



CITY OF PALO ALTO CITY COUNCIL MINUTES

Special Meeting
May 6, 2013

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:30 P.M.

Present: Berman, Burt, Holman, Klein, Price, Scharff, Schmid, Shepherd

Absent: Kniss

CLOSED SESSION

1. CONFERENCE WITH CITY ATTORNEY
Potential Litigation – One Matter
Subject: Construction of the Mitchell Park Library and Community Center
Authority: Government Code Section 54956.9
2. CONFERENCE WITH CITY ATTORNEY
Potential Initiation of Litigation - One Case
Subject: Class-Action Litigation Alleging Price-Fixing by Foreign Manufacturers of Lithium ion Batteries
Authority: Government Code section 54956.9

Mayor Scharff reported that the City Council authorized a 50 page pre-default letter to Flintco, the contractor for Mitchell Park Library which will be available the following day on the City Website. The City Council also voted to authorize initiation of litigation against certain foreign manufacturers regarding lithium ion batteries, a complete description of the litigation would be made available the following day by the City Attorney.

SPECIAL ORDERS OF THE DAY

3. Public/Private Partnership Presentation by REACH

Joe DiNucci reported REACH, an acronym for Rehabilitation Education Acceptance Community Hope, began in 1989 as part of Foothill College. In 2012, it became a stand-alone 501(c)(3) non-profit agency. REACH served

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survivors of strokes with therapies in mobility, fitness, adaptive living skills, and communication skills. REACH was attempting to partner with Avenidas, the Betty Wright Swim Center, the Cardiac Center, and the Pacific Stroke Association in constructing a wellness center. REACH's lease at Cubberley expired at the end of 2014, and it wanted to remain at that site.

4. Proclamation Supporting May 2013 as Bike Month Including Bike to Work Day on May 9, 2013

Council Member Price read the Proclamation into the record.

5. Acknowledgement and Recognition of Development Center Improvements

John Barton was pleased to have been appointed as Chair of the Development Center Advisory Group. In 2007, the average time for permit approval was 100 days. In 2012, the average time was slightly less than 40 days. The Development Center began implementation of paperless permitting for solar arrays, with permitting for charging stations to follow. In addition, the GIS system was being implemented for public access. Overall, the Development Center implemented substantive, performance-based changes.

CITY MANAGER COMMENTS

James Keene, City Manager, added that costs of the Development Center were paid through fees assessed to users of the Development Center. In Fiscal Year (FY) 2011, the Council doubled the amount of funding for street paving, and later increased funding again. With the resurfacing of Palo Alto between Alma Street and El Camino Real, the street maintenance program would have repaved almost 17 lane miles of City roads with new asphalt, and 18 lane miles across the City was treated with a new surface coating. The City's first transportation survey received approximately 3,700 responses, and Staff would present an information report to the Council. May 9, 2013 was Bike to Work Day, and the City would host four energizer stations. New signage was placed along the Bryant Street Bicycle Boulevard through Downtown. The Public Works Department was launching efforts to achieve accreditation from the American Public Works Association. The Smart City Partnership with Yangpu District in Shanghai was providing a student fellowship program July 1-19, 2013.

Council Member Burt inquired about the amount of funding for street repaving in FY 2010 and in FY 2013.

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Mr. Keene reported funding in FY 2010 was \$1.5-\$2 million, and \$5.5-\$6 million in FY 2013.

Council Member Burt asked about the number of miles of roadway repaved with increased funding versus the number of miles of roadway projected to be paved with the FY 2010 funding amount.

Mr. Keene believed the number of miles was significant, but did not have exact information. Prior to increasing the amount of funding, the pavement condition index (PCI) score was 72. When the amount of funding first increased, Staff expected to increase the PCI score over ten years to 77. With current funding levels, Staff expected to reach the target PCI score in eight years.

ORAL COMMUNICATIONS

Karen Guo spoke on behalf of 100 members of the Palo Alto community regarding safety and crime along the proposed Matadero Creek Trail. The proposed trail included six dangerous, mid-block crossings of high-traffic roads. The trail would be narrow and unlit. The City's transportation officials requested community feedback, and agreed to revise the Request for Proposal (RFP) for the feasibility study in response to citizens' concerns. She asked that City Staff revise the RFP to address concerns.

Patricia Bilir expressed concern regarding the safety of mid-block crossings in the proposed Matadero Creek Trail. She questioned whether the proposed trail was a safe route to school, a recreational trail, or a bikeway for high-speed adult bikes. She suggested barriers be placed along the trail at mid-block crossings and a traffic light at Middlefield Road.

William Landraf was injured when he fell down a partial flight of stairs with a deficient handrail in a building approved by the Building Department. An oncoming driver veered into his lane of traffic to avoid a significant height difference in the roadway on Alma Street, forcing him to abruptly turn to avoid a collision. City Staff should recognize and mitigate such safety problems. He suggested a wage bonus recovery system to provide positive financial incentives for habitual excellent efforts in all areas of work-related responsibility.

Glenn Affleck reported the contractor for the Mitchell Park Library and Community Center removed three large trees, and no action had been taken to replace the trees. He was concerned that dumpsters, pipes, and exhaust vents would be an eyesore if they were not screened from view.

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Stephanie Munoz previously requested the Council not reduce employee health benefits. Now, Staff proposed a 2 percent pay raise to increase compensation. Rather than giving employees a raise, the Council should reinstate health insurance benefits. She felt a new position could have been filled internally at a lower compensation rate if employees had been invited to apply. The idea of increasing compensation because other cities paid more than Palo Alto was not reasonable.

Andrew Boone worked as a volunteer to improve conditions for bicycling and walking. U.S. Census data indicated 10 percent of Palo Alto residents used bicycles as the primary mode of transportation to work. A large percentage of children used bicycles to travel to school. He was pleased the City continued to make improvements.

