. He stated, after Finance Committee adjustments were made, a surplus of \$487,000 was left for alternatives. He spoke on revenues and expenditures that were, and were not, included within the above figures, as follows: 1) did not include potential salary savings from the Fire Department's labor group negotiations; 2) included the Police Officers final year of compensation within the current contract; and 3) included partial credits, but did not include future savings, from items on a two-tier pension and healthcare medical at the full year. He spoke on revenue movements that had benefited and hindered the balancing of the Proposed Budget. The Transient Occupancy Tax had shown signs of improvement; however, property tax, utility users tax, and interest income tax had been adjusted downward. The changes in revenue movement were not significant enough to help reconcile the Proposed Budget, and were proposed to be adjusted at Mid-Year. He spoke on outstanding items carried forward, as follows: 1) 50/50 cost sharing on sidewalk replacement; 2) Cross Town Shuttle; 3) spay and neuter fee increase; 4) High Speed Rail Corridor Study; and 5) update to the South El Camino Real design guidelines. The sum of the outstanding projects totaled \$588,000. He acknowledged Council Member Shepherd's comment,

on Agenda Item No. 7, that the update on the Federal Deposit Insurance Corporation figures were not included, and language would be substituted in all areas where the Federal Deposit Insurance Corporation was incorporated in the Investment Policy to reflect the temporary increase from \$100,000 to \$250,000 through January 1, 2014.

Mayor Burt stated the Public Hearing would be reopened for public testimony.

Director of the Palo Alto Humane Society, Carole Hyde, Menlo Park, spoke on her concern for the proposed fee increases at the Animal Services Shelter.

Elizabeth Lee, Palo Alto, spoke on her support to continue enforcement and raise the fines for leaf blower offenders.

Library Advisory Commissioner, Leo Hochberg spoke on his support to reopen the College Terrace Library this Fall, and keep all libraries open on Mondays.

Robert Moss, Palo Alto, spoke on his support to retain the proposed cut to reduce one City Attorney Legal Secretary and services to the Cross Town Shuttle. He urged the City Council to increase, rather than decrease their salaries by ten percent.

City Attorney, Gary Baum stated Stanford matters would be considered prior to the adoption of the entire Budget Amendment Ordinance due to a conflict with Council Member Klein. He stated Stanford matters included public safety and Capital Improvement Program (CIP) items.

Mayor Burt inquired whether the City Council should proceed with 6a portions of the Police and Fire Department Budgets, as modified, and portions of the CIP relating to Stanford.

Mr. Baum advised the City Council to discuss any additional issues prior to proceeding with 6a portions of the Proposed Budget.

MOTION: Council Member Scharff moved, seconded by Council Member Shepherd to not implement the recommendation to share 50% of sidewalk replacement costs with residents.

Council Member Scharff stated this matter was placed in the parking lot at the Finance Committee Meeting to ensure that the City Council cut enough expenditures to balance the City's Budget. He reiterated that there was a surplus of \$487,000. It was his belief that implementing cost sharing of sidewalk replacement costs with property owners was bad public policy.

Council Member Shepherd concurred with the concerns made by Council Member Scharff. She stated property owners may be required to shoulder more of the City's expenses in the future. She recommended that Staff work in conjunction with Canopy on this important task.

Council Member Schmid stated his disapproval for the cost-sharing. He stated Staff had generated a surplus of \$487,000 and the City Council should drop the proposed requirement for property owners to pay 50% of sidewalk replacement costs. He stated using the surplus for this cause would save property owners a fee of approximately \$300,000.

Council Member Klein stated he was not in favor of imposing this requirement on property owners. He spoke on a response by the City Attorney's Office on the basis of the tax, and why neighboring jurisdictions charged residents for sidewalk repair. He spoke on a public letter received by Theodore Carlstrom which highlighted points that were not covered by the City Attorney's Office.

Council Member Holman spoke on administration costs and potential impacts on Staff to administer the proposed program. She supported the comments made by Canopy. She spoke on the potential for lien impacts on property owners.

Vice Mayor Espinosa stated he would be voting against the Motion. The City Council was asked to identify structural changes that mirrored neighboring jurisdiction programs that worked. He stated the issues raised in the letter by Theodore Carlstrom could be worked through as the program was developed and there was significant money to be saved.

Council Member Yeh stated the Infrastructure Blue Ribbon Task Force had been created and members of the public had suggested that the Task Force look into this issue. He expressed his concern for passing the cost onto property owners at this time. One potential deliverable, coming from the Infrastructure Blue Ribbon Task Force, was to look into funding options for the infrastructure backlog. He stated having the finance burden passed onto property owners might erode a willingness within the community to support a bond measure. He stated voting on this would signify a clear prioritization that sidewalks were a top priority infrastructure need. He supported that the Infrastructure Blue Ribbon Task Force review the sidewalk infrastructure needs.

Council Member Price concurred with the comments made by her colleagues and stated her support for the Motion.

