



# Finance Committee MINUTES

Special Meeting  
Tuesday, May 15, 2012

## ROLL CALL

Chairperson Shepherd called the meeting to order at 6:07 p.m. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: Council Member Burt, Price, Shepherd (Chair), Scharff

## ORAL COMMUNICATIONS

None

## AGENDA ITEMS

### 1. City Clerk Budget (continued from 05/10/12)

Acting Financial Analyst Christine Paras reported Staff had included additional detail requested at the last Finance Committee (FC) meeting. In Memorandum Attachment 1, Staff included detail by Division for salary, benefit and non-personnel costs. The item in question was the \$200,000 increase in Council Support Services. She noted a \$99,000 increase in benefits and a \$100,000 increase in non-personnel costs. She explained \$60,000 of non-personnel costs was an increase for election publication services, which would be reallocated to Election/Conflict of Interest Division. The item in question was the \$19,000 increase in total for the City Clerk Budget. There was a \$99,000 increase in Council Support Services, with offsetting decreases in the other Divisions. Those decreases were driven by the change in allocation methodology for the benefits allocation. In prior years, Staff had used Full-Time Equivalents (FTE) to allocate the costs. Now, Staff was using the employees' actual pension and healthcare costs. Staff felt this was a more accurate method to allocate benefits to the various Divisions across the City Clerk's Budget and Department wide.

Chair Shepherd inquired if Staff wanted a Motion to approve tentatively this Budget.

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Administrative Services Director Lalo Perez answered yes. This level of detail was not included in the document. If the FC felt this level of detail would be helpful for Staff to include as part of the template for all Departments, Staff could make that change in the next set of documents.

Chair Shepherd noted each Division had non-personnel costs, and asked if that contained the shifting of funds from the Clerk's Budget. For example, Council Support Services had a \$100,000 change. That category contained the specific items Staff had reported at the FC's last meeting.

Mr. Perez stated non-personnel costs would show the shifts. For example, in the Election Costs, contract costs would show up there. If there was a reallocation from one grouping to another it would also show up there.

Council Member Burt inquired if the change in reporting methodology more accurately indicated the allocation of benefits.

Mr. Perez responded correct.

Council Member Burt stated it was almost impossible to compare year-over-year changes, because they were not apples-to-apples. He thought that point should be made up front, so that everyone understood what had happened and how.

Mr. Perez stated Staff would reread the explanations on how to read the document, and discuss that. It was a concern, but Staff felt the change was necessary to better reflect cost allocations.

**MOTION:** Council Member Burt moved, seconded by Council Member Shepherd to tentatively approve the City Clerk's Budget.

**MOTION PASSED:** 4-0

## 2. Police Budget

Chair Shepherd noted the Police Budget included Animal Services. She wanted to have public comment after Staff presentation.

City Manager James Keene stated the Council charged the Finance Committee (FC) with reviewing and reconciling the Proposed Budget, then forwarding a recommendation to the City Council. The first component of

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the Police Budget was Animal Services. The policy question concerning Animal Services was should the City accept Staff's recommendation to outsource Animal Services to another agency as a cost-saving measure, or continue providing Animal Services. The Policy & Services Committee (P&SC) rejected the recommendation to outsource Animal Services, and suggested the City provide Animal Services with reduced costs. Their recommendation was to reduce City costs in the first year by \$300,000, comprised of \$100,000 of revenue increases and \$200,000 of expenditure decreases. P&SC also recommended subsequent levels of reductions in Fiscal Years 2014 and 2016. The FC was not obligated to accept and react to P&SC recommendations. Staff suggested presenting the Animal Services Budget and financial picture. He proposed a Budget with a series of revenue recommendations, maintenance of services, and program and staffing cuts across a range of City programs and services. That Proposed Budget had a deficit of \$1 million, but Staff proposed drawing on a Reserve for two one-time expenditures to cover that \$1 million deficit. Staff's focus was to ensure the FC was aware of the impacts its changes to the Proposed Budget had on the Fiscal Year 2013 and subsequent Budgets.

Sr. Financial Analyst Christine Paras noted the inclusion of an interim organizational chart on page 191. The reorganization and merger of Fire and Police would be completed in 2014. Citywide costs totaled approximately \$1 million, with personnel benefit costs increasing by \$1 million. Of these benefit costs, \$500,000 was attributed to healthcare and pension, and \$800,000 was an increase related to the retiree medical payment. The Department had a revenue decrease of \$1.4 million, of which \$300,000 was related to the departure of Mountain View from Animal Services. This \$300,000 amount represented the prorated amount of revenue lost from November through the end of the year. Outsourcing Animal Services would result in a \$900,000 decrease in revenue loss. The Department had various revenue losses related to staffing reductions. There was \$200,000 in revenue adjustments to meet actuals, based on Staff's analysis of historical trends for various revenue streams within the Department. It included administrative citations, false alarm fees, penal code violations, and impound fees. Expense decreases for the Department totaled \$2.5 million. Other than outsourcing Animals Service, the Department proposed a redeployment of Staff to patrol which equaled a decrease of \$1.13 million. The Department proposed freezing 6 Full-Time Equivalent (FTE) of line-level Staff and 1 FTE of command-level Staff. There was an \$80,000 increase for a Police Services Utilization Study. Staff proposed a decrease for the Track Watch Contract, which would be funded in the Stanford Development Agreement Fund. Outsourcing Animal Services resulted in a savings of \$1.38 million. Changes in FTEs totaled a savings of \$3.27 million, and included eliminating 13.14 FTEs for Animal Services,

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freezing 6 FTEs for redeployment of Staff to patrol, freezing 1 FTE Police Captain, and reallocating 2.5 FTEs administrative personnel from the Police Department to the Fire Department.

Mr. Keene suggested viewing Fiscal Year 2012 as a typical budget year for Animal Services. The City had a cost-sharing agreement with Los Altos, Los Altos Hills and Mountain View to provide Animal Services. Mountain View decided to leave the partnership effective November 1, 2012, and requested a transition period beginning July 1, 2012. That request was denied. The City of Palo Alto's net cost for providing Animal Services was \$700,000 in a typical year. The net loss for the City in 2013 would be an additional \$300,000, because the City would lose two-thirds of Mountain View revenue for the year. The net cost for Palo Alto and the two remaining cities would be \$1 million. In the Proposed Budget, Staff inserted a target number based on information that was not the result of a specific Request for Proposal (RFP). If Animal Services was outsourced, the City could have a net cost in Fiscal Year 2013 of \$500,000 based on the target number. If Animal Services was kept in-house, the Budget for Fiscal Year 2013 would have a net gap of \$500,000. The P&SC recommendation left a \$200,000 shortfall in the Proposed Budget without requiring new money or shifting costs to other programs. He suggested the real number for the FC's consideration was \$500,000. If the FC made \$500,000 in cuts or revenue increases this year, then net costs would be \$1.2 million the following year. If the FC made \$500,000 in revenue increases or cost reductions in 2013, the following year the FC would need to increase revenues \$200,000. If the FC agreed to retain Animal Services in-house, it would need to cover the \$500,000 gap this year, while knowing there could be another \$200,000 gap the following year. The Humane Society's recommendations included more than \$400,000 in expenditure reductions and \$400,000 in revenue increases. These recommendations were conceptually good, but practically challenging. Staff thought any transition, whether outsourcing or maintaining, would not be wrapped up by the beginning of the Fiscal Year on July 1, 2012. All of the numbers presented by Staff assumed the City would remain in a status quo situation through the first third of the Fiscal Year. The real impact of this decision would occur over the final two-thirds of the Fiscal Year. Expenditure reductions meant eliminating Staff and service impact reductions. There could be economies of existing scale or diseconomies of scale; revenue-sharing agreements might not match up with service shifts. He could not imagine closing a \$500,000 gap without rethinking how to provide services in-house. The concern with outsourcing was the change in services. Revenues also had several challenges, such as increasing revenue while maintaining the volume of business and providing services tied to

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demand. This was a major change and would take time to resolve. Staff wanted the FC to be aware of the implications of these changes.

Chair Shepherd inquired whether she could have public comment twice on one Agenda Item.

City Attorney Molly Stump stated she had discretion in managing the public comment process, as long as the public had an opportunity to speak before the Committee took any action.

Chair Shepherd asked if Staff was finished with their presentation.

Mr. Keene answered no.