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MOTION: Council Member Price moved, seconded by Council Member Schmid to approve the minutes of March 14, March 18, and April 22, 2013 as amended.

MOTION PASSED: 8-0 Kniss absent

CONSENT CALENDAR

Paul Albritton, Attorney representing AT&T, spoke regarding Agenda Item Number 7 asked that the item remain on the consent calendar.

Council Member Berman recused himself from Agenda Item Number 14 due to an investment in a company that makes reusable plastic bags.

Vice Mayor Shepherd registered a no vote on Agenda Item Number 13.

Council Member Klein registered a no vote on Agenda Item Number 13.

MOTION: Council Member Schmid moved, seconded by Council Member Holman to approve Agenda Item Numbers 6-14.

6. Record of Land Use Action Approving a Conditional Use Permit for Beer and Wine Service at Freebirds World Burrito Located at 2305 El Camino Real.
7. Appeal of and Recommendation to Uphold Director's Architectural Review Approval of the Co-location by AT&T Mobility LLC of One Pole-Mounted Wireless Communication Antenna and Associated Equipment

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Boxes on the Existing Utility Pole Within the City's Public Utility Easement on 3704 Carlson Circle.

8. Approval of a One-Year Extension of the Sierra Infosys Contract (C10135998) for Annual SAP Support in the amount of \$250,000.00 per year for the Support and Maintenance of SAP Industry-Specific Solution for Utilities (IS-U), SAP Enterprise Central Component (ECC 6.0), Customer Relationship Management System (CRM), Business Intelligence System (BI) and Utilities Customer Electronic Services (UCES).
9. Resolution 9331, entitled "Resolution of the Council of the City of Palo Alto Confirming that the City Manager is Authorized to Report Greenhouse Gases Generated in Municipal and Utility Operations to Federal and State Agencies and to Participate in Cap and Trade Programs."
10. Request for Authorization to Increase the Existing Blanket Purchase Order with Cooper Power Systems, Inc. by \$225,000 for Fiscal Year 2013 and to Approve a \$225,000 Blanket Purchase Order with Cooper Power Systems, Inc., for Fiscal Year 2014 for the Purchase of Padmount Switches.
11. Recommendation to Purchase Eighteen (18), 5-Year Extended Warranties for New Electrocardiogram (EKG) Monitors for a Not-to-Exceed Total of \$93,000.
12. Approval of a Contract with Advanced Design Consultants, Inc. in the Total Amount of \$234,869 for Design of Mechanical, Electrical and Fire Life Safety Upgrades for the Lucie Stern Community Center Complex (CIP PF-09000).
13. Ordinance 5193, entitled "Ordinance of the Council of the City of Palo Alto Amending the Zoning Map to Add the Ground Floor (GF) Combining District (regulated under PAMC Section 18.30(C)) to Properties on the 600 block of Emerson Street Zoned CD-C-P (Commercial-Downtown Community with Pedestrian Combining District) and Street Fronting Ground Floor Spaces Zoned CD-S-P (Commercial-Downtown Service with Pedestrian Combining District), as Listed on the Ordinance's Exhibits 1 and 2 (Passed: April 8, 2013, 6-3 Klein, Shepherd, Price no)."
14. Ordinance 5194, entitled "Ordinance of the Council of the City of Palo Alto Amending Palo Alto Municipal Code Section 5.35 to Expand

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Plastic Bag Ban to Retail and Food Establishments, Require Retailers to Charge Fee for Paper Bag Use and Provision of Phased Implementation (Passed: April 15, 2013, 8-0, Berman not participating)”

MOTION FOR AGENDA ITEM NUMBERS 6-12 PASSED: 8-0 Kniss absent

MOTION FOR AGENDA ITEM NUMBER 13 PASSED: 6-2 Kniss absent, Shepherd and Klein no

MOTION FOR AGENDA ITEM NUMBER 14 PASSED: 7-0 Kniss absent, Berman not participating

ACTION ITEMS

15. Review of Guiding Principles for Stanford University Medical Center Fund Allocations and Allocation of \$2 Million to Project Safety Net

James Keene, City Manager wished to update the Council and community on the status of Stanford University Medical Center (SUMC) Development Agreement funds, to review guidelines suggested by Staff, and to follow up on two potential funding requests. Staff recommended the Council approve a \$2 million allocation to Project Safety Net. A total of \$4 million in the Community Health and Safety Programs category had to be spent within a ten-year period. Both the Policy and Services Committee and the Finance Committee approved recommendations to allocate \$2 million for Project Safety Net. The \$2 million amount for Project Safety Net was included in the Adopted Budget. Staff requested the Council provide input or action on the Guiding Principles for the use of funds.

David Ramberg, Assistant Director Administrative Services reported Stanford University owed the City a total of \$44.2 million under the SUMC Development Agreement. As of the end of March 2013, the City received \$32.5 million from Stanford University. To date the City spent or loaned a total of \$4.9 million, leaving a balance of approximately \$29.3 million including \$1.8 million in interest earnings. The City would receive \$7.7 million in the category of Infrastructure, Sustainable Neighborhoods and Affordable Housing in 2016. The City would receive \$4 million in the Sustainability Programs category. The Council approved a \$374,000 expenditure from the 27 University Avenue Project category entitled “Linkage from Downtown Through Palo Alto Intermodal Transit Station to Quarry/El Camino Real Intersection”. In addition, the Council approved funding of \$150,000 for that project from the Infrastructure, Sustainable Neighborhoods and Affordable Housing category. From the Community

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Health and Safety Programs category, the Council spent \$139,000 for Project Safety Net. The majority of funds expended from the Infrastructure, Sustainable Neighborhoods and Affordable Housing category supported the Stevenson House and Maybell-Clemo projects.