Mayor Burt spoke on actions made at the Finance Committee to eliminate the liability to property owners by returning with additional savings that gave an opportunity to restore the current sidewalk repair policy. He spoke on his concern on the response from the City Attorney's Office as it did not reflect the rationale from the Finance Committee Meeting's discussions.

MOTION PASSED: 8-1 Espinosa no

Mr. Keene stated analysis of whether liens were necessary, different approaches, and implementations strategies were not discussed in full detail. There were many ways a sidewalk repair program could be implemented that could reduce costs.

Mayor Burt directed the City Council to discuss 6a portions of the Proposed Budget.

Council Member Klein stated that in prior years, all Amendments were initially heard.

Mr. Perez stated a balance of \$158,000 was available for alternative funding. He stated this amount took into account preceding Motions made on June 23, 2010.

Council Member Yeh stated the Police Department's demographic collection program was not in the alternative items to be considered. He inquired whether there had been additional work done for potential contracting on demographic collection. He stated there was willingness by community members to analyze data that was collected. He expressed his concern that demographic collection data would no longer be available for public inspection.

Coordinator of Police Department Technology Services, Charles Cullen stated preliminary work had been done on what it would take to continue the demographic collection program. There was no model available for locating an outside contractor to compile data, maintain confidentiality, and provide the level of reporting that was currently done. It was his belief it would be more difficult to produce a report by an outside contractor than how the information was currently processed.

Council Member Yeh stated the demographic collection program was established due to an emotional response within the community.

Council Member Holman inquired how the leaf blower Ordinance would be administered and enforced with the proposed reduction in staffing.

Mayor Burt requested a clarification on the proposed fine structure on the leaf blower Ordinance.

Police Captain, Mark Venable stated the leaf blower fine was currently \$100. He stated the proposed enforcement would be regulated through the Dispatch Center under a complaint basis. A Police Officer would be dispatched, on a priority basis, to administer a citation. There was a proposed three-tier approach that would provide the Police Department a greater ability to enforce offenders. The proposed three-tiered model, with new administrative fines, would return at Mid-Year.

Mayor Burt inquired why the three-tiered approach would be returning at Mid-Year.

Mr. Venable stated Mid-Year was the time when the Police Department typically returned with revised administrative schedules for the City Council's consideration and approval. In the interim, the Police Department was able to issue multiple fines to offenders.

Council Member Holman inquired on the likeliness that Police Officers would be dispatched in time to catch offenders.

Mr. Venable stated the likeliness for catching offenders would depend on the time of day, accidents within the City, and other factors. Since the offense was defined in the Municipal Code as a civil fine, the Police Officer was not required to arrive in time to see the violation to administer the penalty.

Council Member Holman inquired whether a log would be kept of reported violations, whether they were witnessed or not.

Mr. Venable stated that was correct.

Council Member Holman stated utilizing the City's Facebook account may provide an opportunity to help enforce leaf blower offenders.

Council Member Scharff recalled that the Finance Committee discussed an approach that would maximize enforcement, which did not include a three-tiered approach. He hoped an approach would be returned to the Finance Committee earlier than Mid-Year.

City Attorney, Gary Baum stated the City Attorney's Office would work with the Police Department to devise a way to return earlier than Mid-Year. Court imposed fines were restricted fines and could only be reviewed and changed annually. He stated this was an administrative fine. He stated the leaf blower Ordinance was outside the court's purview.

Council Member Scharff stated Staff's goal was to investigate the appropriate dollar amount to fine residents, and the intent of the three-tiered approach was to not cite a resident on the first offense.

Mr. Venable stated that was correct.

Council Member Price inquired on the fines in neighboring cities.

Mr. Venable stated he was unaware of the fines in neighboring cities. The City's current fine was average to what other cities had set at that time it was developed. He stated many fines have increased in neighboring cities recently.

MOTION: Council Member Schmid moved, seconded by Council Member Scharff to include in the 2011 budget \$90,000 for the High Speed Rail Corridor Study, and \$30,000 for the update on the South El Camino Real Design Guidelines for a total of \$120,000.

Council Member Schmid stated the City Council was in the midst of the City's Comprehensive Plan Update. The Motion contained two essential components for planning the future of the community.

Council Member Scharff stated budgeting these items was important because they were significant projects. The City Council should provide direction to Staff on the South El Camino Design Guidelines. He stated flexibility was needed on the High Speed Rail (HSR) Corridor Study and funding needed to be obtainable.

Council Member Shepherd inquired whether the funding for the HSR Corridor Study was specifically for Palo Alto's domain.

Mr. Keene stated that was correct.

Council Member Shepherd stated the Motion was for a study of the Caltrain Corridor.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change the designation from High Speed Rail Corridor to Palo Alto Rail Corridor.

Council Member Holman stated the City would be applying for compensation for its out-of-pocket expenses. She inquired whether Staff would be able to add this study to the compensation list if the study's title was kept as HSR Corridor Study.

Mr. Keene stated the wording of the study would not impact the City's pursuit for reimbursement.