Sr. Financial Analyst Amber Cameron reported Option 1 was a reduction in supervisory and management capacity as well as a slight reduction in field services capacity. It amounted to a reduction of 2.5 FTEs, which resulted in a \$276,000 estimated expenditure savings. There would be a slight revenue impact to the store revenue, because operations would be closed an additional day. The net anticipated savings for that option was about \$271,000. Option 2, which provided the most net savings, would expand Option 1 while reducing a Field Animal Control Officer and office staff and creating a combination classification. The combination classification would pickup duties for Animal Control during the summer (high season) and then pickup office duties during the low season (winter). That would provide \$372,000 in expenditure reductions with the same slight revenue impact, with a net savings of \$366,000. Option 3 was a movement to mandated services only. The City would close the spay and neuter clinic, and focus on Animal Control Services. That would eliminate four Staff with the highest level of expenditure reductions of \$524,000; however, closing the spay and neuter clinic would reduce revenue by approximately \$330,000, resulting in a net savings of \$194,000. These were the three best options that Staff had been able to compile with reducing Staff to offset the Mountain View revenue loss. To continue operations with reduced levels of service would not begin to have a net savings of \$370,000. In future years, the annualized revenue loss of \$470,000 would create Budget deficits.

Mr. Keene indicated a need of \$500,000, and Option 2 yielded the most amount of money at \$366,000. The City would need another \$136,000 in either revenues or other expenditure cuts. The service implications of those cuts would be reducing half of the Animal Control Officers during a portion of the year. One of the comparative issues between outsourcing and in-house

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services was a faster response time from in-house service. As positions were reduced, there could be reductions in the level of service. The Humane Society proposed \$410,000 potential new revenues. It was theoretically possible to make up the rest of that with new revenue; however, projecting revenues was challenging. The City Attorney had reviewed the degree of flexibility the City had under State law and different issues on raising revenues.

Ms. Stump reported the City had a fair amount of flexibility to adjust fees for the optional services it provided through the Animal Shelter. The FC could raise fees and create a fee structure that maintained lower fees for residents or member entities of the Shelter, and charge higher fees to people who used the Shelter from outside those entities.

Council Member Burt inquired if the amounts under the options were fiscal year impacts or prorated impacts.

Mr. Keene answered full-year cost impacts.

Council Member Burt asked if Committee Members had the Humane Society proposal.

Mr. Keene replied yes. There were many similarities on the expenditure side.

Chair Shepherd noted Carole Hyde was present and would speak.

Assistant City Manager Pamela Antel indicated items sold in the pet shop operation could be purchased at warehouse discount stores; therefore, the City did not have much traffic on those items. The Cost of Service Study consultant was reviewing cost recovery on different pieces of the operation within Animal Services. For example, spay and neuter services were about 61 percent cost recovery, which would indicate there was room to raise fees. Animal Services fees were the same or slightly higher than fees charged by similar operations. She noted 76 percent of spay and neuter clients came from outside the four member cities, and stated they might not travel to Palo Alto if the rates were consistent with the market place. Those were the issues Staff was weighing and balancing with regard to fee increases.

Mr. Keene stated in many of these situations, it was not a straight linear relationship between two factors; there might be five factors to consider. Staff wanted to have as thorough an analysis as possible to know the risk

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being taken. He reported the net cost number in the outsourcing proposal was based on survey information and conversation, rather than a direct proposal. The issue was cost impacts to the City, whether Animal Services or another program or service in the City that had to pick up the slack.

Council Member Price asked whether the reduction in Staff under Option 2 would reduce the number of hours the facility was open.

Ms. Antel reported the estimates were based on keeping the hours of operation the same, until the facility was closed. One of the options provided closure on potentially one day. Option 2, with the removal of two Animal Control Officers, changed the schedule to ten hours per day, four days per week to cover the entire week. The only way to cover the schedule with two people rather than four was to change the schedule.

Council Member Price stated there would be a reduction in the number of hours the program was open under these options.

Ms. Antel noted Staff had estimated a worst-case scenario. It had been suggested that volunteers could supplement Staff to maintain the hours of operation. In terms of certain types of regular operations, we would need to close part of the operation because of the number of staff available.

Council Member Price noticed the Humane Society proposal included a recommendation for additional hours on the weekend as a possibility to bring in additional revenue. There were an infinite number of models; however, the issue was costs for providing services and revenue options.

Ms. Antel reported Staff did not recommend Option 3; however, it was presented to show the numbers if spay and neuter services were discontinued.

Vice Mayor Scharff inquired what the hours of operation were.

Superintendent Animal Services Sandra Stadler indicated the facility opened at 6:00 a.m. for the spay and neuter clinic, closed at 7:30 a.m., reopened at 11:00 a.m. and remained open until 5:30 p.m. Monday through Saturday. The facility was closed every other Friday, Sundays and holidays.

Vice Mayor Scharff inquired whether that would change under Option 1.

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Ms. Antel stated Option 1 did not change the hours of operation with the reduction of 3 FTEs.

Vice Mayor Scharff inquired which services would change under Option 1.

Ms. Antel indicated Option 1 reduced one Animal Services Supervisor, one Animal Control Officer, and one Volunteer Coordinator. The Volunteer Coordinator worked in the Shelter and the community to bring in volunteers. Animal Services currently had more than 50 volunteers who donated approximately 3,000 hours to the Shelter. Volunteers were cost effective and good for the health and welfare of the animals. Because the Volunteer Coordinator was not essential to operations, that position was identified for elimination. The Volunteer Coordinator ensured the correct number of volunteers were present at appropriate times, and matched volunteers to the different services.

Vice Mayor Scharff asked if the Humane Society proposed to reduce the Volunteer Coordinator by 25 percent, while Staff proposed to reduce it by 50 percent.

Ms. Antel stated it was currently 0.5 FTE.

Vice Mayor Scharff asked whether the Volunteer Coordinator was full-time or 0.5 FTE.

Ms. Antel said part-time.

Vice Mayor Scharff noted the Humane Society proposed to reduce the Volunteer Coordinator by 25 percent of \$110,597, and asked if the City paid \$110,597 for a part-time position.

Ms. Antel could not speak to the Palo Alto Humane Society's proposal.

Vice Mayor Scharff asked for the salary and benefits amount for the part-time position.

Ms. Stadler responded \$56,000.

Vice Mayor Scharff inquired whether the City would save \$56,000 by eliminating that position.

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Ms. Antel answered correct.

Vice Mayor Scharff asked if eliminating the Volunteer Coordinator would result in loss of volunteers.

Ms. Antel stated there would still be volunteers, but she was not sure how they would be managed.

Vice Mayor Scharff asked how they would be coordinated without that position.

Ms. Stadler indicated it would be very difficult to have a volunteer program without a coordinator to recruit and train volunteers. Staff evaluated volunteers, and if they did not fit, they could not stay. Senior volunteers, who were well trained and had a proven track record, possibly could be retained without a Volunteer Coordinator. If the Volunteer Coordinator and a Supervisor were reduced, the remaining Staff would not have time to manage volunteers, especially at the level of the current Volunteer Coordinator.

Vice Mayor Scharff inquired if a volunteer could work as Volunteer Coordinator.

Ms. Stadler stated Staff could consider that, but no one had expressed interest in taking over that task. Most volunteers wanted to deal with animals rather than the office.

Mr. Keene stated the comparison of the savings in reducing the Volunteer Coordinator position needed one correction. The proposal was to cut 25 percent of a full-time position ( $2 \times \$56,000 = \$112,000$ ), because they had a savings of \$27,000. The Humane Society factored it based on 1 FTE rather than the actual 0.5 FTE. This gave the impression the position was reduced to 75 percent, rather than the actual 25 percent.

Vice Mayor Scharff stated there was a range of options, and he was having difficulty understanding the outcome in terms of costs and services for the community. The Humane Society proposal appeared very similar to Option 2, rather than Option 1. He was not sure there was a meeting of the minds on what the Humane Society and Staff thought the Humane Society proposal would look like.

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Ms. Antel said the Humane Society Option 1 was very similar to Staff's Option 2. The primary difference was part of the Humane Society proposal was predicated on some level of revenue increase that Staff did not completely understand.

Mr. Keene reported expenditure impact was easier to estimate, because expenditures were known; however, revenue was challenging to project, because it had many variables. Because both proposals reduced staffing by two-thirds, there would be a change in the level of service.

Vice Mayor Scharff asked whether Option 2 or outsourcing provided better service to the community.

Ms. Antel reported three Animal Control Officers currently patrolled in Palo Alto, Los Altos, Los Altos Hills, and Mountain View. Under Option 2, that number would change to one Animal Control Officer patrolling three cities. Staff anticipated longer response times and increased activity. She suggested the outsourced activity would mirror that in some way, because one Animal Control Officer would patrol a larger geographic area. That would be the most noticeable difference between Option 2 and outsourcing. Another difference would be only members of the member community could use that particular shelter.

Vice Mayor Scharff inquired whether response times would be better with Silicon Valley Animal Control Authority (SVACA) or Option 2.