Mr. Keene added that generally the Council had discretion to expend SUMC funds. Funds in the two Linkage categories were required to be spent by 2016; therefore, Staff included those amounts in the Capital Improvement Program (CIP). He anticipated establishing a joint committee composed of Stanford University and City representatives to consider and review funding proposals for the \$4 million in the Community Health and Safety Programs category. The joint committee would make recommendations to the Council, and the Council would make the final decision regarding allocation of those funds. Funds in the Community Health and Safety Programs category had to be expended over a ten-year period from the date of the Development Agreement. In the Infrastructure, Sustainable Neighborhoods and Affordable Housing category, \$1.7 million was devoted to affordable housing. Expenditure of remaining funds was within the Council's discretion.

Mr. Ramberg indicated in the Infrastructure, Sustainable Neighborhoods and Affordable Housing category, \$4.3 million was spent or loaned. As required by the Development Agreement, \$1.7 million was loaned to the Stevenson House and Maybell-Clemo projects. A short-term loan for the remainder of the Maybell-Clemo project was approved in March 2013 for a two-year period. The City received approximately \$1.1 million in housing in-lieu fees, which would partially repay those loans. Additional in-lieu fees would repay the loans as funds were received. Staff suggested an additional \$1.5 million could be set aside for affordable housing. With regard to Guiding Principles, Staff proposed a review package consisting of a clear accounting of transactions, review of prior decisions, and review of guidelines. Proposed allocations would be presented to the Finance Committee as a package, and then the Finance Committee would make recommendations to the Council. From a prior Council discussion, Staff noted comments regarding not using SUMC funds for budget deficits, funds were one-time in nature, and using funds for transformative projects. Staff provided endowment management concepts to assist the Council in its discussion. The Fiscal Year (FY) 2014 Proposed Budget would contain allocations for Project Safety Net and for the Bicycle and Pedestrian Transportation Plan. These allocations were proposals only.

Mr. Keene noted the heart of the conversation concerned policy guidelines for allocating SUMC funds. The City Council should strive to be wise stewards of funding, and allocate it to provide the most impact. The suggested Guiding Principles included not using funds for ongoing expenses

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or for balancing the budget, leveraging funds for matching grants, accomplishing many projects to provide lasting impact, and safeguarding the principle. Endowment concepts were suggested to assist the Council. Staff recommended that all funding proposals be vetted through the Finance Committee, with the Finance Committee making recommendations to the Council.

Josh Walker urged the Council to consider allocating more SUMC funds to future affordable housing projects in order to maintain diversity. As the Council considered policy direction, it should consider Palo Alto Housing Corporation's request to adjust the \$1.5 million loan for the Maybell-Clemo project to a long-term loan.

Stephanie Munoz felt the City of Palo Alto needed more low-income housing; however, Stanford University had the only available land. Stanford University should house its low-income employees on Stanford University land.

Council Member Berman assumed transformative projects would require significant amounts of money; however, an endowment concept did not advocate spending significant amounts of money. He wanted to understand how the City could achieve both goals.

Mr. Keene suggested the endowment concept be viewed as an overlay for the Council to move slowly in making funding decisions. Because the Council would be besieged with funding requests, it should slowly determine which requests provided transformative projects.

Council Member Berman believed the endowment concept created a safeguard. He wanted the Council to have the flexibility to fund projects.

Council Member Schmid believed it was important to determine the process first. The One Bay Area Grant (OBAG) Program presented certain guidelines and principles which were not necessarily the same as the City Guiding Principles. By using OBAG as a justification for projects, the City would not fund projects in the long-term interest of the City. The original idea for the 27 University Avenue project was to construct a bridge on Quarry Road to connect to Stanford Hospital. However, funds were spent on a different kind of planning. He wished to ensure a consistent method was utilized to generate ideas. Stanford Hospital provided funds to the City for public access to the Stanford Medical School library and for public health subsidies; yet, those were not mentioned. He asked who was responsible for generating and initiating spending proposals that were in the interests of Palo Alto.

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Mr. Keene did not wish to imply that potential OBAG funding was the default approach in determining which projects were funded. The Council should have a process for considering supplemental funding. With respect to the linkage issue, the majority of funding was related to particular linkage pieces. Stanford Hospital Staff provided ideas related to health issues, and Staff would present those ideas at a later time. A range of needs assessments and identified deficiencies were available for Council consideration. Staff did not have a specific timeline for presenting those needs to the Council.

Council Member Schmid wanted to have a range of options focused on community needs.

Council Member Klein inquired about the status of OBAG requests for funding.

Jaime Rodriguez, Chief Transportation Official, reported the Adobe Creek/Highway 101 Bicycle-Pedestrian Bridge project was recommended for funding. The requested amount was \$4 million.

Council Member Klein asked if the City had to provide matching funds.

Mr. Rodriguez indicated the estimated cost of the Bridge was approximately \$9.5 million. The City secured \$4 million from the Stanford-Palo Alto Trail Program, committed to funding internally the design phase, and spent approximately \$500,000 for the feasibility and environmental assessment. No fund source was identified for \$1 million.

Council Member Klein inquired whether the project was fully funded.

Mr. Rodriguez replied yes.

Council Member Klein asked if any projects were rejected.

Mr. Rodriguez stated no City projects were rejected; however, the program was oversubscribed. Some projects were rejected because they did not meet program qualifications.

Council Member Klein asked if other City projects had a chance of receiving funding.

Mr. Rodriguez noted the City's request for transit mall improvements did not score well.

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Council Member Klein felt the endowment concept was inconsistent with the Council's intention of spending SUMC funds on impactful projects. Endowments were meant to be a permanent source of funding for ongoing expenses.