Council Member Klein assumed that the HSR Corridor Study was the study that the City Council had not yet approved.

Mr. Keene stated that was correct.

Council Member Klein felt it was premature to include the HSR Corridor Study in the Budget prior to receiving a report from the HSR Committee. He suggested the Motion be divided, and that the City Council delay the HSR Corridor Study and funding considerations.

Mayor Burt stated the Motion would be divided in order to allow the City Council to vote separately on the Update of the South El Camino Real Design Guidelines and the HSR Corridor Study. He suggested discussing the South El Camino Design Guidelines first.

MOTION: Council Member Schmid moved, seconded by Council Member Scharff to include in the 2011 budget \$30,000 for the update on the South El Camino Real Design Guidelines.

Council Member Price spoke on her approval of the South El Camino Real Design Guidelines. She spoke on the Guideline's complimentary aspects toward the City's Comprehensive Plan.

Council Member Holman inquired whether the Motion, to approve the update of the South El Camino Real Design Guidelines, would include the Grand Boulevard design.

Director of Planning and Community Environment, Curtis Williams confirmed that the City Council included the support of concepts for the Grand Boulevard in the South El Camino Real Design Guidelines.

Mayor Burt inquired whether the Maker and Seconder agreed to include in the South El Camino Real Design Guidelines consideration of the Grand Boulevard Design Guidelines.

Council Member Schmid asked whether the Grand Boulevard Design Guidelines included guidelines on El Camino Real through the entire City.

Council Member Holman confirmed that Grand Boulevard included all of Palo Alto City limits and beyond. She requested that the Motion work in consideration with the Grand Boulevard design concept to help make El Camino Real a vibrant thoroughfare.

Council Member Scharff was unclear on the practical difference if the phrase was not incorporated within the Motion.

Council Member Holman stated Staff should not be working at-odds with the Grand Boulevard design concept.

Council Member Scharff inquired whether there was an intention to work counter to the Grant Boulevard design concept.

Council Member Holman stated no.

Mayor Burt described the incorporation as additional clarification to Staff on the two Guidelines working together, as supported by prior City Council Members.

Council Member Scharff spoke on his concerns for projects built too close to the sidewalk.

Mayor Burt stated the Grand Boulevard design concepts would prevent some of Council Member Scharff's concerns.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to include in the South El Camino Real Design Guidelines consideration of the Grand Boulevard Design Guidelines.

MOTION AS AMENDED: Council Member Schmid moved, seconded by Council Member Scharff to include in the 2011 budget, \$30,000 for the update on the South El Camino Real Design Guidelines and to include consideration of the Grand Boulevard Design Guidelines.

MOTION PASSED: 9-0

MOTION: Council Member Schmid moved, seconded by Council Member Scharff to include in the 2011 budget \$90,000 for the High Speed Rail Corridor.

Mayor Burt stated the City Council would now discuss the HSR Corridor Study. He restated Council Member Klein's comments regarding passing a Motion preceding a policy discussion by the HSR Committee. He indicated it was unusual to have a budget allocation before consideration of a policy.

Mr. Keene stated the issue at hand was a policy issue rather than a legal issue. The Motion could be contingent upon review and recommendation by the HSR Committee.

Council Member Shepherd stated she would like to propose that the Motion be approved contingent upon the HSR Committee's approval.

Council Member Scharff stated approving the Motion would not add the HSR Corridor Study's funding to the Budget. He indicated that the Finance Committee would return to the City Council with the actual approval to allocate the money. Upon approval of the Motion funding would be set aside, and if the HSR Corridor Study was not approved by the Finance Committee the funding would not be spent.

Vice Mayor Espinosa stated he looked forward to the HSR Corridor Study returning with a recommendation from the HSR Committee. He agreed that language should be incorporated into the Motion for clarification.

Mayor Burt clarified that the Motion would be contingent upon the City Council's approval.

Council Member Scharff stated his support for the incorporation within the Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to allocate \$90,000 to the Palo Alto Rail Corridor contingent on the recommendation of the High Speed Rail Committee and approval by the City Council in support of the policy.

Council Member Price spoke on her support for the Motion, and for a HSR Corridor Study that would clarify the City's position.

Council Member Schmid stated giving priority for funding was unusual; however, it was necessary to include this in the Budget. He spoke on projects that had been delayed because funding was not included in the Budget. It was his belief the Motion was an important element for the planning of the HSR Project.

Council Member Holman inquired whether there was fluidity in the proposed \$90,000 in Fiscal Year 2011 and \$100,000 in Fiscal Year 2012.

Mr. Keene stated the funding for Fiscal Years 2011 and 2012 were approximations and could be structured any way the City Council chose. The proposed funding for Fiscal Year 2012 was appropriate, and as more details arose Staff would update the City Council. He reminded the City Council that they had the legislative authority to make adjustments to the City's Budget throughout the year.

Council Member Holman inquired whether \$90,000 was an appropriate amount to allocate to the Palo Alto Rail Corridor Study.

