



CITY OF PALO ALTO CITY COUNCIL MINUTES

Special Meeting
October 28, 2013

The City Council of the City of Palo Alto met on this date in the Council Conference Room at 6:01 P.M.

Present: Berman, Burt, Klein, Kniss, Scharff, Schmid, Shepherd

Absent: Holman, Price

CLOSED SESSION

1. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and (James Keene, Pamela Antil, Lalo Perez, David Ramberg, Joe Saccio, Kathryn Shen, Sandra Blanch, Dania Torres Wong, Val Fong, Marcie Scott, Brenna Rowe, Molly Stump)

Employee Organization: Service Employees International Union, (SEIU) Local 521

Authority: Government Code Section 54957.6(a)

Closed Session adjourned at 6:45 P.M. and Council took a break.

The City Council adjourned to the Council Chambers at 7:00 P.M. Mayor Scharff announced there was no reportable action.

AGENDA CHANGES, ADDITIONS, AND DELETIONS

None

CITY MANAGER COMMENTS

James Keene, City Manager, announced new LED light fixtures were installed in the City Hall parking garage as part of the Emerging Technology Demonstration Program. The Palo Alto Art Center hosted a successful Fifth Annual Day of the Dead Celebration. As part of moving into the new Mitchell Park Library, the LINK+ service would be suspended beginning November 1,

MINUTES

2013. Developmental Services revamped its website to provide all construction-related information in one place.

COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Vice Mayor Shepherd attended the League of City's quarterly meeting, where she learned about changes related to the California Environmental Quality Act.

Council Member Schmid attended a meeting of the Santa Clara Valley Water Board Council. In response to a review of advisory board complaints, the Water Board abolished five of six advisory boards.

Council Member Kniss mentioned that several Council Members would attend the National League of Cities conference in Seattle. Council Members could learn about activities from around the nation at the conference.

Council Member Berman enjoyed judging the homecoming spirit dance and floats along with Vice Mayor Shepherd at Palo Alto High School.

Mayor Scharff judged the annual Halloween costume contest hosted by California Avenue merchants.

ORAL COMMUNICATIONS

Warren Kirsch stated the intent of the Maybell Project was good. The long-term benefits of constructing senior apartments on the Maybell site were small when considered in light of alternatives. The Maybell Project did not appear to be a bargain when considering alternatives for spending Federal, State and County tax dollars.

Aram James reported the Stop the Ban Coalition reviewed many alternatives to mitigate the harm of the Vehicle Habitation Ordinance. The City Councils of Palo Alto, Mountain View, Sunnyvale and Atherton and public were invited to attend a discussion on November 9, 2013 regarding the Santa Barbara Safe Parking Program.

Jeff Levinsky indicated the Council would subsidize building projects by not charging the correct amount of in-lieu parking fees. The amount of in-lieu parking fees should also encompass the cost of land for parking spaces. He urged the Council to consider a realistic price for in-lieu parking fees.

MINUTES

Jerry Underdal supported Measure D. He hoped the No on D Campaign would accept the outcome of the election and move on, should residents support Measure D.

Cindy Hendrickson, Supervising Deputy District Attorney for Palo Alto and the northern section of Santa Clara County, reported the Palo Alto Police Department was active in a new program to refer criminal offenders to mental health and substance abuse services.

Paul Taylor, CEO of Momentum for Mental Health, thanked Council Members for their community service. He was concerned about the homeless issue and Measure D, and saddened by the need for the City to spend \$500,000 for an election. Some of the remarks made to the Council were extremely offensive, if not libelous.

Stephanie Munoz felt giving away the right to park on City streets to a private developer was wrong. She suggested the Council postpone in-lieu fees for small developers who would be impacted by the change in parking exemptions. If Measure D was approved, then the Council should not sell the remaining half of the property. Land would be needed for future uses.

Mayor Scharff requested the City Manager comment on whether the City was considering selling land at Cubberley Community Center.

James Keene, City Manager, reported the City was not considering selling land at Cubberley Community Center. The City was retaining land as much as possible and continued to lease other space from the Palo Alto Unified School District.

Trina Lovercheck believed approval of Measure D was good urban planning. Studies indicated that senior residents would have little traffic impact to the area.

MINUTES APPROVAL

MOTION: Council Member Kniss moved, seconded by Vice Mayor Shepherd to approve the minutes of September 16 and September 23, 2013.

MOTION PASSED: 7-0 Holman, Price Absent

CONSENT CALENDAR

MOTION: Vice Mayor Shepherd moved, seconded by Council Member Kniss to approve Agenda Item Numbers 2-3.

MINUTES

2. Approval of a Construction Contract to JCM Construction Inc. in the Amount Not to Exceed \$358,600 to Provide Construction Services to Reconfigure the City Hall 6th and 7th Floor Public Works Engineering Services, Fire Department, and City Clerk's Office Areas.
3. Resolutions 9375, 9376, 9377, and 9378 entitled "Resolutions of the Council of the City of Palo Alto Fixing the City of Palo Alto's Healthcare Premium Costs Under the Public Employees' Medical and Hospital Care Act (PEMHCA) for Palo Alto's New Bargaining Units, Palo Alto Police Management Association and Utilities Managers and Professionals Association of Palo Alto."

MOTION PASSED FOR AGENDA ITEM NUMBERS 2-3: 7-0 Holman, Price absent

ACTION ITEMS

4. Update on the Infrastructure Committee's Work to Evaluate Finance Measures to Fund Infrastructure Projects and Financing Measures.

Sheila Tucker, Assistant to the City Manager, reported a baseline survey was conducted in the spring of 2013. Findings from the survey were presented to the Council in a Study Session. The Infrastructure Committee (Committee) analyzed the results for areas of further study, refined the costs of infrastructure projects, evaluated the issuance of Certificates of Participation (COP) and the utilization of finance measures, and considered bundled measures and Mello-Roos Districts.