Ms. Antel stated there could be the same delay based on implementing Option 2 and the geographic area. Response times were currently 19 to 30 minutes, and Staff anticipated that rising to 55 minutes.

Vice Mayor Scharff understood the Humane Society's revenue proposals for additional licensing and compliance to mean there would be better enforcement of licensing requirements.

Ms. Antel reported some communities had an ordinance that required one of two things. For example, private veterinarians were required to provide rabies vaccination information to the City so that the City could enforce dog licensing. The second required private veterinarians to issue licenses when pets were vaccinated. The best chance for licensing compliance was through the rabies vaccination.

Vice Mayor Scharff asked what the current licensing fee was.

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Ms. Antel said the current fee was \$15 if the dog was spayed or neutered and \$35 if it was not.

Vice Mayor Scharff inquired how much of the \$95,000 amount resulted from increasing the licensing fee by \$5.

Ms. Stadler reported the total licensing fee was paid to the City of Palo Alto. Staff estimated 18 percent license compliance, and felt there was room to increase it.

Vice Mayor Scharff inquired how many people licensed their dogs in Palo Alto.

Ms. Stadler indicated Staff processed approximately 3,500 licenses a year, and there were approximately 10,000 licenses in the City of Palo Alto. Staff also handled licensing for the other cities.

Mr. Keene stated \$17,500 a year resulted from the \$5 license fee increase.

Chair Shepherd understood the \$500,000 amount assumed outsourcing would begin with the Fiscal Year on July 1, 2012; however, that would not happen and the current status of Animal Services would continue. She asked where the \$500,000 budget number came from.

Mr. Keene reported if the City outsourced Animal Services and if \$500,000 was the right number, there would be a \$60,000 budget gap. If the City did not outsource, then the gap would be \$500,000.

Chair Shepherd asked for Staff's confidence level for outsourcing.

Administrator Services Director Lalo Perez stated Staff provided numbers to SVACA, who then inflated the numbers for a cushion and provided Staff with the estimates. It was not as good as a formal RFP, but Staff felt fairly good with that information.

Chair Shepherd heard SVACA was full, and asked if SVACA could take animals from Palo Alto, Los Altos and Los Altos Hills.

Ms. Antel said SVACA's director reported they would need to build out another piece of their warehouse facility in order to accommodate the animals.

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Chair Shepherd noted SVACA had not built out yet.

Mr. Keene stated the City would need to know the delivery time of their building the space, whether it would be complete by November 1, 2012 or in a year. Second, if the City moved forward with cost cutting and/or outsourcing, it had the option of issuing an RFP to obtain a more specific cost comparison.

Chair Shepherd asked how large Mountain View's population was.

Ms. Antel reported the number of animals served was 1,000.

Ms. Cameron noted the Fiscal Year 2011 payment indicated approximately 1,000 animals for Mountain View, 1,760 for Palo Alto, 393 for Los Altos, and 150 for Los Altos Hills.

Chair Shepherd did not understand why there would be a change in response time if one Animal Control Officer was patrolling a city approximately the same size as Palo Alto. She asked whether there would be a reduction in personnel or contraction of services if the City continued to provide Animal Services, or was this the way Animal Services needed to be staffed.

Ms. Antel reported Animal Services Staff had increased by only 0.5 FTE since adding services to member communities. Animal Services Staff was having difficulty determining how to decrease services when they expanded services with the same amount of Staff. The level of service would be different due to having only one Animal Control Officer (rather than two) in the field to respond to calls from all member cities.

Chair Shepherd noted the Budget included 4.5 FTE for Animal Control Officers, and Option 2 would decrease it by 2 FTE. She asked what their duties were.

Ms. Antel reported one Animal Control Officer was dedicated to the Shelter and three were in the field.

Ms. Stadler stated regular services were provided from 7:00 a.m. until 5:00 p.m., and on-call services from 5:00 p.m. until 7:00 a.m. the following morning. Animal Control Officers often worked regular duty, were on-call over night, and returned to regular duty the following day. A kennel person

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was on duty five days a week, but the kennels had to be covered seven days a week. There were days when two officers were not on duty because of time off.

Council Member Burt asked if Staff knew how long it would take SVACA to accomplish a build out.

Ms. Antel indicated SVACA did not have an issue with taking cities immediately, because they had days with high volume of animals and days with low volume.

Council Member Burt inquired if the spay and neuter clinic was recovering only 61 percent of cost, yet was charging market rate.

Ms. Antel said the nature of low-cost spays and neuter was to provide a service at a lower rate to encourage compliance with spay and neuter. It was a way of doing business that allowed residents to obtain services they could not afford in the private market.

Council Member Burt inquired if it would be correct to say the City had 61 percent cost recovery, and was at market rate with other providers who also were not at full cost recovery.

Ms. Antel stated other providers who provided a similar low-cost or subsidized service.

Mr. Keene suggested cost recovery had to do with volume and productivity and not just pricing. An ability to accelerate work with the same base cost would shrink costs.

Council Member Burt asked if the various scenarios included retaining staffing levels as City employees, with the exception of one scenario that called for a contract veterinarian.

Senior Management Analyst Ian Hagerman stated under Option 3, the City would contract vet and veterinary technician services. That created a number of issues that had to be considered. The Shelter had a mandatory obligation from State law to keep an injured animal alive for six days to give the owner a chance to claim it. If a vet was not providing services at the Shelter, then the animal would be taken to a private vet or an animal hospital, and the City would incur charges for that. He noted a fine line

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between eliminating that service in-house and the increased cost that would come with it. The City currently charged \$55 to neuter and \$80 to spay cats, \$85 to \$195 to neuter dogs depending on weight, and \$100 to \$215 to spay dogs depending on weight. Those fees at a private vet in Palo Alto ranged from \$350 to \$700 for a comparable service.

Council Member Burt inquired if contracting veterinarian services under Option 3 was off-site.

Mr. Hagerman indicated it would be a private vet. A contract vet could be brought in for spay and neuter services. Emergency care would happen off-site at a private vet or an animal hospital.

Council Member Burt asked how many of the alternative service provision scenarios used non-government employees for a variety of services, and how many were partially or wholly staffed by private non-profit employees. He asked if there was \$500,000 budgeted to subsidize services and if Animal Services were outsourced to SVACA, was there a scenario to subsidize services in Palo Alto for a comparable amount.

Ms. Antel reported employees at the Animal Shelter were City employees, employees of SVACA were part of the Joint Powers Authority, and employees of the Silicon Valley and Palo Alto Humane Societies were employees of the Humane Societies. Staff reviewed different scenarios, but could not find a cost recovery scenario that provided the same level of service without incurring more costs. If the level of service remained the same, costs increased. If costs were reduced, then the service level decreased or more costs were at risk

Council Member Burt asked if the Silicon Valley Humane Society received subsidies from participating cities.

Ms. Stump stated Council Members needed to be sensitive to the fact that whether a given person providing services to the public on the City's behalf was an employee or a contractor was not something the City unilaterally decided. That was a function of federal law.

Council Member Burt wanted to consider contracting the City's facility to an agency such as the Humane Society. If Silicon Valley was supporting themselves, then the budgeted amount of \$500,000 could be used to provide services within Palo Alto. That could be a hybrid model that certain

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functions were City employees and certain functions were Humane Society employees.

Ms. Antel indicated an RFP could include the option to provide services at the City's facility if it was available. Staff would not have an answer on the viability of such a program until they issued an RFP.

Council Member Burt acknowledged the long-term issue of the facility condition and the capital costs associated with that. He asked if it was public information that Mountain View was carrying dollars in its capital plan to contribute to the capital upgrade of Palo Alto's facility.

Mr. Perez reported the City Manager prior to Mr. Keene had discussed with surrounding cities the possibility of sharing the cost of a new facility, given the interest in relocating it. Staff had received a verbal commitment that Mountain View would be interested in doing that.

Leonor Delgado noted the outpouring of support for not outsourcing Animal Services and the Animal Shelter at the previous P&SC meeting, and the P&SC vote in favor of appointing a task force to study the issue and present concrete measures. He asked the FC to recognize that outsourcing was not a viable option. Outsourcing to SVACA would create unacceptable time lags for Animal Control to remove dead animals and intervene in dangerous situations such as dogs running loose. The kind of service that Palo Alto Residents had received in the past through Animal Services would be lost. Outsourcing would also result in no possibility for surrender of found and owned pets. SVACA would accept animals for a fee of \$150 animals; however, unemployed pet owners could not afford to pay to surrender their pets. The homeless pet population on the street could conceivably grow by leaps and bounds. Removal of the low cost spay and neuter clinic along with all of Animal Services would result in even more homeless animals.