Mr. Keene stated \$90,000 was Staff's best estimate, in combination with \$50,000 that was allocated from the Planning Department's Budget.

Mr. Perez stated there was now a surplus balance of \$68,000 for alternative funding.

Council Member Klein stated the South El Camino Real Design Guidelines were approved, as a policy decision, at the June 23, 2010 City Council meeting.

MOTION AS AMENDED: Council Member Schmid moved, seconded by Council Member Scharff to include in the 2011 budget \$90,000 for the Palo Alto Rail Corridor contingent on the recommendation of the High Speed Rail Committee and approval by the City Council in support of the policy.

MOTION PASSED: 9-0

MOTION: Council Member Klein moved, seconded by Council Member Scharff to eliminate one Legal Secretary position in the City Attorney's Office.

Mayor Burt inquired whether the Legal Secretary position was currently budgeted in the City's Budget.

Council Member Klein stated yes. He stated the surplus would increase if the Motion passed.

Mayor Burt inquired how much the surplus would increase if the Motion passed.

Mr. Keene stated approximately \$117,000.

Council Member Klein stated private law firms were making do with substantially less personnel support per lawyer than what the City currently had. It was his belief this was an area where significant money could be saved. He stated additional workload could be managed by hiring temporary personnel.

Council Member Scharff stated Manhattan firms have moved to a 5:1 ratio, with five attorneys to one secretary.

Vice Mayor Espinosa called the City Council's attention to a memorandum prepared by the City Attorney's Office. He stated the memorandum made a compelling case that the Legal Secretary position was necessary for the City to continue to provide legal recommendations to the City Council.

Council Member Shepherd spoke on the difficulty for comparing private sector and public sector services. She stated the elimination of one Legal Secretary position could be reevaluated next year, if needed.

Council Member Holman stated the City Council was doing a prudent job evaluating staffing levels. She did not equate public sector services with private sector services. She stated she was unable to make an appropriate determination on the staffing level for the City Attorney's Office.

Council Member Schmid stated the City Attorney's Budget contained a much larger decrease than other City departments. Public sector establishments were unique in that they have litigations covering public safety, streets, Ordinances, permits, and the like. The City Attorney made a compelling case that public sector Legal Secretaries assist in processes that made the work of the attorneys more efficient.

Council Member Price stated the public sector was vulnerable to litigations. She anticipated that the City Attorney's Office would continue to require the support that the Legal Secretaries provided.

Mayor Burt spoke on his support for the Motion. There was less of a requirement for administrative Staff in today's technology era. He stated this Motion would allow consideration for other items that had been parked.

City Attorney, Gary Baum stated it was essential for the City Council to analyze City departments and ensure they had appropriate staffing. The City Attorney's Office had been reduced by 12½ percent this Fiscal Year, and had doubled productivity over the last five years. The City Attorney's Office provided support for 1,053 employees and roughly 60,000 citizens. He stated the Legal Secretary support level was similar, or slightly lower, in comparison to surrounding cities. He spoke on the responsibilities of the Legal Secretary position, and the potential impacts to the City Attorney's Office if the Motion passed.

Council Member Klein clarified that the Motion was to eliminate one support Staff position in the City Attorney's Office.

MOTION FAILED: 3-6 Burt, Klein, Scharff yes

Vice Mayor Espinosa spoke on his concern for the elimination of the Police Department's demographic collection program. The demographic collection data was not used to make decisions or policy changes; however, if the data was not collected there would be an unknown to the practices used by the Police Department. It was his hope the City would fund this program when resources were available.

Council Member Shepherd stated the Palo Alto Neighborhoods (PAN) had been able to secure grants and volunteers; however, they were in need of \$20,000 to complete their Emergency Preparedness Program.

MOTION: Council Member Shepherd moved, seconded by Council Member Scharff to accept the Palo Alto Neighborhoods proposal to fund the Block Coordinator Program with \$20,000.

Mayor Burt clarified that the Motion was to fund the PAN Emergency Block Preparedness Coordinator Position for \$20,000.

Mr. Keene stated \$20,000 would fund PAN's operations and supplies, and would not support a coordinator position.

Council Member Scharff stated one of the City Council's top priorities was emergency preparedness. He felt the Motion was an excellent use of City funds.

Vice Mayor Espinosa inquired whether there was a proposal from PAN on how the requested funds would be spent.

Ms. Morariu stated PAN submitted a proposal which included ongoing and one-time expenses for their Block Coordinator Program. The items included vests, identification cards, whistles, copying expenses, annual recognition events, signage, magnets, radios, and community bulletin boards.

Vice Mayor Espinosa stated, considering the priority on emergency preparedness, why funding the Block Coordinator Program was not included in the City's Budget.

Ms. Morariu stated PAN's proposal was received subsequent to the preparation of the City's Budget.

Council Member Holman stated it was her belief that PAN indicated they could manage on a budget of \$10,000.

Ms. Morariu stated PAN identified \$6,600 in one-time expenses. She stated \$20,000 included funding for ongoing expenses.