Brad Eggleston, Assistant Director of Public Works, indicated total project costs with committed funding were \$180 million. Attachment A to the Staff Report contained details of the various projects. Committed funding included funds committed through the Capital Improvement Program (CIP) Budget, the Five-Year Plan, and grants where funds had not been received. The net cost, which remained unfunded, was \$180 million. The Committee reviewed grant opportunities, removed uncertain projects and reconciled the project list to the CIP. The City applied for several grants and was awarded \$5 million applicable to the Bike Bridge Project and Charleston-Arastradero. Projects with ongoing studies or needing Council decisions, such as Cubberley Community Center and the Municipal Service Center (MSC), were considered uncertain. Costs of projects in the surface, parks and buildings categories decreased as a result of projects being funded through the Five-Year CIP. The Committee decided streets projects should be eliminated because of additional funding and the

MINUTES

significant progress achieved. The majority of the changes could be found in the Committee Staff Reports from June 6 and September 3, 2013. The \$132 million amount represented unfunded costs if the Jay Paul Company Project public benefit proposal was approved. The public benefit provided by the developer totaled \$48 million with the City's contribution totaling approximately \$9 million. The Jay Paul Company Project continued to move through the planning process. The Police Department and the Public Works Department were working with the City's architect to ensure any project met the Police Department's needs. A Council Study Session to study traffic impacts was scheduled for early December 2013. The overall project schedule indicated the Council would make a decision on approval in late summer or early fall of 2014. That decision did not align with the timeline for a potential revenue measure. However, a Draft Environmental Impact Report (DEIR) would be available by the time the Council made decisions in the spring of 2014. The DEIR should provide a thorough analysis of the different issues and sufficient information for the Council to make informed decisions about the Public Safety Building.

Joe Saccio, Assistant Director of Administrative Services, noted impact fees of various sorts were available for specific areas as designated. The Downtown Parking In-Lieu Fee Fund, totaling \$4 million, could be used for construction of garages. The Infrastructure Reserve Fund totaling \$8 million exceeded the amount needed to fund the CIP over the next five years. The excess could be used for infrastructure projects. Two parcels on Middlefield Road could be sold; however, Staff needed Council direction on that issue. Staff estimated \$2.4 million would be received from new hotels. COPs were issued to improve the Golf Course and the Civic Center. COPs did not require voter approval. Every \$1 million in revenue could generate approximately \$14 million from COPs for project funds, depending on interest rates. Staff estimated an auto dealership at the MSC site could generate \$0.8 million in rental income. If a new Public Safety Building was constructed, then the existing Public Safety Building could generate \$1.4 million in rent, not including renovation costs. Potential rental income could raise \$19.6 million from COPs. A digital reader board was another potential revenue stream of \$0.8 million. Renting the Los Altos Treatment Plant (LATP) site could raise between \$1.3 million and \$2 million. The Committee considered increases in the Transient Occupancy Tax (TOT) and Sales Tax as possible revenue streams. If the economy slowed causing revenue streams to decrease, the City would have to find other resources to fill the gap between estimated and actual revenue.

Ms. Tucker stated the Committee was proceeding with further study around five key areas: increasing TOT; forming a Mello-Roos District to fund parking

MINUTES

garages; passage of a bundled General Obligation Bond Transportation Measure; passage of a bundled General Obligation Bond Public Safety Measure; and increasing Sales Tax. The current rate of the TOT, or wholesale tax, was 12 percent. The last increase occurred in 2007 under Measure M, which passed with 81 percent support. TOT revenue represented 7 percent of General Fund revenue. In the baseline poll, 62 percent of respondents supported a potential TOT increase. Additional polling would evaluate community support for either a 2 percent or a 3 percent increase. The TOT was structured as a general tax, requiring a simple majority vote. The baseline survey did not include a Community Facilities District (CFD), or Mello-Roos District. A CFD was a legal entity in which voters in a District agreed to tax themselves to finance new capital improvements or new operating costs. A CFD would require a two-thirds majority vote. The tax was levied pursuant to a rate and a method of apportionment based on a variety of criteria, such as land use, square footage of occupancy, the number of car trips generated by a property, or Sales Tax transactions. The Committee explored the formation of two hypothetical districts in which the parcels that generated the most intensive use of garages would bear a greater burden of the construction cost. The two hypothetical examples created a City-wide CFD for three new garages with a total cost of \$35 million. Of the three garages in the hypothetical examples, two would be built in Downtown and one in the California Avenue District, and would provide 575 total parking spaces. A rudimentary estimate indicated assessments would range from \$9 to \$25 per parcel, with a higher range for commercial properties surrounding those districts. If the Council proceeded with a CFD, it would need to hire a consultant to help determine the rate, the method of apportionment and the election requirements. The baseline survey evaluated parking garages in general and found low support; 44 percent for Downtown and 46 percent for California Avenue. The Committee supported an additional survey to test any measure or increment associated with cost. Further polling would test support for a CFD. If polling results were positive and the Infrastructure Committee proceeded with additional review of a CFD, then the Council would have a Study Session or meeting with Bond Counsel and Financial Advisors to discuss a CFD in depth. The baseline survey tested the basic level of support for five different bond or tax measures that represented a combination of different projects. They polled extremely well with four Items polling above the two-thirds majority. A bundled Transportation Measure, called a Traffic Congestion Relief and Safe Streets, Sidewalks, and Trails Measure in the poll, polled the highest with 74 percent of respondents supporting it. The infrastructure Committee would look more closely at testing this in continued polling. A \$66.4 million transportation bond was estimated to impact Property Taxes for a median assessed-value single-family home at \$116 per year. The baseline survey tested the voter threshold for willingness to pay, which peaked at \$125 a year for a two-thirds