Carole Hyde represented the Palo Alto Humane Society. They were grateful to P&SC and City Staff for the recommendation of deficit reductions with benchmarks in the Budget of Animal Services. The Humane Society supported the proposal for the creation of a task force to determine options for the best provision of Animal Services for the community and the development of a vision for the future. They would be pleased to serve on the task force and to work with the City to support the work of Animal Services. She would be pleased to answer questions on the Humane Society's proposal. A few things had not been commented on. The goal was to keep the Shelter open and Animal Services localized. To do otherwise

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would be a radical departure from 60 years of a policy of Safe Communities. She wanted to include the moral imperative to care for animals.

Council Member Burt asked Ms. Hyde to comment on his earlier question regarding subsidies to the Humane Society in Silicon Valley.

Ms. Hyde noted the Silicon Valley Humane Society was separate from the Palo Alto Humane Society.

Council Member Burt assumed there was an affiliation.

Ms. Hyde indicated all Humane Societies were separate. They were oriented to jurisdiction; however, the Palo Alto Humane Society served regionally and was purely non-profit.

Council Member Burt asked if she knew how Silicon Valley was supported.

Ms. Hyde believed they had a contract with Sunnyvale; otherwise, they were a non-profit organization.

Carol Schumacher, one of the owners of the Mid-Peninsula Animal Hospital, believed she had been accepted to participate on the task force. The animal hospital had received a letter from Animal Services requesting the names and addresses of clients who received rabies vaccines, and they would be happy to comply. She volunteered to answer economic questions regarding spay and neuter costs. She was also interested in disaster planning, and stated both federal and state laws required all jurisdictions to include animals in disaster plans.

Vice Mayor Scharff was not aware a task force had been created, and asked who notified Ms. Schumacher she had been chosen for the task force.

Ms. Schumacher indicated she had not been notified officially.

Mary Donoghue was present when Mountain View voted on the Animal Services issue. Mountain View had to purchase a van for SVACA's use and subsidize the construction of animal space, in addition to the annual fee. She felt there must be a reduction in costs associated with the reduced number of animals surrendered to the Shelter. She had been with the Stanford Cat Network for 20 years, and had seen the results of dumped animals. She suggested there was a market for additional services the Shelter could provide, such as limited, low-cost veterinary care. Residents might be willing to license their pets to save the Shelter. Perhaps Stanford

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could support Palo Alto rather than contracting with Crane. She also suggested soliciting corporate donations.

Reine Flexer indicated the Silicon Valley Humane Society received many grants, including one grant of \$1 million. She felt SVACA was not ready to offer a spay and neuter clinic or to place animals. Mountain View would receive less services while saving only \$40,000 per year. She preferred services be reduced rather than outsourced, and stated services could be reinstated when the Budget situation was better. SVACA had not provided a definitive estimate, and was not a benefit to the community. She trapped feral cats to have them spayed and neutered, and indicated there were many feral cats in the Mountain View area.

Christina Peck, resident of Mountain View, co-founded the Stanford Cat Network to help abandoned cats on campus. She had also founded a local group to help community cats. It was premature for the Committee to vote on an option for Animal Services. She urged the Committee to accept the recommendation of P&SC to increase revenue by \$100,000 and reduce expenditures by \$200,000. There were a great many variations of models. She had utilized the spay and neuter clinic for over 3,000 cats in the past 20 years. The spay and neuter clinic would not be part of the contract with SVACA as it was not a mandated service. SVACA had spay and neuter services one day per week for shelter animals, another spay and neuter day for residents' animals, and a third day for non-residents' animals. That did not compare with the spay and neuter clinic at Palo Alto Animal Services. She was concerned that SVACA would not be able to increase staffing.

Scottie Zimmerman wanted to discuss other shelters. He compared websites of other animal services to the Palo Alto website. He noted other websites allowed online donations and had sponsors. He assumed there was income involved with sponsors. The Humane Society of Silicon Valley served only Sunnyvale. He noted there was only one kitten in the Shelter, and there had not been a large kitten population at the Shelter in years. The spay and neuter clinic was beneficial to the community.

Vice Mayor Scharff asked if the Humane Society proposal was that the spay and neuter clinic could increase revenue by \$225,000 if Staff worked harder.

Ms. Hyde believed that point would go unnoticed, until Mr. Keene commented on it. The proposal pointed to several unrealized efficiencies in services. The Palo Alto Humane Society spent as much as \$150,000 on its spay and neuter underwriting program, while only \$30,000 or \$40,000 was redeemed at Palo Alto Animal Services. The remainder went to low-cost clinics in the East Bay, because the Palo Alto clinic did not accommodate the

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kinds of animals the Humane Society had. She believed if those animals were admitted, revenue would expand greatly.

Vice Mayor Scharff asked what she suggested the vet do to capture that revenue.

Ms. Hyde recommended the vet spay and neuter all day, until 4:00 p.m. rather than stopping at noon, and all kinds of animals (primarily feral cats) be admitted into Animal Services.

Vice Mayor Scharff inquired if the vet remained until noon.

Ms. Hyde understood from various sources the vet had a short surgical day.

Ms. Stadler reported surgery began between 8:30 a.m. and 9:00 a.m. and ended when all animals had been through surgery, normally around 1:00 p.m. People began picking up their pets at 2:00 p.m. Two vet technicians began work at 6:00 a.m. and departed at 3:30 p.m. The vet arrived between 8:30 a.m. and 9:00 a.m. and departed at 6:00 p.m. or 6:30 p.m. Staff needed time to prepare for the following surgery day and to allow pets to wake up from surgery.

Vice Mayor Scharff inquired if they were City employees.

Ms. Stadler answered yes.

Vice Mayor Scharff asked if they were full-time employees and if they were working the full amount of hours.

Ms. Stadler responded yes. They worked a 9/80 schedule.

Vice Mayor Scharff asked Ms. Hyde to explain the proposal further.

Ms. Hyde was simply recalling the prior production and services of the clinic. That was the basis for the proposed revenue from the spay and neuter clinic.

Vice Mayor Scharff asked if Staff was not working.

Ms. Hyde would not comment on that aspect.

Council Member Price asked if donations and grants were possible for the City.

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Ms. Hyde answered certainly. The purpose of a task force would be to review the options and provide a report. Municipal shelters usually operated at a deficit; therefore, the City would have to subsidize it. There were various models for Animal Services, and a task force should be allowed to review that in detail.

Council Member Price inquired about examples of service delivery models that included partnerships.

Ms. Hyde suggested Silicon Valley Humane Society, San Jose Animal Care Center, and Peninsula Humane Society were examples.

Council Member Price inquired if there were foundations that supported these kinds of activities.

Ms. Hyde stated there were brick and mortar foundations for remodeling the facility, spay and neuter grants were available and private donors believed in the Humane Society mission.

Council Member Price asked if services overlapped between Animal Services and the Humane Society.

Ms. Hyde reported the overlap could be humane education, and the Humane Society often partnered with Animal Services in community programs. The Humane Society's spay and neuter work was an underwriting program. They had a program to provide veterinary assistance to people who could not afford the bills.

Council Member Price inquired how a task force would affect Staff resources and time. She noted there was a great deal of public interest in a task force.

Mr. Keene stated the P&SC recommended a task force be appointed by the City Manager to have community members work with Staff. No appointments to a task force had been made, because it was only a recommendation. If the goal was to have a transition plan and strategy in place by November 1, 2012, that was a short time and Staff could not work on that until the Budget was finalized. He preferred some other language than task force, as it was laden with expectations of large size and many meeting. The impact would be large for Staff at this point, because of existing initiatives and Committee meetings. Collaboration with and input from stakeholders was necessary for generating ideas and sharing research. He proposed something less formal than a task force. This was not the same as the Infrastructure Blue Ribbon Commission.

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Council Member Price felt a real issue was Staff's workload. She inquired which service option would continue if a task force were appointed with a defined scope and a stated schedule.

Mr. Keene said that was dependent on the gap that needed to be closed. He recommended closing the full gap of \$500,000. The number of animals being served would be reduced by one-third with the departure of Mountain View, and there should be a commensurate reduction in costs. The assumption needed to be when the fiscal year began July 1, 2012; Animal Services would remain in status quo until November 1, 2012. However, to the extent Staff could identify revenue changes and expenditure reductions, those would be implemented as quickly as possible to increase cost savings.

Council Member Price asked if the numbers reflected the loss of Mountain View costs and revenue.

Ms. Antel reported the numbers had been adjusted for the one-third of the year Mountain View was a member of the agreement.

Council Member Price inquired if the Budget assumed the reduction in number of clients as well.

Ms. Antel stated the detail in the report provided to P&SC backed out the revenues.

Council Member Price asked if a revised service model assumed fewer clients.