Council Member Holman suggested that \$10,000 be allocated from the General Fund, and \$10,000 be allocated from the Council Contingency Fund.

Mr. Keene stated the City Council had the discretion to allocate funding from the Council Contingency Fund.

Council Member Yeh requested clarification on PAN's ongoing expenses.

Ms. Morariu stated ongoing expenses included the purchase of supplies and materials equaling approximately \$13,400.

Council Member Yeh stated there was a cut in the Police Department that impacted the Block Coordinator Program. PAN expressed an interest in establishing a Friends Group. He thought making a distinction between ongoing costs and one-time expenses was essential.

Council Member Price spoke on her support to break the funding into two parts. Emergency preparedness was a top priority, and it would be a commitment to emergency preparedness to fund the Block Coordinator Program.

Mayor Burt stated as the Block Coordinator Program expanded non-recurring expenses, such as equipment, may need to be purchased.

Ms. Morariu was not familiar with the specific equipment that would need to be purchased. She concurred that there would be a need to purchase additional supplies, such as radios, as the Block Coordinator Program expanded.

Mayor Burt stated PAN was one of the most highly-leveraged efforts within the community, and had great potential to perform an even more valuable service. He foresaw that expenses may grow. It was his belief \$6,600 was an ongoing expense, opposed to a one-time expense.

Council Member Shepherd stated she had spearheaded a number of fundraising efforts, and they were time consuming. The efforts put forward by PAN should be supported by the City Council. She spoke on private funds that had been used to fund the Block Coordinator Program.

Council Member Price stated PAN had clearly produced and demonstrated results.

Council Member Holman inquired whether the Motion was in support of an ongoing program.

Mayor Burt stated the City Council would be committing to support the Block Coordinator Program for one year only.

MOTION PASSED: 9-0

Mr. Perez stated there was now a surplus balance of \$48,000 for alternative funding.

Council Member Holman recommended that the original pet adoption fees be restored. This would require an additional \$12,000. She stated she was more accepting for the increase of spay and neuter fees.

MOTION: Council Member Holman moved, seconded by Council Member Scharff to restore in the Animal Services Division of the Police Department, the original pet adoption fees.

Council Member Holman stated the Motion was in response to the present economy. The Palo Alto Animal Shelter was a no-kill shelter, and pets were an important part of citizens' lives.

Council Member Scharff stated pet adoption was a competitive market. He supported the adoption of pets from the Palo Alto Animal Shelter.

Council Member Shepherd spoke on the Humane Society Foundation's concerns on the potential fee increases to pet adoptions. She stated her support for Staff to work with community partnerships to solve animal service issues.

MOTION PASSED: 9-0

Mr. Perez stated there was now a surplus balance of \$36,000 for alternative funding.

Council Member Holman stated the City did not have funding available for the Cross Town Shuttle; however, there may be future opportunities to restore shuttle services. She recommended that the City Council look at ways to best promote the Cross Town Shuttle. She proposed that Staff attempt to restore the partnership between the Palo Alto Unified School District (PAUSD) for funding shuttle programs.

Council Member Price stated the Cross Town Shuttle provided a much needed service to the community. She stated the shuttle's service should be marketed better to gain a larger rideshare. She concurred with comments made about restoring the partnership with the PAUSD. In 2008, the PAUSD discontinued their support of \$40,000 annually to support the PAUSD shuttle system.

MOTION: Council Member Schmid moved, seconded by Council Member Holman that the City Council allocate \$30,000 to study the City's shuttle transportation options.

Council Member Schmid stated there had been a number of frustrating rejections as to where the transportation policy was over the last 18 months. He spoke on the Valley Transportation Authority (VTA), Stanford, and Cross Town Shuttle services that were declining in routes and ridership. He posed several questions that could be analyzed in a study on transportation options.

Council Member Holman suggested that the Motion include up to \$30,000, and include analyzing best practices, signage and promotion of the City's shuttle services. She suggested that Staff revisit the agreement with the PAUSD to restore funding in Fiscal Year 2011.

Mayor Burt inquired whether Council Member Schmid accepted the recommendation from Council Member Holman to utilize up to \$30,000 for best practices, signage, and promotion.

Council Member Schmid stated the proposal was inline with his Motion.

Council Member Holman stated her intention was to include an analysis of best practices, signage, and promotion, and not be limited to those three areas.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to revise the Motion to add the words "up to \$30,000", to include an analysis of best practices, signage, and ways to promote the program. Furthermore, to request restoration of funding for 2011 from the Palo Alto Unified School District (PAUSD).

Council Member Yeh inquired whether the Motion included using the funds for signage and promotion of the Cross Town Shuttle services.

Council Member Schmid stated his intention was to spend the funding on a study of what should be done.

Council Member Holman stated her intention was for the expenditure of funding on analysis up to \$30,000.