MINUTES

majority and at \$200 a year for a majority. The baseline survey indicated a ballot measure to fund a Public Safety Building was not likely to receive a two-thirds vote. If the popular fire stations were bundled with a Public Safety Building, then the bundle could pass. The Committee wished to further study the potential to pass a bond measure to fund either the fire stations and the Public Safety Building in its entirety or the fire stations and the portion of the Public Safety Building not funded by the Jay Paul Company Project. Sales Tax, currently at 8.75 percent, provided 15 percent of General Fund revenues. Palo Alto received 1 percent of the 8.75 percent. Because of the local cap, the City could increase the Sales Tax at most 0.75 percent. The Committee wanted to study an increase of one-eighth cent. The polling firm recommended consideration of a one-quarter cent increase as well. A one-eighth cent increase could generate \$36.4 million in COPs. The baseline survey indicated relatively low support for a Sales Tax increase, which was probably influenced by the wording of the questions as well as the lack of any increment associated with the increase. With respect to COPs, it was important to remember the economic sensitivity of revenue streams.

David Metz, Principal and President of Fairbank, Maslin, Maullin, Metz & Associates, reported that, pursuant to the direction from the Committee, he developed a plan for a sequence of two surveys to shed further light on each of the five revenue options. The first survey in November 2013 would test all five measures in the context of fully developed ballot language, modeling the 75 words that voters would see on the ballot. The use of ballot language had proven to be the best indicator of levels of support and was not tested in the first survey. For some funding measures, not having that language may have understated the level of support those measures might receive. The survey would also test brief pro and con arguments for each funding mechanism and would explore some structural elements, such as rates for the TOT and Sales Tax. Based on results of the November survey, he expected to return to the Committee with recommendations regarding which measures seemed clearly feasible, which seemed unlikely to achieve sufficient voter support, and which potentially fell into a gray area. Given further exploration of the pro and con arguments, those measures within the gray area might have sufficient support to succeed on the 2014 ballot. At that point, he would solicit further direction from the Committee in terms of which measures it wanted to see explored in more detail. A third poll would occur immediately after the new year to explore those one or two items in more detail and answer any remaining questions about how to proceed. That second survey would test interaction with a potential Utility User Tax modernization measure. Historically those measures achieved very high levels of support at the ballot. If a Utility User Tax measure shared space with a revenue measure, he wanted to understand the levels of support each measure received in the context of one another and the impact of having them on the same ballot.

MINUTES

Should the Council chose to proceed with placing a measure on the ballot for November 2014, there was also an option to conduct a very short tracking survey in April 2014 to compile the pieces of the research, test the final model of the measure, and to return with a final determination of levels of public support. The proposed timeline provided the Council with a couple of different off-ramps. At any point in the process, if the Council felt it had sufficient information to make a decision about whether to move a measure to the ballot, then it did not need to conduct the subsequent research. If the Council chose at any point not to proceed with any measure for 2014, then the latter surveys planned for the sequence could be omitted. Gathering data according to the timeline would enable the preparation of an outreach plan which the City could commence in January 2014. The second survey proposed for phase two could provide some final bits of data to refine the outreach plan. The data collected in the fall would be sufficient to prepare the outreach plan. The Council would have a full seven months of public outreach before placing a measure on the ballot.

Council Member Klein felt the process of selecting projects and funding mechanisms was difficult given the number of variables. The Committee narrowed choices in a variety of ways. The costs for projects were different from those originally provided. Staff and the Committee eliminated a variety of redundancies and revised costs. A Mello-Roos District was new to the Council and a Study Session would be needed, if the Council was interested in the topic as a source of funding. He wanted the public to understand COPs and how widely they were used. Results of the first poll were conservative in that they did not include undecided votes. The first two polls were in effect included in the original Motion referring the topic to the Committee. If the Council agreed to proceed with a third poll, then the Council would need to review the scope of the poll. The actual wording of polling questions was determined by the consultant in order to be impartial and scientific.

Mr. Metz said he would take ample input from the Committee and Staff to ensure that the issues were correct and that the questions were responsive to information the Committee and Council sought to obtain. Applying best practices and his professional experience, he would ultimately shape the specific questions.

Council Member Klein indicated the City was within reach of having sufficient funds for all projects, with the exception of the Public Safety Building. Issuing COPs based on TOT or Sales Tax revenue would provide sufficient funds for all projects except the Public Safety Building. Any delay in the Council's timeline for the Jay Paul Company Project would be problematic for any ballot measure in 2014.

MINUTES

Council Member Schmid asked if the General Fund would be responsible for payments if COPs were issued based on TOT or a Sales Tax revenue and the revenue stream decreased.

Mr. Saccio answered yes.

Council Member Schmid recalled a statement in the Staff Report that Staff was not recommending COPs, and inquired whether that statement was correct.

James Keene, City Manager, did not recall exactly where that statement was. Precluding COPs as a Staff recommendation had not been part of conversations for options.

Council Member Schmid felt COPs were not an active part of the current discussion. Staff included potential rental income from the LAMP site; however, half the rental amount was paid to the Refuse Fund. He asked if the amount paid to the Refuse Fund was excluded from the amount quoted.

Mr. Saccio believed the amount was excluded.

Council Member Schmid inquired whether \$2-\$3 million was the General Fund's share of rental income.

Mr. Saccio replied yes.

Council Member Schmid referenced two tables for Mello-Roos Districts, one for Downtown and one for California Avenue. He inquired whether both those Districts would have to be combined if all three Districts were created.

Mr. Saccio explained that the second Mello-Roos District was Citywide and would include the first one.