Mr. Keene requested the Council provide a Motion removing the endowment portion from the Guiding Principles.

Council Member Klein inquired whether \$260,000 in the FY 2014 Proposed Budget for Project Safety Net was in addition to or a part of the \$2 million amount.

Mr. Keene stated it was part of the \$2 million amount.

Council Member Klein hoped the Council would consider allocating the remainder of funds in the Community Health and Safety Programs category to programs for other age groups. Youth were important, but so were the elderly and those aged 21-65. The language at the bottom of page 7 regarding OBAG grants was misleading, because Staff did not expect to receive \$25 million. He asked if Staff had projects in mind for the proposed \$1.5 million for affordable housing.

Curtis Williams, Director Planning and Community Environment, reported \$1.5 million could serve as a transition for many projects. For example, it could supplement cash flow for some projects. Staff did not anticipate using the funds for only one project. Rather, Staff proposed reserving funds for a transition period for a project.

Council Member Klein inquired about the amount of development impact fees, in addition to \$5.4 million, Staff anticipated collecting.

Mr. Keene noted the \$5.4 million amount was not part of the SUMC funds.

Mr. Williams would return with that information.

Council Member Klein inquired about Staff's reasoning for preserving development impact fees until the end of the project to help address remaining mitigations.

Mr. Ramberg reported other funds were set aside; therefore, Staff would not necessarily need to use development impact fees at a later time. The Project Operating Deficit category covered unanticipated costs.

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Council Member Klein suggested Staff review the use of development impact fees.

MOTION: Council Member Klein moved, seconded by Vice Mayor Shepherd to refer this item to the Policy and Services Committee to develop formal Guiding Principles and an approval process for the use of Stanford University Medical Center Development Agreement funds. Furthermore, to authorize the use of \$2 million from such funds for Project Safety Net.

Vice Mayor Shepherd wanted to eliminate proposed Guiding Principle Number 8 from Policy and Services Committee review.

Council Member Klein preferred not to restrict the Policy and Services Committee discussion.

Vice Mayor Shepherd inquired whether the Motion was for the Policy and Services Committee to draft Guiding Principles outside of Staff's recommendations.

Council Member Klein suggested the Policy and Services Committee could use or not use suggested language.

Vice Mayor Shepherd clarified that the Motion was for the Policy and Services Committee to draft Guiding Principles with Staff input but without restrictions. She inquired whether the Council would review Staff's recommendation for the \$173 million from Stanford University.

Mr. Keene indicated one of the largest pieces was related to the purchase of Go Passes and other Transportation Demand Management (TDM) requirements as part of the project.

Vice Mayor Shepherd was interested in the in-lieu fee for housing.

Mr. Williams noted \$1.7 million of the Infrastructure, Sustainable Neighborhoods and Affordable Housing amount was devoted to housing. Remaining funding could be used for affordable housing or other projects.

Vice Mayor Shepherd agreed with Council Member Klein's comments regarding endowment, and preferred to spend funds for capital improvements. Reserving funds for the future did not allow for needed incremental improvements. She asked if a proposal for additional shuttles would be appropriate under the Infrastructure, Sustainable Neighborhoods and Affordable Housing category or Climate Change and Sustainability category.

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Mr. Keene felt either of those areas would be appropriate.

Vice Mayor Shepherd requested Staff and the Policy and Services Committee consider sophisticated transit management.

Council Member Holman stated the expenditure of funds should reflect the City's values and Guiding Principles. The Motion was to develop formal Guiding Principles and an approval process for the use of SUMC funds. She inquired whether funding proposals would still be reviewed by the Finance Committee.

Council Member Klein explained that the Motion was to create an approval process. Each particular project would be presented to the Finance Committee for review.

Council Member Holman wanted Finance Committee review of proposals to be part of the Policy and Services Committee discussion.

Council Member Klein understood it would be part of the discussion. The Policy and Service Committee's responsibility was to recommend one approval process.

Council Member Holman believed one result of the discussion would be ratings, rankings, and identification of community needs.

Council Member Price supported the Motion. Project Safety Net was a critical program within the City. She disagreed with comments regarding endowments, because there were methods for limiting the lifespan of an endowment. She inquired whether Staff would return with recommendations for use of the \$1.5 million proposed to be set aside for affordable housing.

Mr. Keene suggested the Council receive the Policy and Services Committee recommendations for Guiding Principles before answering that question. Important to note was that Staff made the request.

Council Member Price stated the Policy and Services Committee would make recommendations regarding the process and Guiding Principles while Staff developed other facets for affordable housing.

Mr. Keene believed the Council would be interested in having potential uses for funding to frame the discussion about Guiding Principles. The Finance Committee would determine whether a proposal met the Guiding Principles.

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Council Member Price inquired whether a potential joint committee would be composed of Staff and Stanford University employees.

Mr. Keene responded yes.

Council Member Burt supported the Motion. Proposed Guiding Principle Number 2 should be deleted, because the Council discussed it. He encouraged the Policy and Services Committee to consider spending only the amount of interest earned annually. The bulk of funds would be spent for infrastructure projects resulting from impacts created by the hospital. He hoped other resources were available for expanding the shuttle system. Perhaps the shuttle system could be expanded through Palo Alto Unified School District (PAUSD) matching funds, employer participation, a cooperative approach, or a TDM program. With respect to proposed Guiding Principle Number 4, he preferred not to set the precedent of a super majority vote.

AMENDMENT TO MOTION: Council Member Schmid moved, seconded by XXX to add to the Guiding Principles approval a process for gathering ideas from Staff and Council.

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

Council Member Klein felt that was part of the Motion.

Council Member Price reported PAUSD recently discussed funding for the shuttle system.

Mayor Scharff preferred SUMC funds be spent on projects with a life of 30 or more years and on projects that provided a large impact. Having a thorough vetting process was important.