Mr. Keene stated the Motion was to conduct an analysis on providing better transit services in the community. He felt the Motion was clear on the kinds of things that would be studied, qualified by the fact that the cost was unknown at this time. If the Motion passed, Staff would take a closer look at this and return with a proposal on what up to \$30,000 would best achieve.

Council Member Yeh spoke on communication received from retired Chinese speaking members of the community that requested additional information on alternative outreach methods for the Cross Town Shuttle.

Council Member Klein discouraged the use of City funds for a study at this time. He suggested that Staff return with an evaluation of methods for increasing ridership, marketing strategies, and study options.

Council Member Scharff supported the sentiments behind the Motion. He supported Staff returning with direction, but was opposed to commencing with a study.

SUBSTITUTE MOTION: Council Member Scharff moved, seconded by Council Member Klein to direct Staff to report back to Council with an evaluation of methods for increasing ridership, marketing strategies, and study options.

Council Member Price stated there were materials, studies, and best practices available at most transit agencies. She stated Staff was good at performing feasibility studies, and did not want to get into the trap of analysis and paralysis.

Council Member Shepherd stated she regularly saw community shuttles when driving around town. She stated her support to take a comprehensive look at the various transit systems, and see how midday gaps could be filled.

Vice Mayor Espinosa spoke on his opposition for the Motion and Substitute Motion. He recommended a full Council discussion, on what should be studied, in order to have a clear understanding of appropriate funding. He suggested a Colleague's Memo.

Council Member Schmid stated the Substitute Motion alluded to directing Staff to analyze how the City would improve ridership on the existing shuttle system.

Council Member Scharff stated the Substitute Motion did not take away from the original Motion. He stated they both focused on increasing ridership.

Council Member Schmid stated that was correct.

Council Member Scharff stated it was important to increase ridership.

Council Member Schmid stated funding this was inappropriate, and a larger discussion was needed. He spoke on the importance of looking beyond the current shuttle system, as it did not seem to be working effectively.

Council Member Holman recommended adding to the Substitute Motion language to direct Staff to return to the PAUSD and request restoration of a partnership to help fund the shuttle program.

Council Member Klein spoke on his concern for requesting the PAUSD to help fund the shuttle program. He stated there was a possibility that the PAUSD would decline as they had their own financial obstacles.

Council Member Holman called attention to the fact that the PAUSD had withdrawn \$40,000 from the City's shuttle system.

INCORPORATED INTO THE SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct Staff to return to PAUSD to request that they restore their previous contribution to the shuttle program.

Council Member Price stated that requesting the PAUSD to restore their previous contribution to the City was appropriate.

Mayor Burt stated his support for the Substitute Motion.

SUBSTITUTE MOTION AS AMENDED PASSED: 8-1 Espinosa no

Council Member Yeh stated his support for the Resolution regarding City Council Members' compensation.

MOTION: Council Member Yeh moved, seconded by Mayor Burt that the City Council amend the Resolution encouraging Council Members to voluntarily reduce their salaries by 10% for FY 2011, striking the section stating "The City Attorney is directed to return with an Ordinance permanently reducing City Council, Vice Mayoral, and Mayoral compensation by 10% effective on January 1, 2012."

Council Member Yeh stated his support on reducing the Fiscal Year 2011 City Council salaries by 10 percent, but not make said cut permanent. He felt subsequent elected officials should have flexibility in making decisions regarding their compensation.

Mayor Burt spoke on his support to reduce the City Council's compensation this Fiscal Year and next Fiscal Year, if the City was still facing a severe financial crisis. He was unaware that the intention of the Resolution was to make this a permanent action.

Mr. Keene appreciated the symbolism regarding this Motion; however, he stated the compensation for City Council Members was not equivalent to the time and effort they contributed to the community.

SUBSTITUTE MOTION: Council Member Schmid moved, seconded by Council Member Holman to not approve Agenda Item No. 6d- Resolution encouraging all Palo Alto City Council members voluntarily accept a 10% reduction in their salaries for Fiscal year 2011 due to the financial challenges facing the City.

Mr. Baum stated the City Council would be voting on all Resolutions individually at the end of this Agenda Item, and if the Mayor wished to move this particular Resolution out of order he could do so.

Mayor Burt stated the best way to handle this Resolution was to move it forward and treat it as a Substitute Motion.

Council Member Klein stated this action would make it impossible to vote on the Motion by Council Member Yeh. He stated voting on the Resolution separately would include Section 3.

Mayor Burt stated the City Council could first vote on the Motion by Council Member Yeh, and then vote on Agenda Item 6d.

Council Member Holman stated she would not be supporting the Motion. She stated, based on a 40 hour work week, her hourly salary was \$3.47. She spoke on her expenses incurred and the time she dedicated to public service.

Mayor Burt stated the City Council would vote on the Motion on the floor by Council Member Yeh and then they would treat the Substitute Motion of Council Member Schmid as a separate Motion.

Council Member Shepherd stated she would not be supporting the Motion due to the personal expenses she put into being a Council Member.

Council Member Price stated she would not be supporting the Motion because it was already a small stipend.