Council Member Schmid asked if separate votes would be needed or if voters across the City would have the same question.

Mr. Saccio indicated Citywide voters would vote on a Citywide District. A vote would occur within the boundaries of the District.

Council Member Schmid noted Staff proposed differential rates, and inquired whether commercial properties in Downtown and California Avenue would pay a higher rate.

MINUTES

Mr. Saccio mentioned that this was a rough calculation meant to provide a range of rates that could be applied to a commercial property versus a residential property. A professional would have to perform a study to determine the appropriate rates for parcels.

Council Member Schmid inquired whether a Citywide Mello-Roos District could be segmented for various parcels.

Ms. Tucker described criteria that could be utilized to determine rates. Staff gathered information and appeared to have a fundamental understanding of a Mello-Roos District and the way the burden would be apportioned; however, a professional study and a rational basis was needed to provide costs.

Council Member Schmid assumed it would be hard to ask voters a question with a great deal of segmentation. He inquired whether rates for commercial parcels would be different from rates for a single-family residential parcel under a General Obligation Bond.

Mr. Saccio reported an assessment under a General Obligation Bond was distributed according to the assessed valuation of each parcel.

Council Member Schmid asked if assessments would depend upon whether the residents were longstanding or new to the community.

Mr. Saccio answered yes as a consequence of Proposition 13.

Council Member Schmid understood the Minutes of the Committee indicated some debate about the need for more information. A question was raised about the need for more parking information, and Vice Mayor Shepherd made a couple of points about data. He asked about the outcome of the debate.

Council Member Klein did not recall a debate. The Committee definitely did not have a vote.

Mayor Scharff also did not believe the Committee had a debate.

Council Member Schmid referenced Packet Page 140, the issue of needing more information before going to the survey.

Vice Mayor Shepherd clarified that she had a question as to whether an added value could be provided to the residences in a Mello-Roos District. The Committee resolved it by suggesting some type of transit pass would be polled for. Mello-Roos Districts were complicated and hard to follow. The

MINUTES

Committee wanted to ensure good information was obtained through polling with some type of added value for the resident.

Council Member Schmid wanted to understand whether November 2013 was the correct time to perform the second survey or was there more information to be presented on parking and value and benefits.

Council Member Klein explained that the discussion focused on the fact that a Mello-Roos District was a new concept, and the Committee and the public needed more information. A Mello-Roos District would be included in the November poll to determine the amount of public support. Obviously more information would be needed. To remain within the timeline for a measure on the 2014 ballot, polling would need to start soon.

Vice Mayor Shepherd noted Mr. Saccio provided some illustrations of Mello-Roos Districts in San Francisco so that the Committee had a better understanding of how a Mello-Roos District was already in place and went forward. There were successful operational Mello-Roos Districts.

Council Member Burt inquired whether questions for the next survey had been determined.

Mr. Metz replied no. He was in the process of developing the second poll; however, it had not been finalized.

Council Member Burt asked if the Council needed to provide direction to the Committee regarding areas for further study.

Ms. Tucker indicated the action for the Council was acceptance of the Staff Report, which was an update on the Committee's areas of further study. After the next survey, Staff planned to return to the Council for a decision on next steps.

Council Member Klein reported the Committee, as advised by Staff, determined that the first two rounds of polling were authorized by the Council. The Committee had the authority to set forth what areas might be refined in the second round of polling. The third round of polling would need Council authorization and it was open for discussion at that time.

Council Member Burt recalled the Council authorized two rounds of polling. It was not quite clear whether the Council ceded full direction to the Committee as to policy directions driven by decisions on polling topics in the second round. He inquired whether the Infrastructure Committee was an Ad Hoc Committee or a Standing Committee.

MINUTES

Mr. Keene indicated it was a Standing Committee.

Mayor Scharff agreed it was a Standing Committee.

Council Member Burt said the full Council did not narrow the polling options. In reviewing the Minutes, he believed the individual preferences of some Committee Members determined the topics presented to the full Council. He requested clarification as to how the data from the initial polling actually informed that decision as opposed to the preferences or values of individual Committee Members.

Council Member Klein reported the issue came up at the last Committee meeting. The Committee did not make policy decisions. A poll could only contain a limited number of topics. Based on information and advice from professionals and Staff, the Committee identified areas for the consultant to poll. In general, the advice was not to poll on topics that showed low levels of support, with the exception of Sales Tax. With respect to Sales Tax, polling for other agencies indicated much higher support for a Sales Tax, and the consultant wondered whether the wording of the question was misleading to respondents. Support for funding in any infrastructure measure for the History Museum showed very low support; therefore, the History Museum was not included in the second round of polling. The Committee refined the topics for polling.

Vice Mayor Shepherd added that the consultant did provide the entire poll results to the full Council. From that information, the Committee took the poll results and worked with the City Manager and Ms. Tucker to refine areas for the second poll.

Council Member Burt referred to the Staff Report of August 6, 2013, wherein the recommendation was for the Committee to continue its discussion and make recommendations to the Council on areas of further study for opinion research. That recommendation was made before the second poll. He interpreted that recommendation to mean the Committee was to make recommendations to the Council regarding direction for the second round of polling.

Mayor Scharff suggested Council Member Burt could offer Motions other than the draft Motion if he disagreed with the direction.

Council Member Burt referenced his earlier question regarding action needed, and Staff's response to accept the Staff Report. Staff's recommendation was not framed around a discussion by the full Council. He did not cede decision

MINUTES

making to the Committee, and he did not believe most colleagues not on the Committee ceded it to the Committee. He was concerned that the polling was being groomed essentially to make de facto policy decisions.

Mayor Scharff reiterated that Council Member Burt could offer a Motion at the appropriate time.