Mr. Keene answered yes. For the most part, the options in the Staff Report were designed to accommodate the reduction in service demand from the loss of Mountain View. Those cuts generated the \$366,000 amount. That did not mean there would not be service impacts on Palo Alto.

Council Member Burt noted the Fiscal Year 2013 Budget included subsidy revenue from member cities and retail revenue from individual services. He asked if the Fiscal Year 2013 Budget factored in loss of retail revenue as well as the subsidy.

Ms. Antel stated it was difficult to reduce the operational costs of the Shelter by one-third, because Animal Control Services did not line up in terms of the total cost of revenues.

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Council Member Burt noted item 7 on the user fee study summary sheet was veterinary services other than spay and neuter, and inquired what kind of services were these and why was cost recovery so low.

Ms. Antel reported those veterinary services covered injured animals brought to the clinic. Those costs were not recovered if the animal was not claimed by its owner.

Ms. Stadler stated outgoing costs were recovered if someone redeemed an injured pet. Unfortunately, the cost recovery was low for those situations.

Mr. Keene noted 61 percent of costs were recovered for spay and neuter, yet 76 percent of animals spayed and neutered were outside the member cities. Palo Alto citizens were subsidizing a service to people outside of Palo Alto and the member cities. That raised important policy questions of who decided where taxpayer money was spent.

Council Member Burt felt there were far too many unanswered questions concerning SVACA's policies on surrender, spay and neuter, and capacity. He wanted specific statements from SVACA on those issues and to have a site visit. He stated a decision would not be made tonight, yet there was not much time to reach a good decision. Stakeholders had emerged during the process and would be easy to identify. Perhaps the SVACA model adequately addressed emergency response plans, but it was unclear how that need was fully met by SVACA. He wanted to understand if there were hybrid models that could leverage non-profit services being provided for some portion of current services. The FC could not achieve budgetary savings with these questions pending, yet it needed to move forward on the Budget. He asked Staff what they were comfortable with in terms of how to proceed on the Budget element given the discussions.

Mr. Keene suggested the FC direct Staff to prepare a Budget that maintained Animal Services in-house, but closed the \$500,000 gap through a combination of revenue and expenditure changes in this fiscal year. That Budget would not be ready next week, but Staff could have a good idea of the components by Wrap-up. It would be a mistake to ignore the reality of a \$500,000 gap, and the FC should direct Staff to close the gap as part of this Budget.

Council Member Burt said this Item would be a placeholder budgetary item.

**MOTION:** Council Member Burt moved seconded by Vice Mayor Scharff that we have \$500,000 dollar reduction in deficit for Animal Services for Fiscal Year 2013, the service would remain in Palo Alto for Fiscal Year 2013, and

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City Manager, upon engaging with stakeholders on alternative approaches, will include recommended means to achieve those objectives subsequent to this Committee meeting.

Mr. Keene stated Staff could have a better sense of the risks by the time the Budget was adopted; however, practically it would be after adoption of the Budget. Engaging with the community and research would require time.

Council Member Burt wanted to include within the Motion that this was \$500,000 in this cost area or something approaching that with commensurate savings elsewhere in the Budget.

Mr. Keene saw that as a default issue. It was important to maintain pressure to accommodate the costs. The Humane Society had noted opportunities for rethinking services and programs.

Council Member Burt removed the modification from the Motion. If something was presented that was a variation, the FC would consider it at that time.

Vice Mayor Scharff asked whether imposing fees was the remaining area to consider reaching the \$500,000 amount from the \$372,000 savings of Option 2.

Mr. Keene agreed. Staff wanted to understand the implications of these changes in service.

Council Member Burt indicated it was also revenue and volume potential.

Vice Mayor Scharff expressed concern with eliminating the Volunteer Coordinator position. If Animal Services continued in Palo Alto, volunteers were worthwhile. He supported the motion, and felt the FC had to close the \$500,000 gap.

Chair Shepherd asked if the real costs for running this operation was \$1.7 million.

Mr. Keene indicated the costs were in the range of \$1.7 million to \$1.9 million.

Chair Shepherd inquired if the \$366,000 in net savings for Option2 was coming off the \$1.7 million.

Mr. Perez answered yes.

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Chair Shepherd said the City would be sharing in this reduction of personnel with partner cities. She wanted to make clear this was not all Palo Alto's savings.

Mr. Keene indicated it was both in net and gross. The City would have conversations with its partners about that.

Chair Shepherd asked if Los Altos and Los Altos Hills were interested in moving to SVACA or were they interested in reducing services to be competitive with SVACA.

Mr. Keene reported they had been happy with the relationship, and they wanted to stay with Palo Alto. Their flexibility, given their scale, was limited. A significant change in their contribution amounts could drive them to an alternative.

Chair Shepherd stated this was a lot of employees for the City to carry. A public-private partnership and keeping services local would be ideal. She noticed that net costs had been \$700,000 and \$500,000 was already booked, so they were trying to craft out \$200,000. She indicated a friends group was needed for Animal Services.

Council Member Price supported the motion. Her biggest concern was long-term implications of changes in service. She was also concerned about Staff's capacity to manage a stakeholders group. She assumed Staff would indicate what they could not do to achieve this.

Vice Mayor Scharff indicated the stakeholder group should not require a large amount of time, and encouraged limiting the groups to a small number of members with few meetings.

Mr. Keene suggested it was easy to be effective and efficient by design. The Council had directed Staff to work on several other projects simultaneously, and a small group of Staff supported these policy analyses and citizen interfaces.

## **MOTION PASSED:** 4-0

Mr. Perez noted Staff had presented a recap of the Police Budget earlier.

Penny Ellson was speaking as an individual, because the City School Traffic Safety Committee had not reviewed the Budget or taken a formal position. The City had one Supervisor and seven Officers on the Traffic Team in

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approximately 2000. The Traffic Team was currently budgeted for four members, which was the bare minimum for an effective team. She recognized there was a problem in organizing the Department to work with the limited number of bodies. She encouraged the FC not to eliminate the Traffic Team. Eliminating the Traffic Team would remove the enforcement arm of the Safe Routes to School Partnership. The Traffic Team's involvement in education programs had been important in the evolution of good programs. The Traffic Team interacted with children differently than Patrol Officers, because they understood the development differences of children. They approached children with the goal of educating them to be safer road users.

Council Member Burt inquired for the percentage of children who biked and walked to school.

Ms. Ellson reported approximately 46 percent of elementary students used foot-powered modes of transportation, 54 percent used alternative modes of transportation. Bicycling counts had increased significantly at the secondary schools. It was important to understand they were laying the groundwork in elementary school for actions in secondary school. Secondary schools had higher percentages of students bicycling, and it was impossible to count the students who walked.

Council Member Burt asked for an explanation of the use of the Traffic Team and volunteers.

Ms. Ellson indicated people thought the solution to a traffic problem on a school commute route required police involvement. A dedicated Traffic Team was a draw for volunteers; however, once volunteers understood the program, they understood it was a cooperative problem solving process.

Council Member Burt asked for an explanation of her perspective of having dedicated police personnel for coordination.

Ms. Ellson explained the Traffic Team had a seat on the City School Traffic Safety Committee. The Traffic Team provided a great deal of information to the Committee about education programs and traffic problems. The Traffic Team shared information from Committee meetings. That kind of cooperation has resulted in progress.

Council Member Price wanted to hear her perspective regarding the importance of the Traffic Team as it supported efforts to find funding for Safe Routes to School.

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Ms. Ellson reported the fact that there was a comprehensive Safe Routes to School Program helped them receive the VERBS grant. She thought there would be opportunities to investigate grant dollars to support the enforcement arm in some way.

Council Member Price asked for a history of the Traffic Safety Team, current staffing, and how redeployment would affect the Team and safety, education and enforcement issues.

Captain Ron Watson indicated in 1995 there were a sergeant and five officers on the Team. In 1996 the City increased the Team to one sergeant and six officers. In 2000, another officer was added. In 2004, three members of the Traffic Team were eliminated. Two years ago, one more position was eliminated. Today there were one sergeant and three officers. There were 92 allocated sworn positions, 14 vacancies, 3 people on disability, and 1 person in the academy within the Department. Those 18 positions represented approximately 20 percent of the Department. It was not unusual for the Department to have ten Staff not on the street at any given time. The real impact was losing 13 positions within the last ten months. The normal hiring process and ability to find applicants had not kept up with that. July 1, 2012, the Department would probably consolidate the two remaining Traffic Team members into Patrol Operations. Those two positions would be assigned to regular patrol teams on day shift, and would have a specific assignment of continuing traffic enforcement under the supervision of a patrol sergeant. Their primary mission will continue to be prevention of traffic accidents, school commute safety, general traffic enforcement, and representation on the City School Traffic Safety Committee. Other officers on dayshift would have to assume a greater role in terms of traffic safety efforts at the school and increased traffic enforcement. Two Traffic Team members were injured for most of the year, so having only two officers would not be that much different. The Department did not have the numbers to place a supervisor and four officers on that Team. He hoped the Department could gain some Staff and then bolster traffic as well as other divisions.