MOTION PASSED: 8-0 Kniss absent

16. Public Hearing: Hear Objections to the Levy of Proposed Assessments on the Palo Alto Downtown Business Improvement District and Adoption of a Resolution 9332 entitled "Resolution of the Council of the City of Palo Alto Confirming the Report of the Advisory Board and Levying Assessment for Fiscal Year 2014 on the Downtown Palo Alto Business Improvement District."

Vice Mayor Shepherd would not participate in this Item as her husband had a lease in the Business Improvement District (BID).

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Mayor Scharff announced the purpose of the Public Hearing was to hear objections to the levy of proposed assessments on the Palo Alto Downtown Business Improvement District (BID), and to adopt a Resolution confirming the report of the Advisory Board on levying assessments for Fiscal Year (FY) 2014 on the Downtown Palo Alto BID. Annually the Council was required to hold a Public Hearing to authorize the levy of an assessment in the next fiscal year. On April 15, 2013, the Council set May 6, 2013 as the date for a Public Hearing regarding the proposed levy of an assessment for FY 2014. The Council appointed the Board of Directors of the Palo Alto Downtown Business and Professional Association as the Advisory Board for the BID. The Advisory Board prepared its annual report for FY 2014, and submitted it to the Council. The City published the required notice in local newspapers of record regarding reauthorization of the BID for FY 2014. All interested persons would have the opportunity to provide testimony. At the conclusion of the public hearing, the Council would determine whether a majority protest existed. A majority protest would exist if the owners of businesses that would pay 50 percent or more of the proposed levy of an assessment filed and did not withdraw a written protest.

Public Hearing Opened and Closed at 9:30 P.M.

Mayor Scharff requested a determination regarding the existence of a majority protest.

Thomas Fehrenbach, Manager of Economic Development, declared no majority protest existed.

MOTION: Mayor Scharff moved, seconded by Council Member Price to adopt a Resolution confirming the report of the Advisory Board, and to levy an assessment for fiscal year 2014 on the Downtown Palo Alto Business Improvement District.

Council Member Schmid inquired about the relationship of the BID map to maps of the Parking Assessment District, the Development Cap District, and the Ground-Floor Retail District.

Mr. Fehrenbach reported the Parking Assessment District map was close to the boundaries of the BID, although not exactly the same. The BID map encompassed the Ground-Floor Retail overlay.

Curtis Williams, Director of Planning and Community Environment, reported the primary area of the Development Cap Study encompassed most all the Downtown commercial properties.

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Council Member Schmid noted subtle differences between the two maps. The 27 University Avenue Project was included in the BID map. The hotel area was included in the BID map, but not in some of the other maps.

Mr. Williams agreed the hotel map did not extend beyond Alma Street into the Development Cap Study area.

Council Member Schmid indicated the BID map did extend beyond Alma Street.

Mr. Williams stated that would be in the area of influence within the study.

MOTION PASSED: 7-0 Kniss absent, Shepherd not participating

17. Public Hearing: Adoption of a Resolution 9333 entitled "Resolution of the Council of the City of Palo Alto Approving the Proposed Fiscal Year 2014 Community Development Block Grant Funding Allocations and the Draft 2014 Action Plan."

Consuelo Hernandez, Planner, presented the Community Development Block Grant (CDBG) allocations for Fiscal Year (FY) 2014. Palo Alto received funds under the CDBG program to fund a variety of activities benefiting primarily low- and moderate-income residents. Over the past few years, Palo Alto received approximately \$700,000 annually in entitlement grants. Funding declined 17 percent in FY 2012 and 29 percent in FY 2013, with a proposed reduction of 8.2 percent in FY 2014. Once Staff received the final allocation, they would adjust allocations as necessary. Pursuant to the statutory spending cap on public service activities, the maximum amount available was \$76,662. Staff proposed funding for five public service activities: Palo Alto Housing Corporation, Catholic Charities, InnVision Shelter Network, YWCA Support Network, and Silicon Valley Independent Living Center. Pursuant to the statutory spending cap on planning and administration costs, Staff requested the maximum amount of \$91,342 to reimburse CDBG administrative expenses and to fund fair housing services. For FY 2014, Staff proposed funding of \$398,753 for a Pilot Microenterprise Assistance Program and a Workforce Development Program. The Finance Committee reviewed and voted unanimously to fund these allocations on April 16, 2013.

Public Hearing Opened at 9:36 P.M.

Ann Marquant, Executive Director of Project Sentinel, appreciated Staff's recommendation to fund Project Sentinel. She was available to answer questions.

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Public Hearing Closed at 9:37 P.M.

Council Member Burt indicated the public participated extensively at the Finance Committee's discussion of the CDBG Program.

MOTION: Council Member Burt moved, seconded by Council Member Price to: 1) adopt the attached funding Resolution allocating CDBG funding as recommended by staff in the 2014 Action Plan; 2) authorize staff to submit the 2014 Action Plan to the Department of Housing and Urban Development by the May 15, 2013 deadline; and, 3) authorize the City Manager, or designee, to execute the 2014 application and Action Plan for CDBG funds and any other necessary documents concerning the application and grant agreements and to otherwise bind the City with respect to the application and commitment of funds.

Council Member Price felt the outcomes from funding would be impressive.

Council Member Holman requested clarification of adjustments to funding.

Ms. Hernandez reported Staff would make adjustments to allocations once they received the annual allocation from the U.S. Department of Housing and Urban Development (HUD). Amounts used for planning purposes were based on an 8.2 percent reduction.

Council Member Holman asked if Staff could separate the administrative costs from the total allocation of \$150,000. She suggested Staff provide more time and more outreach for the public regarding notice of the CDBG Program.