Vice Mayor Shepherd noted two items were singled out specifically for policy direction. The first was the billboard. She thought the Committee recommended further research regarding public-private partnerships for parking garages. If polling determined weak support for a topic, then the Committee would present it to the Council for consideration. She wanted to hear colleagues' thoughts on some topics to aid future Committee discussions.

Council Member Burt noted the Real Estate Transfer Tax was not included in the second round of polling. He inquired whether or not the Committee was still considering the Real Estate Transfer Tax and the Business License Tax.

Council Member Berman recalled generally the Committee discussion was that the two polled poorly in the initial round. The Committee attempted to narrow the different funding options.

Council Member Burt agreed that was his recollection from the Minutes; however, he did not believe the data supported that conclusion. The whole reporting referenced only a few times the difference between funding sources that required a simple majority vote and those that required a two-thirds supermajority. The funding sources should be broken into those two categories.

Council Member Burt asked why the Business License Tax and Real Estate Transfer Tax, which required simple majority votes and which polled above a majority, were excluded from the second round of polling.

Ms. Tucker noted the Business License Tax and Real Estate Transfer Tax did poll at 51 percent. The Committee did discuss the Documentary Transfer Tax. The Committee did not consider the Documentary Transfer Tax further, because the current rate was already high and the revenue fluctuated extensively. The certainty of ongoing revenue from a Documentary Transfer Tax increase was not as high as other sources.

Mr. Keene clarified that the revenue was uncertain with respect to use as a revenue stream for COPs.

MINUTES

Council Member Burt inquired about the percentage of support for a Mello-Roos District.

Ms. Tucker reported polling had not been conducted yet on a Mello-Roos District. A Business License Tax failed substantially in 2009 with 57 percent not supporting it. Staff felt a Business License Tax would require a great deal of groundwork with the business community to prepare for such an initiative.

Council Member Burt referenced the wording of questions for a bond issuance on page 29 of the presentation. The language did not state increased Property Tax, while all the other taxes stated either an increase or to establish a tax. That was confusing as to whether the respondent would know that it was a tax increase as opposed to being paid from existing revenue. He asked if the language was clear to the consultant.

Mr. Metz agreed that the context of the Property Tax question did not specify that there would be an increase in Property Tax. Typically the ballot language for bond measures did not specifically state an increase. The ballot language asked for an authorization of a total aggregate amount of borrowing and did not specify the tax impact of those funds.

Council Member Burt stated that did not mean a campaign pro or con would not address the issue of an increase.

Mr. Metz indicated the second survey would emphasize that point. The first survey did not test arguments pro or con. In the next survey testing bonds, he would make that point very clear as an opposition argument.

Council Member Burt asked if the total expected ongoing revenue from new hotels was only one category of new revenue.

Ms. Tucker said that was correct.

Council Member Burt noted total potential ongoing rental revenues were from a variety of sources. Some were more likely than others to go forward. The auto dealership and the digital reader board were less likely to proceed, and the Public Safety Building rental and Los Altos Treatment Plant rental were more likely to proceed. He determined approximately \$130 million was available from a combination of total available one-time sources, the new hotel revenue and the ongoing rental revenues from likely sources. He questioned whether assumptions and assertions made in the Committee presentation were the appropriate basis for a Council discussion. The Council as a whole was not given an opportunity to frame the issues adequately on important matters. The Council should reconsider the process for narrowing

MINUTES

the poll topics to incorporate input from the entire Council. He deferred further comments until the discussion period; however, he wished to register his concerns about the process.

Council Member Kniss inquired about the process for funding the last parking garages.

Mr. Saccio reported the City utilized an Assessment District under Proposition 218. The property owners within the District were responsible for building the garages. There was a landowner vote according to the number of spaces the landowner was responsible for over the total number of spaces required in the District.

Council Member Kniss assumed the Committee considered an Assessment District. Rather than narrowing it down to just parking garages, the Committee reviewed a large number of issues and needs in the community and attempted to consider them as a group.

Council Member Klein reported parking garages polled poorly in the initial round; however, intuition indicated they would poll much better in the second round of polling. The funding mechanism of an Assessment District was not feasible at the current time.

Council Member Kniss asked if the Committee searched for an overall solution to a number of programs or projects.

Council Member Klein responded yes.

Council Member Kniss felt the ability to discern which topics received support was an art. Perhaps one of the Council's concerns was for polling to be as precise as possible, because of the large amount of funding for many projects. She inquired about the level of predictability of polling.

Mr. Metz noted four polls would be conducted, including the final tracking poll, if the Council decided to proceed with each one. There were many variables to consider, including complex financing mechanisms and many projects. For that reason, he structured the four polls to follow a sequence to narrow the topics to more refined and specific topics to test. The first poll did not test any full concepts for ballot measures. It tested many different building blocks in terms of projects that could be funded and sources of revenue that could be used. Based on information from the first poll, he planned to construct five ballot measure concepts for testing in the second poll. Testing would include ballot language, a pro argument and a con argument. With that information, the Council could direct him to pursue one or two or none of

MINUTES

those options in a third survey focused on concrete concepts. With each successive step, the ability to project support would become more reliable. The process was well suited to provide reliable information.

Council Member Kniss asked if the next step would be to conduct a poll in the next week or so, assuming the Council approved the item.

Ms. Tucker replied yes. The poll would be conducted in early November 2013.

Council Member Kniss found it helpful to know that the information would be segmented.

Vice Mayor Shepherd requested colleagues comment, during the comment period of discussion, on the digital reader board and the automobile dealership at the Municipal Service Center to inform her thinking in Committee discussions.

Council Member Berman inquired whether a Mello-Roos District could be utilized to fund a Traffic Demand Management (TDM) Program, for example.

Mr. Saccio answered yes. A Mello-Roos District could be utilized for operational and capital expenses; it simply increased the amount of funds needed.