Council Member Price inquired if there was a method to accelerate recruitment.

Mr. Watson stated recruitment was a priority. He had been meeting regularly with personnel and training to ensure they had the necessary resources to hire employees. The first problem was finding qualified applicants; 300 applicants had been reduced to six being considered for employment. The time from application to working solo on the street was approximately 16 months.

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Vice Mayor Scharff asked how many vacancies the Department had last year.

Mr. Watson noted 13 Staff were lost in the last ten months, and one had been hired. The Department was short 11 in December and had lost three since then. They were considering shift change this year after losing 13 Staff from shift change last year. It was hard to do the same thing the same way.

Vice Mayor Scharff inquired if the proposal was to freeze six positions and hire another eight positions.

Mr. Watson stated it was a freeze of seven, and they could hire seven today.

Vice Mayor Scharff asked if the Traffic Team was operating independently or in the model he mentioned.

Mr. Watson reported it was operating this year as a Traffic Team with the caveat that it was half a Traffic Team due to injuries.

Vice Mayor Scharff asked why eliminating six positions and retaining the Traffic Team was not feasible.

Mr. Watson stated if he had those other six positions, he could do that. The reality was new hires would attend the academy in July 2012, and they would be solo officers at this time in 2013. The Department would not have that capability at the beginning of the Budget Year or the school year. As officers were hired, they could reinstate a Traffic Team.

Vice Mayor Scharff asked Ms. Ellson if her concern was losing the Traffic Team permanently.

Ms. Ellson indicated one of her concerns of eliminating the dedicated Traffic Team was the necessity to rebuild a team if it was reinstated.

Vice Mayor Scharff inquired if there could be a dedicated Traffic Team if six or seven Staff were hired.

Mr. Watson said if he could have seven officers who could work solo tomorrow, he could do that.

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Vice Mayor Scharff suggested there was no choice but to do something between now and the time those officers could be trained. He was concerned about losing the knowledge and structure of the Traffic Team.

Ms. Ellson indicated when the Department reached full staffing; she did not want to fight to rebuild the Traffic Team. She understood temporary reorganization was necessary at the current time. She was uncomfortable giving up the current Team because it worked very well.

Vice Mayor Scharff asked if Staff agreed with continuing the Traffic Team when six or seven Staff were hired.

Ms. Antel reported Staff was not recommending elimination of those positions, because they were needed. The issue was as ranks decreased, overtime increased, which was the reason for filling those vacancies.

Vice Mayor Scharff inquired if Staff wanted to fill vacancies beyond seven positions by freezing six positions.

Ms. Antel stated the seven or eight positions provided enough staffing in the regular patrol schedule to allow a focus on traffic.

Vice Mayor Scharff indicated the following year's Budget would include these positions.

Mr. Keene stated Staff was not ready to eliminate these positions. When the proposal was presented, Staff was focused on freezing them as a cost savings, and it gave Staff the opportunity to determine the impacts and allowed the Department to rethink providing services without those positions. If the Department was fully staffed except for these six or seven positions in the following year, it was possible to make it all work and save money.

Vice Mayor Scharff was confused as to what was being asked of the Committee. From a practical point of view, there were 13 vacancies, yet Staff was proposing not hiring six positions that would not be hired anyway. The issue was, after hiring those people, keeping the Traffic Team intact without losing the institutional knowledge and structure.

Mr. Watson suggested he was looking at two different issues. Normally the Department would fight to prevent freezing of positions. It made sense to freeze those positions that would not immediately impact the Department. Once all authorized hires had been completed, then they could discuss whether or not to release freezes. The Department had Staff filling two

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positions, and would make adjustments. Freezing the positions was a budget situation that the Department could not object to.

Mr. Keene explained freezing a position meant it would be excluded from the Budget, whereas a vacancy was a funded position. Staff was not going to fill these positions this year and would reduce the Budget. If Staff did not do that, they would have to cut a service from another part of the City to keep a Budget appropriation for an expenditure Staff could not make. He did not care about the programmatic changes; the Chief would have to determine the best deployment of those Staff.

Vice Mayor Scharff did not understand the purpose of freezing positions, and asked how it worked.

Mr. Keene explained when Staff budgeted money for a Department, the Department was authorized to spend it. Whether or not the Department spent the money was a different issue. When Staff froze positions, they were unauthorizing the Department to spend funds, and actually were giving the funds to another Department to spend. In that case, Staff was ensuring another service area was not cut. If these were the only vacancies and they were frozen this year, then Staff would be in a position to discuss next year the possibility of returning them to the Budget or permanently cutting them. He believed freezing rather than eliminating the positions was the advisable course.

Council Member Burt inquired whether a surplus was created at the end of the year by allocating funds in the Budget but not spending them. He noted some years had resulted in a surplus, and other years had unexpected expenses resulting in deficits. He asked if Staff anticipated a portion of anticipated savings would move to overtime because of these vacancies.

Mr. Watson stated the following year would not be any different than most years. The Department always carried a certain number of vacancies, and they offset the overtime beyond the normal overtime budget. It was traditional that salary savings offset additional overtime. Because the vacancies would not be filled prior to July 1, 2012, the Department would begin accruing salary savings to offset overtime. Overtime had increased because of the 14 vacant positions, but still in the range to be offset by vacancies.

Council Member Burt indicated there were two potential categories of vacancies that could impact overtime: the allocated positions that may not be filled, and the frozen positions. He inquired if the Department would have overtime that filled in for the frozen positions.

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Mr. Watson believed the vacancies beyond the frozen positions would cover overtime.

Council Member Burt asked if the Department would incur additional overtime to backfill the frozen spots.

Mr. Watson replied no.

Council Member Burt inquired if the two Traffic Team member who were out due to injuries were scheduled to return.

Mr. Watson reported one was back and one remained out.

Council Member Burt asked if there were three qualified people for that area.

Mr. Watson stated there were two officers and a supervisor.

Council Member Burt wanted a process to confirm the Department was staying on track in supporting those functions. He suggested Staff and stakeholders report in the fall to make policy decisions if adjustments were needed. At a policy level, the City had a commitment to support this function.

Mr. Watson agreed and indicated Ms. Ellson would notify them if the program was working.

Council Member Burt noted the dedication of the officers in this group to serving those needs.

Chair Shepherd was surprised to see the Budget being balanced with police officers. She understood the reconfiguration with fire fighters, but wanted a better explanation for the redeployment of police officers. She felt the increase in students biking and walking was beneficial and needed to be protected. This was a way to keep kids safe, and that was important to her as well. She asked whether the resource officer was still in the schools.

Mr. Watson indicated there was one position and it was staffed.

Chair Shepherd asked if the City controlled the amount of fines for drivers in school zones during the commute.

Mr. Watson stated almost all tickets for moving violations tended to be \$150 to \$200 and, with court fines, totaled \$400 to \$500. He did not believe

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there were enhanced fees for school zones; however, officers were more likely to write a ticket in a school zone.

Chair Shepherd asked if those charges were set by the County.

Mr. Keene believed those were set by the State. The Department had complete discretion as to issuing a warning or a ticket.

**MOTION:** Council Member Burt moved, seconded by Vice Mayor Scharff that Staff's recommendation with the additional language that the Police Department to Safe Routes to School to continue the longstanding policy of the City and City Council and that we want a report back in the mid-fall of implementation of the staffing method in the traffic.

Vice Mayor Scharff believed the Safe Routes to School and its infrastructure needed to be protected.

Council Member Price reiterated the importance of filling those positions, and noted the impacts of additional responsibilities and overtime.

Chair Shepherd wanted to hear how the redeployment of officers was being managed and made contemporary. She wanted to ensure the community was being taken care of while the Department was being right sized and redeployed.

**MOTION PASSED:** 4-0

Mr. Keene stated this was a sea change in government, and a symptom of his discussions with Council regarding degree of change, recruitment issues and competition. In this particular case, the City had Penny Ellson watching, but there were other areas without a watch dog or advocate. There were other gaps in the City that the Council was not aware of or that were moving around. He thought the next several years would have this kind of flux, a radical departure of people. The baby-boom generation and State benefits had enabled that. The City would have holes in the organization from time to time, and it could have a dramatic impact on the City. This was a reflection of the dynamic.