Curtis Williams, Director of Planning and Community Environment, indicated Staff would determine ways to enhance outreach. He inquired whether Council Member Holman was referring to a breakdown of the \$101,000 amount.

Council Member Holman answered the \$150,000 allocation for the Micro Assistance Program, and suggested Staff separate the administrative portion from the total \$150,000 allocation.

Ms. Hernandez explained that some agencies used a portion of funds for salaries and a portion for other items such as equipment. Of the \$150,000 total allocation, \$36,000 was estimated to be used for administrative costs with the balance for direct services. Staff tracked their time for administrative costs via time cards.

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Council Member Holman wanted the document to be clearer.

Council Member Schmid noted funding for important City services declined approximately 42 percent from 2008 to the present.

MOTION PASSED: 8-0 Kniss absent

18. Adoption of a Resolution 9334 entitled "Resolution of the Council of the City of Palo Alto Authorizing the Issuance and Sale of General Obligation Bonds Series 2013A For Measure N Projects in the Principal Amount of \$20,695,000, Authorizing and Directing the Execution of a Paying Agent Agreement, and Certain Other Related Documents, and Authorizing Official Actions Related Thereto,"

Joe Saccio, Assistant Director Administrative Services, reported Staff sought a Resolution authorizing Staff to proceed with a second series of General Obligation (GO) Bonds in the amount of approximately \$20.7 million primarily for renovation of the Main Library. The ratings presentation to Moody's and Standard Poor's went well. Staff anticipated having proceeds from the Bond sale in time for construction.

Mayor Scharff inquired whether residents of Palo Alto would have the opportunity to purchase bonds.

Mr. Saccio answered no, because offering GO Bonds to the community was problematic.

James Keene, City Manager, recalled the City previously had a private negotiated sale that allowed residents to purchase bonds.

Herb Borock noted packet page 557 listed Stanford University as one of the largest employers in the City of Palo Alto; however, it was not located in the City of Palo Alto. He believed total employment figures erroneously included Stanford University campus employment as part of the City.

MOTION: Vice Mayor Shepherd moved, seconded by Mayor Scharff to; 1) authorize Staff to issue and sell General Obligation Bonds (Election of 2008, Series 2013A) for Measure N Projects in an amount of \$20,695,000 to finance City library capital improvements, and 2) approve Paying Agent Agreement, Official Notice of Sale, Preliminary Official Statement; and authorize official actions related thereto.

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Vice Mayor Shepherd noted community concerns regarding closure of the Main Library for renovations. The Library at College Terrace would be open an additional day. She inquired whether the College Terrace Library would now be open seven days a week. Library Staff attempted to make additional hours available at the libraries.

Monique LeConge, Library Director, provided information regarding revised library locations and hours. The College Terrace Library added a day, and would be open five days a week. The Downtown Library would be open from 12:00 P.M. to 8:00 P.M. on Monday, and open until 8:00 P.M. on Thursday. The Mitchell Park Library and Children's Library continued with normal hours. The net loss of library hours was only four hours per week. The program room at the Downtown Library was being used as a reading room. More children's programming would be held at the Children's Library.

Vice Mayor Shepherd understood the closures and renovations would be inconvenient and disruptive for the community; however, the branches would be operational sooner.

Council Member Burt suggested Staff monitor usage of the Downtown Library to determine whether patrons utilized it rather than the temporary library sites.

Ms. LeConge reported Staff continually monitored citizens' use of libraries. Many families utilized the Children's Library on Sundays. She agreed with monitoring usage at the Downtown Library.

Council Member Burt encouraged Staff to monitor whether Saturday usage of the Main Library moved to the Downtown Library. If usage of the Downtown Library was heavy, then perhaps it should be open on Sunday. He asked when the construction contract for the Main Library would be presented to the Council, and if the Council would have ample time to review it prior to approving it.

Mr. Keene indicated Staff scheduled the award of the Main Library contract for presentation to the Council on June 13, 2013. If the Council did not have time for adequate discussion on June 13, 2013, then the Council could continue the discussion to a subsequent meeting.

Council Member Burt inquired about the reasons for closing the Main Library prior to awarding a contract.

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Ms. LeConge reported Staff closed the Main Library in order to sequence the different moving activities. The temporary site opened three days after closure of the Main Library.

Council Member Schmid understood the usage of libraries had not decreased significantly given disruptions at four of the five libraries. When each of the refurbished libraries opened, usage increased dramatically. Increased usage was a positive sign that the City was proceeding in the right direction.

MOTION PASSED: 8-0, Kniss Absent

19. Adoption of a Resolution Amending the 2013 Management and Professional Compensation Plan and Adoption of a Resolution Amending the Merit Rules

James Keene, City Manager, reported each year the Council adopted a compensation plan for Management and Professional Employees. Management and Professional Employees were unrepresented by any bargaining unit or association. The recommendation was to modify a portion of the Management and Professional Compensation Plan. The City committed to Management and Professional Employees to set aside a fund of approximately \$310,000 in order to benchmark and compare the salary schedule with benchmark agencies around the region. Contrary to inaccurate reports, the recommendation was not to approve a 2 percent raise for Management and Professional Employees. The item acknowledged that the Fiscal Year (FY) 2014 Proposed Budget included a recommendation for a 2 percent adjustment for the group. Salaries would change for some employees. Staff recommended that the \$310,000 amount appropriated annually for the past five years be initiated. The salary structure was designed to allow Staff to recruit and retain capable Staff.