Council Member Berman asked if a majority or two-thirds vote was needed to increase the Sales Tax.

Mr. Keene reported the majority needed was dependent upon whether the funds were earmarked for a specific use.

Council Member Berman asked if future polls would inquire about the motives for respondents' support or lack of support for a topic.

Mr. Metz responded yes. The survey had a provision to do exactly that. For each ballot measure tested, he would rotate the order in which measures were presented to the respondents. Whichever topic the respondent heard first, the survey would follow up the initial vote preference with a question asking why. For each of the five funding mechanisms, he would be able to tell the Council in the voters' own words why they supported or opposed the mechanism.

Council Member Berman inquired whether the survey could determine which project within a bond bundle caused respondents to oppose the bundle.

MINUTES

Mr. Metz could potentially include a question structured in that manner. The challenge was to keep the survey less than 20 minutes so as not to tax the residents' patience. If a particular project was driving a respondent's opposition, it should be revealed in the respondent's comments to the open-ended question. If there was time within the survey, he could attempt to determine that information with a follow-up question.

Annette Glanckoph opposed consideration of potential ongoing rental revenues from a digital reader board and an auto dealership at the MSC. An auto dealership next to the Baylands could impact wildlife and would create additional car traffic and potential danger for cyclists and pedestrians.

Stephanie Munoz was concerned about the lack of consideration of funding for senior housing.

Michael Hmelar did not approve bundling projects with minimal public support because there were projects the public strongly supported as a method of seeking approval for the minimally supported projects.

James Hager requested clarification regarding the City Managers statements regarding the City not considering selling any City real estate and Staff's comment that property on Middlefield Road could be sold. He thought the City Council should not approve digital reader boards.

Mr. Keene clarified that his comments referred to property at Cubberley Community Center.

Neilsen Buchanan stated no one had refuted the count of commuters parking on residential streets in Downtown. Adding 600 parking spaces was not a solution to the parking problem. He requested the Council hold a Study Session to determine the facts of parking demand.

Herb Borock agreed with Mr. Buchanan regarding parking garages. He understood an auto dealership was originally considered at the Animal Services Center rather than the Municipal Service Center. Under the law, he believed tenants were responsible for paying assessments and should receive ballots from the property owners. He asked how the Council would enforce the requirement that property owners provide ballots to tenants. Polling should include examples of assessments for businesses versus residences.

MOTION: Council Member Klein moved, seconded by Mayor Scharff to accept the Staff Report providing an update on the Infrastructure Committee's work to evaluate infrastructure projects and their financing.

MINUTES

Council Member Klein indicated polling was not policy. One poll was not the final poll. If the Council did not like the questions in or answers from the November 2013 poll, it could request another poll. Polls would provide information, and more information was better within certain constraints. One constraint for polling was the limited amount of time for each survey. He appreciated comments regarding potential fund raisers. Again, the Council was requesting information and was not creating policy.

Mayor Scharff noted the Committee met eight times and considered poll topics carefully.

Council Member Kniss felt there were pitfalls in polling. The Council would know the accuracy of the polls once the election was held and votes counted. The Council was heading in the right direction, and she would support the Motion.

Vice Mayor Shepherd indicated information had been synthesized. She did not want the community to think the Council was bundling unpopular items with popular items. The Public Safety Building received majority support; however, supermajority support was needed. She was concerned about the lack of seismic retrofitting of the current Public Safety Building. She preferred the community support a General Obligation Bond for a Public Safety Building. The Council had not built support from the Chamber of Commerce and real estate community for a Business License Tax.

Council Member Schmid felt the biggest pitfall was information. He agreed with the public comment that the Council had not confronted the parking issues. The Council did not know the size and scale of the existing parking deficit. Staff should account for and provide that information in the near future, before the Council made decisions on parking. The Cities polls were needed because the Council did not receive the contextual information essential to making an intelligent decision.

Council Member Burt noted City Councils for more than 15 years agreed that the Council had an obligation to provide a seismically secure and adequate Public Safety Building. Retrofitting the current Public Safety Building was not feasible both physically and seismically. Polling would not support a new Public Safety Building without strong public education. Generally, the Council was much closer to funding many of the infrastructure projects through other sources. The Council did not need new revenue for a Public Safety Building, and the Jay Paul Company did not have to pay for the Public Safety Building. The Council should educate the public regarding the importance of a new Public Safety Building. He

MINUTES

would take colleagues' word that the Council would not return in several months and indicate there was no time to review options not recommended by the Committee. He wanted data from the next poll to be presented promptly to the full Council in order to allow Council input.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND THE SECONDER for the poll results from the second round of polling return to the Council promptly after the completion of that poll.

Council Member Burt wanted poll information presented to the Council promptly, meaning the Infrastructure Committee should hold one meeting rather than four before presenting results to the Council.

Vice Mayor Shepherd felt the results would be presented promptly in the normal course of events.

Mr. Keene noted that in December 2013 the first phase two survey results would be presented to the City Council, as outlined in Page 3 of Attachment C.

Council Member Burt was skeptical that a sizeable portion of the general public would support paying for parking garages Downtown. Property owners told the Council that they could not build support for an Assessment District increase for additional parking garages. When Residential Parking Permit (RPP) Programs were implemented, he believed property owners would acknowledge that they needed to pay for a new garage sooner. He did not support spending time considering a Mello-Roos District. He strongly advocated the Council pursue a Business License Tax for a TDM Program. A Business License Tax received majority support in initial polling and required only majority approval. The Business License Tax could be structured so that businesses having more employees than facilities were designed for would pay more into funds for a TDM Program. He would accept a Business License Tax not being included in polling at the current time; however, it pertained to the issue of how the topics tied into all Downtown parking issues. He was concerned about parking garages being funded through mechanisms included in the poll.