### 3. Fire Budget

Sr. Financial Analyst Christine Paras reported Citywide changes totaled \$426,491, and personnel benefit costs increased by \$166,000. Details for this could be found on page 204 of the Proposed Operating Budget. There

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had been an increase of \$900,000 because of retiree medical costs, most of which were offset by International Association of Fire Fighters (IAFF) concessions achieved in the fall of 2011. Allocated charges increased by \$300,000, most of which was due to the Information Technology (IT) allocation charge. The City received a credit in billing that offset the reimbursement from Stanford for fire contract services. The ambulance fee increased by \$300,000, comprised of a \$186,000 increase for emergency medical services response and \$135,000 to align the Budget with actual trends. There was an increase of \$400,000 for Development Center revenue. Staff estimated municipal fee increases of \$100,000. Revenue clean-up items decreased by \$40,000. The Department proposed to reduce its temporary Staff by 1.48 Full-Time Equivalents (FTE), to increase regular positions by 3.5 FTEs, and to eliminate 9 FTEs related to the closure of the Stanford National Accelerator Laboratory (SLAC) Fire Station. Offsetting that, the Department proposed an increased service level for emergency response. In line with Fire Study recommendations, the Department proposed adding 0.3 FTE and 1 FTE Fire Inspector, and reallocating 2.5 FTE from Police for administrative oversight and assistance. The Department proposed a one-time freeze of 6 FTEs related to proposed flexible staffing. Also included in the salary changes was a reduction of overtime of \$600,000, related to adding 6 FTEs in emergency response and staffing that with actual FTEs rather than through overtime as had occurred in the past. The proposed closure of Station 7 was initiated by Stanford, and the proposal was to eliminate nine Staff and some supply and material costs. The net cost of closing the station after the Stanford reimbursement revenue offset of 30.3 percent was a savings of \$900,000. The second proposal was to freeze 6 FTEs in flexible staffing as a result of revised minimum staffing requirements achieved in concessions with IAFF. The Department proposed to reduce overtime by \$200,000. The expense increase for the increased level of emergency response service was \$500,000. This proposal would double the response availability of Medic 2 with regular employees rather than overtime, which had been done in the past. The net cost, including revenue that Staff anticipated from increased availability, was \$200,000, which was offset by the Stanford reimbursement. The net cost of this increased level of service was \$241,000. She noted Staff achieved salary and benefit concessions with IAFF totaling \$1.57 million. The Department completed the Fire Utilization study, and recommended re-classing an EMS (Emergency Medical Service) Coordinator to an EMS Chief and adding an EMS Data Specialist and a Geographic Information System (GIS) Specialist. There was an \$87,000 increase for other changes.

Assistant City Manager Pamela Antel added there were a number of changes yielding a tremendous amount of savings. Staff had placed resources in

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areas where they were needed, which was a benefit of not only the Fire and Resources Utilization Study, but also the work by the Fire Command Staff to rethink delivery of services. The total savings was approximately \$2.3 million.

Council Member Price inquired about the implications of freezing the position of Program Assistant in the Office of Emergency Services (OES).

Ms. Antel reported the plan was to hire an OES Director, then a Program Coordinator and lastly a Program Assistant. Staff wanted to see the outcome of the OES Coordinator and the work being performed.

Council Member Price asked for a dollar amount for the Stanford reimbursement reduction of 30.3 percent.

Ms. Antel explained Stanford had agreed to reimburse the City 30.3 percent of the total cost of fire services. With the closure of Station 7, the City agreed to review the reimbursement rate based on the new level of service. A Fire Study consultant was working to determine the appropriate reimbursement rate. Not knowing an exact number, Staff placed a number in the Budget to represent that amount, and hoped to have a reconciliation in the next 60 days.

Mr. Keene reported the SLAC cut was approximately \$1.8 million, so 30 percent of that would be the offset amount.

Council Member Price inquired if the City was in the process of renegotiating the terms of the agreement and the percentage.

Ms. Antel responded correct.

Council Member Price inquired whether the methodology was unique to this area.

Ms. Antel indicated Staff had met with Stanford and the consultant, and they would make a series of recommendations. The percentage would be based on quantifiable items such as calls for service, value of the property being served, specialized equipment and a variety of other things. That report would be provided to the Council when it became available.

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Council Member Price asked what the general term of that type of agreement was.

Assistant Director of Administrative Services, David Ramberg stated the agreement was renewed in 2006 and expired in 2056.

Administrative Services Director Lalo Perez stated pending negotiations would potentially impact the Budget at some point.

Vice Mayor Scharff inquired whether Stanford asked to reopen negotiations because of the closure of Station 7.

Ms. Antel replied yes. The City charged Stanford 30.3 percent, and Stanford split that allocation between its general budget and SLAC Department of Education (DOE). The City did not participate in determining the allocation of costs to DOE.

Vice Mayor Scharff stated Stanford now had to pay all of it from its general budget.

Ms. Antel explained the amount Stanford allocated to Station 7 was greater than the amount the City allocated for operational costs for Station 7.

Vice Mayor Scharff inquired if the agreement had a renegotiation clause.

Ms. Antel responded there was a triggering mechanism.

Vice Mayor Scharff asked what happened if an agreement was not reached.

Ms. Antel explained much of the agreement was difficult to track, because there was not an exact method for determining the origination of the 30.3 percent. The City and Stanford had agreed to renegotiate the agreement.

Mr. Ramberg corrected the agreement expiration date from 2056 to 2026. The agreement began in 1976 and expired in 2026; the City renewed it with the same term in 2006.

Fred Balin of the College Terrace Residents Association stated he expected a Staff Report prior to the meeting; however, he learned the Proposed Budget stood in its place. He read note 2 on page 201. He had to infer and confirm that the vehicle would be Engine Company 2 at the Hanover Street Station

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alone. Taking Engine Company 2 out of service would increase response times within the district. If the plan was approved, he expected the impact to be felt quickly; because of the additional daytime summer staffing that occurred at Station 8 in the Foothills. The College Terrace Residents Association had researched the proposal and related studies, communicated with the Fire Chief and Department personnel, and kept neighbors apprised. They were pleased to learn that paramedic staffing at Station 2 was proposed to return to 24/7 dedicated staffing. They were concerned about a brown-out of Engine 2. They understood it was a one-year trial, but it also stood within the context of the consultant's recommendation to merge Stations 2 and 5 into a new location near Foothill and Arastradero. He stated there would be construction of approximately 185 units of predominantly multi-family housing in Research Park adjacent to College Terrace after the deadline of December 2013 for submittal of building plans. He trusted the City would carefully study the matter of any degradation in engine company response and how to equitably apportion any required service cuts within the community.

Brent Barker of the College Terrace Residents Association reported the station on Hanover Street would be cannibalized if there were vacancies at other stations. He indicated three people were needed on the truck and, if one was removed, the engine would be out of service. He did not know the specifics, but hoped the FC would not rush into a decision before understanding the budgetary considerations as well as the risk imposed on the community served by that particular station. Taking one station and cannibalizing it for the others put an undue burden on that community. He stated there was increased marginal risk of response time by not having an engine available. He believed that risk should be dispersed more broadly throughout the community, possibly by rotating it on a monthly basis.

Council Member Price asked Staff to respond to comments made by the public. She asked if Staff had examined the concept he proposed.

Ms. Antel reported the Fire Department and Staff had studied the recommendations in the Fire Utilization and Resources Study for more than a year. She suggested an overview of flexible staffing, why it would work, and its basis.

Deputy Fire Chief Geoffrey Blackshire stated there were several things to consider when discussing the flexible staffing model. Engine 2 was selected because the Hanover Fire Station was special for several reasons. First, the location was centralized. The Fire Utilization and Resources Study showed that Station 2's response time of 4:03 was faster than other stations. If

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Engine 2 was not in service, then Rescue 2 would respond to medical calls and fire calls within that particular district. However, the rescue vehicle did not have water, so there was a different level of service. Engine 2 responded to 19 different response areas, and had the least amount of calls since Engine 7 had been out of service. With medical calls having a higher volume of response, the rescue vehicle would pick up those calls if the engine were out of service. The rescue vehicle alone ran slightly more than 1,000 calls in the prior year, with Engine 2 just below that at 1,000. Because Engine 2 and Rescue 2 responded to approximately 275 calls together, Rescue 2 would pick up approximately 1,800 calls total in a year. Another consideration was mileage; by June that apparatus would have 200,000 miles on it. Engine 2 responded first to Stanford campus. He indicated the Stanford side of the campus extended to College Terrace, and Engine 2 was first in that district. By Fire guidelines, Fire Staff could hypothetically respond on medical calls within a decent amount of time. The rescue vehicle was not limited to that district alone, and responded to all fires, structure responses, and vehicle accidents on Highways 101 and 280. Because of this, it was not always located in that district to respond to emergencies. If it was eliminated, there would only be a medical vehicle and not an engine. Staff considered several things: the district, the apparatus, and the level of calls. Based on information from the Utilization Study, that was the rig selected for flexible staffing.