Kathryn Shen, Director of Human Resources, stated the Management and Professional Compensation Plan covered approximately 200 Full Time Equivalent (FTE) employees. The goal was to attract and engage employees with the right skill set and experience. Staff recommended adoption of the amendments in order to bring current salary ranges to the median of the market. Management and Professional Employees had not received a true salary increase since 2008. They did receive a 3 percent salary increase in October 2012; however, their California Public Employees' Retirement System (CalPERS) contribution increased from 2 percent to 7-8 percent. Other goals of the amendments were to create internal equity among departments and between job levels, and to provide a mechanism for employees to promote through job ranges. An independent consultant conducted a total compensation survey. Data was collected between 2010

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and 2012. Fourteen comparable cities were chosen based on location, size, and services. Southern California cities were added, because they represented more utilities. The data benchmarked 82 of 114 jobs in the City. Palo Alto job descriptions were compared with jobs descriptions from the benchmark agencies. A job with a 70 percent overlap in duties was considered a match. Jobs could be benchmarked if they matched jobs in a minimum of four cities. In 2013, Staff gathered additional information to update jobs that did not exist in 2010-2012. For jobs not benchmarked, Staff slotted the jobs based on reporting. A minimum salary for positions in the range was 20 percent below midpoint; the maximum was 20 percent above midpoint. Management determined the individual employee's actual salary within the range. Most job classifications met the market salary; however, some were above market and some were below market. When a job classification was below market range, Staff proposed raising the midpoint of the salary range to reach the midpoint of the market range. With Council approval, Staff would adjust the individual employee's salary by moving the employee who was at or below median in the current range to the same relative place in the new range, provided employees met or exceeded expectations. If a classification was above market range, then Staff proposed lowering the midpoint of the range so that the midpoint met the current market median. Pay for individual employees would not be reduced; however, employees would be above the midpoint. Employees above the 20th percentile of the range would not be eligible for increases unless the salary range increased over time. In the FY 2014 Proposed Budget, Staff proposed budgeting actual salaries and labeling the middle of the range as the midpoint.

Mr. Keene added that the existing spread in salary ranges was 25 percent below and 20 percent above midpoint. With the amendments, the range would be reduced from 45 points to 40 points. At the Council's directive, the comparisons were based on total compensation, not salary alone. The types of employees affected by the changes were civil engineers, planners, attorneys, financial analysts, and administrative assistants.

Robert Moss stated employee compensation packages consisted of job security, pay, and benefits. The Council should consider the costs to the City when an employee retired.

Stephanie Munoz felt employees' compensation should be compared to compensation of private industry, not other cities. The City should reconsider retirement benefits, but not reduce health benefits.

Herb Borock believed the Agenda Item should be continued in order to obtain more information regarding a management and professional

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committee and a full copy of the study. The City Manager mentioned \$310,000 over five years, but he did not recall any such amounts in the compensation plan or budget. Unlike previous plans, the Staff report did not indicate each job classification that changed.

Mayor Scharff noted Burbank, Long Beach, Anaheim, and Roseville were included in order to provide comparisons for utility positions; however, the plan applied to the Utilities director only.

Ms. Shen stated comparing Palo Alto to cities that provided a full range of services including utilities was applicable to other members of the group.

Mr. Keene explained that the study compared positions to the market and to other positions within the City. Inclusion of this data allowed the measurement of differences in the marketplace.

Mayor Scharff suggested that the larger the city, the more the professional group was paid. He inquired whether a City Manager's salary was based on the number of employees of the city.

Mr. Keene felt a chief executive's salary could be lower in larger cities, because the political exposure was more significant. Generally City Manager salaries varied across a range.

Mayor Scharff assumed there were large variances between Sacramento and Southern California, for example. He asked if cities with large populations skewed the data and, if the study compensated for that.

Ms. Shen agreed the Southern California cities were larger than Palo Alto. Those cities were used because they had the same labor market and similar services including utilities. Even though Utilities were part of a separate union, many Staff in other departments supported utilities. It was a good decision to benchmark against cities providing utilities.

Mayor Scharff asked if Staff who supported Utilities had special skills, and thus would earn a higher salary.

Mr. Keene believed the issues were marketplace pricing and work complexity. Even though the number of Palo Alto employees was less than other cities, the complexity of the environment could have more in common with larger cities. In addition, the cost of living was higher in the Bay area than in Southern California. Recruiting and retaining employees was not easy in the current economy and in the region. Staff needed flexibility to hire the type of employee demanded by the City.

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Mayor Scharff questioned the inclusion of some of the cities as benchmarks.

Council Member Klein asked why the amendments were not presented to the Finance Committee.

Mr. Keene did not think about presenting them to the Finance Committee. Staff felt the recommendations were straightforward.

Council Member Klein stated the oral report was more informative than the Staff report. If he assumed the average total compensation was \$150,000 each for 200 employees, then the overall total compensation amount was \$30 million. Thus the \$315,000 amount was a 1 percent increase. He wanted that type of information, and a list of affected positions along with the amount.

Ms. Shen reported 38 different positions were under market and would be adjusted.

Mr. Keene could provide a list of positions that would be adjusted.

Council Member Klein disagreed with comments that security was a factor in compensation, given the number of local, state, and federal employees who lost their jobs.

Mr. Keene recalled an earlier amendment imposed at-will status on a number of employees within the group.

Council Member Klein recommended Staff not use the concept of employee stock options. The number of employees with stock options was so small that it was irrelevant.

Mr. Keene pointed out that a range of other comparisons were not reported.

Council Member Klein at first was concerned that jobs were not compared to the private sector, and then he realized the difficulty in doing that. PG&E was not a relevant comparison because it paid more for utility positions. The Staff report should include that type of information.

Council Member Schmid inquired about the percentage of employees recruited from the private sector and the percentage of employees who left the City for the private sector.

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Ms. Shen did not have that statistic. Staff recruited primarily from other cities or public agencies. She estimated 10 percent of employees were hired from the private sector.