Council Member Klein inquired whether Assessment Districts were no longer feasible alternatives under Proposition 218.

Mr. Saccio reported advice from the City's Financial Advisor and Bond Counsel indicated conducting the same kind of vote for an Assessment District was difficult under Proposition 218. Cities were not using

MINUTES

Assessment Districts to build garages. During the last Assessment District vote, several key developers and land owners championed use of an Assessment District.

Council Member Klein asked how Proposition 218 affected Assessment Districts.

Molly Stump, City Attorney, indicated court decisions interpreting Proposition 218 implemented a stricter requirement to establish the special benefit and proportionality that Proposition 218 contemplated. Those decisions made it more difficult to survive a legal challenge to creation of a District. Fewer jurisdictions were considering Assessment Districts for that reason.

Council Member Berman remarked that informing and educating the public about the proposed topics would be important. He reviewed initial poll results with respect to the importance of 911 emergency communications and the need for vital City facilities to be earthquake safe. Once residents realized the importance of public safety facilities, they would be more supportive. With respect to a Business License Tax, he was intrigued by Council Member Burt's comments the prior week. However, tying a Business License Tax to infrastructure issues was not necessarily the correct venue for getting it passed. The concept of tying a Business License Tax to TDM Programs was worth pursuing. Parking issues would need a multi-faceted approach, and polling on parking garages would not end of the discussion.

MOTION PASSED: 6-1 Schmid no, Holman, Price absent

5. Policy Direction on the Development of a Digital Message Center on a City-owned Parcel Along U.S. 101.

James Keene, City Manager, indicated Staff was responding to the Infrastructure Committee's request to present the topic to the full Council for direction.

Thomas Fehrenbach, Economic Development Manager, reported that preliminary estimates indicated a potential range of revenue was \$700,000 to \$1 million in terms of advertising and lease revenue. That range was based on multiple factors and represented the middle range of potential income. Revenue would be eligible for Certificates of Participation (COP), resulting in funding of approximately \$11.2 million. Additional benefits would include support for local businesses, support for City programming and events and emergency and community messages.

MINUTES

The proposed site, owned by the City, was located at the end of Colorado Avenue. Staff determined through the California Department of Transportation (Caltrans) that the site was not a landscaped freeway and would be eligible for development of a reader board. In terms of market interest and mechanical capabilities, the site was compatible for the use. Further analysis would be needed for neighborhood impacts, environmental impacts, development of the approach and necessary Zoning and Code changes, public outreach, entitlements and procurement of an advertisement vendor. Most likely an Environmental Impact Report (EIR) would be necessary.

Mr. Keene noted the issue was first raised in 2008-2009. Discussion at that time included the need for a digital message board connected with an auto dealership. The Council requested other sites for placement of a digital message board, and Staff identified the proposed site. Preliminary research indicated a reader board could be installed at the site while reader boards at other sites could be precluded. The auto dealership issue faded, and the idea of a reader board faded along with it. The topic resurfaced as part of the discussion of funding infrastructure projects.

Michael Hmelar stated an electronic billboard did not fit the general aesthetics of the local park, the Baylands or residential settings in the proposed area.

Annette Glanckoph, Vice Chair of Midtown Residents' Association, opposed the proposal to install a digital reader board. Impacts would be distractions to motorists, visual blight, harm to wildlife, and proximity to parks and residents.

Stepheny McGraw opposed an electronic billboard. Greer Park made the corner of West Bayshore and Colorado Avenue an attractive place, and the Council proposed an ugly sign to detract from the beauty.

Robert Moss felt a digital reader board was not the way to raise revenue. The proposal would violate a number of policies. He read Code sections regarding signs.

Jill Matzke hoped the Council would suspend further activity on the proposal. The billboard would impinge on local residents and parklands.

Stephanie Munoz stated the Council should retain the Ordinances banning billboards. A billboard was not a good idea.

MINUTES

Mayor Scharff wished to provide a policy directive to Staff to end the discussion of electronic billboards. Community comments did not support a digital message board, and digital message boards were not a part of the community's values.

MOTION: Mayor Scharff moved, seconded by Council Member Kniss that the City not pursue a digital reader board.

Council Member Schmid indicated the Bayshore Freeway was a defining characteristic of the City, because it provided a view of the Bay. The location next to a park was inappropriate. The Bicycle and Pedestrian Master Plan included a Bayshore-to-Foothills pathway, which would be adjacent to the proposed location of the message board.

Vice Mayor Shepherd was offended by the prospect of a digital message board but wanted to receive colleagues' opinion on it.

MOTION PASSED: 7-0 Holman, Price absent

Mr. Keene inquired whether Staff should permanently disregard consideration of a digital message board.

Mayor Scharff stated that was his understanding.

6. Technology and the Connected City Committee Recommendation to Develop Master Plan to Build Out the City's Fiber Optic System to Provide Fiber-to-the-Premise and Develop Complementary Wireless Network Plan.

Council Member Kniss noted a great deal of interest in a Fiber-to-the-Premise (FTTP) network, and the Council made it a Priority. She attended a conference in Kansas City in late May with Vice Mayor and learned a great deal. The Staff Report was a result of a recommendation from the Technology and Connected City Committee (Committee). At the Committee's first meeting in May 2013, the Committee recommended that Staff develop a work plan to evaluate the feasibility of building a Citywide high-speed broadband FTTP network. On June 24, 2013, the Committee approved a recommendation to work on an approach to set in motion planning work for the FTTP network and the identification of a citizens' advisory council. On September 17, 2013, Staff recommended to the Committee the development of a Master Plan to include the addition of a Wireless Network Plan. Staff would outline next steps, timelines and resource impacts. She was excited about the prospect of a faster home internet connection.