Council Member Schmid stated the City Council's Budget had been reduced by 46 percent. He stated City Council's goal was not to reduce employee salaries. The City Council had done everything that had been asked of them from Staff.

Council Member Klein stated if the Motion was passed, the City would not be able to reduce the pay of newly elected Council Members in the November 2011 Election. Therefore, action would need to be taken next year, or a pay cut would be voluntarily by the newly elected officials. He stated his support for making a statement to citizens and Staff that the City Council was doing their part and taking a small pay cut.

Council Member Scharff stated removing Section 3 from the Resolution would require no structural change.

Mayor Burt spoke on the symbolism and appropriateness for the Motion as Staff made sacrifices and the City Council should share in that endeavor.

MOTION FAILED: 3-6 Burt, Klein, Yeh yes

Mayor Burt stated the City Council should now vote on the Motion regarding Agenda Item 6d, encouraging all Palo Alto Council Members to voluntarily accept a 10% reduction in their salaries for Fiscal Year 2011 due to the financial challenges facing the City. The revised Resolution literally encouraged City Council Members to voluntarily accept a 10 percent reduction in salaries in Fiscal Year 2011.

Vice Mayor Espinosa inquired whether the City Council was voting to accept the Resolution provided by Staff, or the strict wording provided within the Agenda Packet.

Mayor Burt asked the Maker of the Motion for clarification on his Motion.

Council Member Schmid stated his Motion was to not adopt Agenda Item No. 6d, which included the Resolution for reduction in their salaries for Fiscal Year 2011.

Mayor Burt stated the City Council would be voting on whether or not to turn down Agenda Item No. 6d, including the memorandum and the Resolution. If the Motion failed, he would propose an additional Motion that would approve the exact statements found in Agenda Item No. 6d.

Council Member Klein suggested the Mayor use the power of the Chair to hold one vote. If the City Council Members were in favor of Agenda Item N. 6d and the Resolution to vote yes. If the City Council Members did not favor 6d portions of the Budget and the Resolution to vote no.

Mr. Keene inquired whether the City Council would be comfortable voting on 6d portions of the Budget and not the Resolution.

Mayor Burt stated the Maker of the Motion wanted to vote on the Resolution.

Council Member Scharff stated removing Section 3, in the Resolution, would make the Resolution identical to the language in 6d portions of the Budget. He stated this proposal failed in the last Motion.

Council Member Yeh stated 6d portions of the Resolution were for Fiscal Year 2011, and the Resolution went beyond Fiscal Year 2011.

Council Member Scharff inquired what Staff's intention was when they drafted the Resolution.

Mr. Baum stated Staff's intention was to follow the direction of the Finance Committee to draft a Resolution that contained a permanent reduction. In order to achieve that direction, the date was revised to the point where new City Council Members would be seated. If the City Council wanted to address only one Fiscal Year they could amend the Resolution.

Council Member Scharff stated that Motion had previously failed.

Mr. Baum stated removing Section 3 from the Resolution had failed.

Mr. Keene stated the City Council could vote in favor of Agenda Item No. 6d, or against it, and the Resolution could be reconciled.

Mayor Burt inquired whether the City Council was comfortable voting on the City Manager's proposal. He stated a yes vote would approve Agenda Item No. 6d, modify Section 2 in the Resolution, and eliminate Section 3 in the Resolution.

Mr. Keene stated if City Council Members favored voluntary reductions they should vote yes on Section D portions of the Budget. If the City Council Members opposed the voluntary reduction, they would vote no on Section D.

SUBSTITUTE MOTION: Council Member Klein moved, seconded by Mayor Burt to: 1) approve the proposed Resolution encouraging all Palo Alto Council Members to voluntarily accept a 10% reduction in their salaries for Fiscal Year 2011 due to the financial challenges facing the City, 2) delete Section 3 on the Resolution, and 3) change Section 2 effective date of July 1, 2010 through June 30, 2011.

MOTION FAILED: 4-5 Burt, Espinosa, Klein, Yeh yes

Mayor Burt stated he presumed that the failure of the Motion allowed new City Council Members to act as they saw fit on an individual basis.

Council Member Shepherd inquired whether this was an appropriate time to place remaining \$36,000 into the Contingency Fund for next Fiscal Year.

Mayor Burt stated if the City Council did not act on the remaining surplus, it would be carried over into next Fiscal Year.

Mr. Perez stated yes, assuming the City was straight on revenues and expenditures.

Mayor Burt stated no action was needed to place the surplus into the contingency fund.

Mr. Perez stated he interpreted Council Member Shepherd's definition of the contingency fund as the Budget Stabilization Reserve Fund.

Council Member Yeh requested that Staff continue research and maintain flexibility on alternatives that may exist relating to the Police Department's demographic collection program.

Mayor Burt inquired on the cost savings for the elimination of the Police Department's demographic collection program.

Mr. Keene stated the cost savings was roughly \$116,000.