Ms. Antel asked him to comment on which engine could respond in place of Engine 2.

Mr. Blackshire stated there was a response order for apparatus if an engine was out of service. If the order was Engine 1, Engine 2, Engine 3 and Engine 2 was out of service, then the order would be Engine 1, Engine 3 and the next due engine. If Engine 2 were out of that order, then Fire Staff would take the next closest apparatus to respond to that emergency. All of these response zones were based on time trials performed approximately ten years ago. Station 2 responded more than any other in the City, because it was centrally located. That's why that ambulance was effective. He explained the response area was large, because it extended from El Camino to Greer and Sheridan, and to Skyline. If Engine 2 was eliminated, the next due engine (depending on where it was located) could be Engine 3 on Embarcadero, Engine 5 on Arastradero or Engine 6. Those engines were not in the immediate response time, because of the time trials. Fire Staff would take the next engine in the response order and move it in.

Chair Shepherd asked if the FC needed to address the memo at places on this Item.

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Mr. Perez stated it did not impact the Fire Department Budget.

Ms. Paras reported Staff proposed reallocating a couple of Fire positions from the General Fund to Utilities and Public Works Enterprise. Staff had outlined the FTE changes. For example, Staff wanted to move 0.08 FTE of Fire Marshal to Utilities, which would provide net help of \$40,000 to the General Fund. The offsetting Stanford reimbursement for these costs would be \$17,000.

Chair Shepherd asked if Staff needed a Motion incorporating that information.

Mr. Perez requested the FC add this information to any Motion to approve the Budget.

Vice Mayor Scharff noted the proposal to freezing 6 FTEs, and asked what those FTEs would normally do.

Deputy Fire Chief Catherine Capriles explained currently those 6 FTEs were being moved around, but they would eventually be all line personnel; two fire fighters, two operators and two captains.

Vice Mayor Scharff inquired if the positions were being frozen because they were vacant.

Ms. Capriles responded correct.

Vice Mayor Scharff asked if those positions were needed.

Ms. Capriles replied yes. These positions would affect the flexible staffing scenario in that it would happen more often.

Vice Mayor Scharff noted there was not an issue with adding positions when they were needed. He inquired why Staff wanted to hold these positions rather than eliminate them.

Ms. Capriles reported Staff would perform an analysis of flexible staffing to determine the effect it had on responses and whether it was an acceptable change in response service levels.

Vice Mayor Scharff asked for a response from the City Manager's Office.

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Sr. Financial Analyst Amber Cameron reported the six frozen positions were connected to the flexible staffing scenario, in which Engine 2 would be taken out of service when staffing fell below a certain level on any given day.

Ms. Antel indicated Staff had determined that flexible staffing for Engine 2 could be implemented safely based on the numbers from throughout the City. Based on the prior year's Fire Staff absence rate, 6 FTEs was the equivalent number of positions that could potentially be eliminated from the Budget. However, Staff wanted to ensure the program worked practically as well as theoretically before eliminating the positions.

Vice Mayor Scharff suggested eliminating the positions now, and adding them later if the program was not feasible.

Ms. Antel explained Staff preferred to keep the paper trail in the Budget with the number of FTEs to prevent future confusion. She stated in theory those positions could be eliminated, and Staff would ask the FC to add them in the future if the program did not work out.

Vice Mayor Scharff did not think this issue related to SLAC.

Ms. Antel agreed it did not relate to SLAC. She reported SLAC provided an opportunity for Staff to place resources in other areas.

Mr. Keene thought it was slightly different than the Police situation. Staff had performed a study and time comparisons. Staff needed to determine if flexible staffing could work, and would perform a study on operational issues after adoption of the Budget. He felt the risk with Police was slightly higher than in this particular situation. He stated there was a net increase in FTEs on paper, along with a footnote indicating the true meaning of the freeze. Given some of the objectives Staff tried to achieve in Fire Service in terms of overall staffing, an elimination in the Budget would accurately reflect these objectives. Staff could support eliminating the positions with the understanding that, if flexible staffing was not feasible, Staff could request adding the six positions.

Ms. Antel suggested the FC was not comfortable with freezing the positions.

Vice Mayor Scharff agreed with the City Manager that the Police situation was riskier. He noted with Fire a study had been performed, it was well thought out, and Staff had negotiated minimum staffing. He did not feel

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there was a downside to eliminating the positions and making a structural change.

**MOTION:** Vice Mayor Scharff seconded by Council Member Burt to tentatively approve with the changes eliminating the 6 FTE.

Mr. Keene confirmed the six positions proposed to be frozen would actually be eliminated.

Vice Mayor Scharff thought the FC should make structural changes in the Budget. He felt data indicated the 6 FTEs could be eliminated, and the positions could be reinstated if flexible staffing did not work out; although, Staff would need to justify reinstating the positions. He indicated there was a precedence for adding positions. He thought Staff was not eliminating positions in one area and then adding positions to the entire Department. Rather Staff was freezing or eliminating positions, which was more transparent to the public.

Mr. Keene agreed that was a better recommendation. Staff had indicated its willingness to reduce capacity and to find ways to redeploy. The City had a growing demand for emergency response and less for fire, and was adding 6 FTEs in emergency response. This shift of positions would allow the City to provide better service.

Council Member Burt thought freezing positions did not present an accurate picture and did not demonstrate the efforts being made to control costs. He inquired about current overtime amounts for the Department.

Mr. Perez reported the Adjusted Budget for 2012 was \$2.3 million, and the actual number for 2011 was \$2.1 million.

Ms. Capriles indicated the overtime amount for the current year would be high, because vacant positions were filled through the use of overtime. The overtime budget for 2013 would be different, because of eliminating the 12-hour medic van and adding FTEs in emergency response.

Council Member Burt expressed concern regarding the historic pattern of overtime in both the Police and Fire Departments. He wanted assurance that the projected overtime amount for 2013 would be close to accurate.

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Mr. Perez noted Staff presented a clean-up Budget Amendment at year end, and clearly explained the adjustments between areas of savings and areas of deficits. Staff projected an overall deficit for 2013 because of retiree medical benefits; however, Staff projected a surplus for 2012.

Ms. Capriles felt flexible staffing would contribute to the elimination of overtime.

Council Member Price inquired if Staff knew the amount of estimated overtime for the Foothill Station.

Mr. Perez explained the FC had requested quarterly updates; therefore, Staff tracked such items as out-of-area fires and reimbursement for that. He stated \$280,000 was the amount of overtime for the Foothill Station.

Council Member Price thought the original proposal concerning freezing 6 FTEs was reasonable. She stated freezing positions did not add to costs, and interpreted freezing positions as a placeholder.

Chair Shepherd supported the Motion, because of the study with the Fire Department. She expected this to return holistically with recommendations.

Ms. Antel noted an update of Fire Resources Study recommendations was scheduled before the Policy & Services Committee in June 2012, and that would be made available to the Council.

Chair Shepherd inquired whether one Fire Chief position was vacant.

Ms. Antel responded yes. The City was recruiting a new Fire Chief/Assistant Director of Public Safety.

Chair Shepherd stated the Study indicated the City should have a Public Safety Director who served over both Departments. She asked if Staff had decided not to follow that recommendation.

Mr. Keene indicated the Fire Chief would report to the Public Safety Director.

Chair Shepherd asked whether Fire Chief Dennis Burns would serve in two roles.

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Mr. Keene said Chief Burns was serving as Public Safety Director with Fire Command, with a vacancy in the Chief position. The Police Department was also reporting to Chief Burns.

## **MOTION PASSED:** 4-0

Mr. Perez stated at the May 10, 2012 meeting, expenditures for the Administrative Services Department (ASD) Budget were decreased by \$106,000. Some of those funds would be allocated to the General Fund, resulting in a positive net of \$58,000. Fire Department expenditures decreased by \$40,000, because they belonged in the Enterprise Funds. They were just short of \$1 million. Staff would ask for \$125,000 for the City Attorney Contingency Fund during non-departmental Budget Wrap-up. These changes assumed the FC's latest direction on the \$500,000 for Animal Services.

Chair Shepherd said Staff began with a negative of \$1.22 million, which was not accurate, because Staff was taking from Budget Reserves in order to fund two one-time items.

Mr. Perez suggested having a Motion concerning that at Wrap up.

Chair Shepherd requested Staff place that with the attorney's fees. There were two items, one for IT.

## FUTURE MEETINGS AND AGENDAS

Mr. Perez reported a consultant would be available to speak regarding gas rates. Staff would possibly request the FC to amend the order of the Agenda at the next meeting in order to hear from the consultant.

ADJOURNMENT: The meeting was adjourned at 10:48 P.M.