Mr. Keene indicated the City was not deluged with applications from the private sector, particularly in the Management and Professional group. Experience working in the public sector was added value for an employee. Being competitive with other cities helped to prevent employees from moving to other cities.

Council Member Schmid noted discussion regarding the difference between salaries and total compensation. He inquired whether salary ranges and the \$300,000 amount would be utilized for salaries.

Ms. Shen responded yes.

Council Member Schmid asked if the data in the last few pages of the study concerned salaries.

Ms. Shen indicated the study methodology was based on total compensation. The cost study reviewed the difference between Palo Alto total compensation and the benchmark cities' total compensation, and applied the differential percentage to the Palo Alto salary.

Council Member Schmid suggested the report include a few samples. Palo Alto paid 10 percent more for benefits. He was surprised to learn that Palo Alto was different from the comparable cities.

Ms. Shen reported Palo Alto was different with respect to retiree medical benefits, in that it covered spouse and dependents. That difference was a recruiting advantage.

Mr. Keene stated Staff attempted to reduce those costs; however, CalPERS rules placed constraints on those reductions.

Council Member Schmid believed CalPERS regulations prevented the City from becoming more like other cities.

Mr. Keene agreed that was partly true. Staff was working to shift healthcare costs.

Council Member Schmid noted benefit costs were increasing twice as fast as salary costs, and inquired about a plan to address that issue.

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Ms. Shen reported Staff met with the Council to discuss pensions and benefits costs. Staff would meet with employees to review options for controlling costs. Staff needed flexibility to attract employees looking for higher salaries or volunteer opportunities. Younger employees were not concerned about pension benefits.

Council Member Schmid asked if Palo Alto's retirement age was earlier than comparable cities.

Ms. Shen indicated Palo Alto's retirement age was similar to other cities under CalPERS.

Council Member Schmid stated Palo Alto was 10 percent different from other cities.

Mr. Keene explained the difference was retiree medical costs. Generally, Palo Alto was similar to other cities with respect to the pension retirement age, except for newer employees.

Ms. Shen noted the cost study was prepared prior to requiring employees to contribute more to CalPERS. If the study was performed in 2013, then the percentage would be smaller.

MOTION: Council Member Schmid moved, seconded by Council Member Holman to refer this item to the Finance Committee.

Council Member Schmid felt a detailed discussion and concrete examples would be helpful.

Council Member Holman believed the information merited a vetting by the Finance Committee.

Council Member Price inquired whether deferring action would defer implementation of the plan changes.

Ms. Shen replied yes.

Council Member Price asked if salary increases for Management and Professional Employees would also be delayed.

Ms. Shen answered yes.

Council Member Price felt the work and the study were defensible. For this particular cycle, referring the plan to the Finance Committee was not

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appropriate. Comparison to cities with utilities was a factor in considering compensation for Council-appointed officials. She concurred with comments regarding the importance of comparing Palo Alto to cities that provided utilities. She would not support the Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER for the Finance Committee to refer this item back to the City Council no later than the meeting on Monday, June 10, 2013.

Mr. Keene believed the intention was for the Finance Committee to return with a potential recommendation in a timely manner.

Council Member Burt noted the schedule of Budget hearings for the Finance Committee, and inquired whether this issue could be placed on the Finance Committee Agenda in May 2013.

Lalo Perez, Director Administrative Services/Chief Financial Officer, believed the positive financial outlook would allow the Finance Committee to discuss the compensation plan in May.

Council Member Berman supported the Motion. He assumed the Finance Committee would receive more quantitative information. He asked if employees above midpoint would be Y-rated.

Ms. Shen explained employees would not be Y-rated unless they were at the 120th percentile.

Council Member Berman inquired whether employees above the midpoint would remain above the midpoint when raises were implemented.

Ms. Shen reported Human Resources would issue guidelines to hiring managers regarding moving people through the range. Merit increases would be allocated based on performance. If someone was an excellent performer, he could receive a greater increase, particularly if he was lower in the range. If an employee was higher in the range, he could receive a lower increase. In the span of a career, an employee would expect to begin lower in the range and move up over time. Long-tenured employees would be above the midpoint of the range.

Mr. Keene envisioned more in-depth Staff work regarding criteria to manage salary increases. The first item was to set the salary schedule in relation to competition. Staff would provide recommendations regarding placement of employees within ranges.

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Vice Mayor Shepherd believed the study was supposed to determine a salary range and provide flexibility to reward good work. The City wanted a stream of knowledgeable workers who could replace retired workers. She wanted to see the amendments made in order to address other issues. She asked when the Council would discuss employee transit management.

Mr. Keene intended to have that conversation at another time. Staff discussed collecting information related to private sector jobs, but obtaining information was difficult and complicated.

MOTION PASSED: 7-1 Kniss absent, Price no

COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Council Member Price said she had been attending Youth Council Meetings. The youth were interested in engaging on issues such as the Connected City and the Downtown and California Avenue Council Priorities as well as upcoming events such as the Hackathon. She also discussed an Art Center Event and Project Safety Net projects that relate to youth.

Council Member Burt reported that the Santa Clara County Emergency Preparedness Council has begun to explore consolidating efforts. Different functions could merge into an operational council similar to the Valley Transportation Authority Board structure. The Stanford University Steering Committee for the future of Searsville Reservoir formed an advisory committee of stakeholders which includes Palo Alto. He was invited to participate as the Palo Alto Representative.

Vice Mayor Shepherd participated in the Abilities United 50 year anniversary. Palo Alto was honored with an award which she presented to the Council. She also announced the League of Cities Conference was coming up and she recommended colleagues attend.

Council Member Holman said she had been selected to serve on the Mid-Peninsula Regional Open Space District's Community Advisory Committee as the Co-Chair.

ADJOURNMENT: The meeting was adjourned at 11:08 P.M.