Council Member Price inquired how the demographic data would be collected without a dedicated Staff member managing the program.

Mr. Cullen spoke on the two ways the Police Department's demographic data was collected. He stated Police Officers that made vehicle stops add demographic data into mobile data computers which were later compiled into the Police Department's record management system. The second way was entering handwritten citations, from the Traffic Team, into the Police Department's record management system. Once the Staff member who maintained the demographic data was gone, the accuracy of the data would be limited though the mobile data computer. He stated the integrity of the data would be lost.

Council Member Price inquired whether the Police Department was required by a regulatory authority to ensure demographic data was collected.

Mr. Cullen stated no. He indicated the City was one of the few Police Departments in the area that collected demographic data. He stated the program started in 2000.

MOTION: Council Member Scharff moved, seconded by Council Member Shepherd that the City Council adopt (6a) portions of the Police and Fire Department Budgets as modified relating to Stanford and the portions of the CIP relating to Stanford for the Fiscal Year 2011 Budget and the Ordinance portions related thereto.

Council Member Klein stated he would not participate in this item due to a conflict because his wife was on staff at Stanford University.

MOTION PASSED: 8-0 Klein not participating

MOTION: Council Member Scharff moved, seconded by Council Member Klein that the City Council approve Agenda Items: 6 (b), the remaining items in the Fiscal Year 2011 Budget as Modified and the Ordinance portions and Resolutions related thereto; 6 (c), Resolution 9072 amending the 2009-2010 Compensation Plan for Management and Professional Personnel and Council Appointees adopted by Resolution No. 9001 to add a new classification, update the salary of one classification and change the titles of eighteen classifications; 6 (e), Resolution 9073 amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to increase storm drain rates by 2.6% per month per equivalent residential unit for Fiscal Year 2010-11, and; 6 (f), Resolution 9074 amending Utility Rate Schedules EDF-1 and EDF-2 of the City of Palo Alto Utilities Rates and charges pertaining to Fiber Optic Rates, and the Finance Committee recommendations to adopt all of the remaining items in the 2011 budget and the Ordinance portions and Resolutions related thereto.

MOTION PASSED: 9-0

Council Member Yeh spoke on the difficult decisions made by the City Council to balance the City's budget. He extended his gratitude to Staff members affected by this year's Budget.

Mayor Burt, on behalf of the City Council, extended appreciation for the work done by Lalo Perez and his Staff. The City's Budget was a result of a lot of work and should be commended in this very difficult economic time.

Council Member Shepherd spoke on her appreciation for Staff and the community for their efforts on the City's Budget.

Council Member Schmid thanked the members of the Finance Committee and members of the community for their efforts on the City's Budget.

Council Member Holman spoke on the challenging decisions made, and extended her application to Staff and members of the community.

Council Member Price spoke on the collaboration that took place between Staff and members of the community, and thanked them for their suggestions.

7. Annual Adoption of the City's Investment Policy (CMR287:10)
(ITEM CONTINUED FROM JUNE 21, 2010)

Administrative Services Director, Lalo Perez spoke on the proposed revision to the definition and coverage limits of the Federal Deposit Insurance Corporation (FDIC), found in Appendix C- Glossary of Investment Terms, page 16 of the Fiscal Year 2011 Proposed Investment Policy.

Council Member Shepherd requested an elaboration on the fact that Staff was challenged when trying not to purchase Fannie Mae and Freddie Mac investments.

Mr. Perez stated, short of the Federal Government announcing that the City would not have full-facing credit, the City was investing well and investments were protected. He stated there was a lot of apprehensive news coming from various parts of the country regarding Freddie Mac and Fannie Mae. The concern was that Freddie Mac and Fannie Mae were taking over foreclosures and taking significant losses in their portfolios. Staff would continue to monitor current events on this issue. He stated a change would not occur until the Federal Government made a change.

Council Member Klein read an article in the Wall Street Journal regarding Freddie Mac and Fannie Mae.

Herb Borock, Palo Alto, spoke on his disapproval of Staff recommendations.

MOTION: Council Member Shepherd moved, seconded by Council Member Klein to adopt the City's Investment Policy, approve the addition of bonds of the State of California municipal agencies with a minimum Double A (AA/A2) rating as authorized investments, and approve the revision to the definition and coverage limits of the Federal Deposit Insurance Corporation (FDIC), found in Appendix C – Glossary of Investment Terms, page 16 of the Fiscal Year 2011 Proposed Investment Policy (CMR 287:10).

MOTION PASSED: 9-0

Council adjourned to the Redevelopment Agency meeting at 10:28 p.m.

Council reconvened from the Redevelopment Agency meeting at 10:30 p.m.

COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Council Member Shepherd thanked the Palo Alto Unified School District for funding half of the Resource Officer position, which contributed approximately \$80,000 to the City's Budget. She stated this was another example of the community reaching out to help the City.

ADJOURNMENT: The meeting was adjourned in memory of Saren H. Simitian (father of Senator J. Simitian) at 10:32 p.m