MINUTES

Jim Fleming, Management Specialist in the Utilities Department, reported the first recommendation was to develop a Master Plan and conduct a Request for Proposal (RFP) to build out the existing dark fiber system. The second recommendation was to develop an RFP to establish a variety of options and costs to build out a wireless network with a near-term focus on Wi-Fi and a long-term consideration of other wireless technologies. The overarching goals for the FTTP Master Plan was to ensure that residences, businesses and anchor institutions in Palo Alto had access to ubiquitous and reliable high-speed broadband connectivity. The City Attorney indicated that the Fiber Optics Fund Rate Stabilization Reserve could be utilized for fiber and wireless communication services including development of a FTTP Master Plan as well as planning for construction and operation of wireless network services. Given the improved economy, Staff believed there was potential renewed interest from telecommunication service providers in building a FTTP network in Palo Alto. The best way to attract providers was to develop a FTTP Master Plan that included an engineering study to create a design for the network, define appropriate network specifications, and conduct any necessary environmental reviews under the California Environmental Quality Act (CEQA). The Master Plan would include an estimate of the total cost to build a FTTP network and evaluate any legal and regulatory issues. To assist in developing the FTTP Master Plan, Staff recommended the City retain a consulting firm with expertise in developing Master Plans, business plans and RFPs for government entities in relation to a FTTP network. Once the Master Plan was completed, the consultant would work with Staff to develop a renewed and focused RFP to facilitate competitive processes to attract a third-party telecommunication service process to build and operate the FTTP network. The estimated cost to retain a consultant to develop the Master Plan and an RFP was approximately \$150,000 to \$350,000 depending largely on the level of required environmental review. If the environmental review for an FTTP network resulted in a mitigated negative declaration, then the cost for review could range from \$20,000 to \$50,000. If a full Environmental Impact Report (EIR) was required, then the cost could range from \$200,000 to \$250,000. The expected timeframe to develop the Master Plan and conduct the RFP process was nine months and would require the time of approximately 1.75 Full Time Equivalents (FTE). The time table could be impacted by the amount of time required to conduct the environmental review. Following the RFPs, Staff would return to the Council with a Budget Amendment Ordinance to allocate funding from the Fiber Reserve Fund for associated consultant agreements. The conference held in May provided a great deal of background material. Four key factors to prepare the community to build a fiber network were ensuring community and local government leadership and support; reviewing approval requirements and permitting; use of existing infrastructure; and proactively

MINUTES

improving infrastructure. Work to be done over the next nine months included starting the RFP process, awarding a consultant contract, performing the environmental review and awarding a contract to a vendor. The timeline called for issuance of an RFP in December 2013 and completion of the entire process in December 2014.

Jonathan Reichenthal, Chief Information Officer, explained that the definition of wireless included Wi-Fi, cellular and radio technologies. The Master Plan would seek opportunities to incorporate Wi-Fi in different areas of the City. As the Master Plan progressed, Staff would explore other areas such as enhanced wireless for public safety and support of a smart grid. Work would begin immediately to prepare an RFP to seek a consulting firm with a contract being awarded in the first part of 2014. Staff would return to the Council with a selection of options and advantages towards the end of 2014. Staff received a number of applications for the Citizens' Advisory Committee and intended to name Committee members in November 2013.

James Keene, City Manager, reiterated the Committee's recommendation. The timeline to award a provider vendor contract for both FTTP and wireless in one year was ambitious.

Jeff Hoel felt Staff's plan for proceeding with FTTP was misguided. Wireless should not be considered until the FTTP network was designed. FTTP and not wireless could be used for economic development and telecommuting. The number and details of resident connections should be provided to the consultant. The public should be allowed to comment on the type of architecture.

Robert Moss agreed that an FTTP network was needed. He estimated fiber could be extended to 100-home nodes at a cost of \$10 million to \$12 million. An FTTP network could benefit telecommuters, schools, and physicians.

Herb Borock indicated an Advisory Committee recommendation for architecture should be presented to the Council for public comment and Council discussion. The Council should provide direction before an RFP was released to seek a vendor for the Master Plan. A third-party should not build and operate an FTTP network. The Council should make the decisions at each step of the process.

MOTION: Council Member Kniss moved, seconded by Council Member Klein to direct Staff to:

1. Develop a Fiber-to-the-Premise Master Plan and conduct a request for proposals to build out the existing dark fiber optic backbone system in

MINUTES

Palo Alto.

2. Develop a Wireless Network Plan with a near-term focus on Wi-Fi, and a long-term consideration of other wireless technologies.

Council Member Kniss inquired whether the process could move faster.

Mr. Keene stated Staff would complete the process as quickly as possible. Staff would report to the Committee and the Council throughout the process.

Council Member Kniss wanted the process to move rapidly because it provided a great advantage for Palo Alto. Staff and the Council could learn from many cities around the country, and the Committee would continue to talk with other cities. She wanted to hear comments regarding Wi-Fi. Building a FTTP network was technical and required expertise.

Council Member Klein agreed with Council Member Kniss' comments regarding proceeding faster. He was disappointed the Advisory Committee had not been appointed. He understood the Motion did not preclude the City from operating the network. The City did not have the expertise to construct the network; therefore, a knowledgeable contractor would be needed. The addition of a Wireless Network Plan was suggested by Mr. Reichenthal. He did not know if it would be an asset to the City. The Council needed to educate the public on the differences between dark fiber and wireless technology. If Palo Alto wished to continue to be a leader in innovation, an FTTP network was needed.

Vice Mayor Shepherd noted the Staff Report did not provide reasons for constructing an FTTP network, and asked when that discussion would occur.

Mr. Fleming suggested the appropriate time would be after the network design and cost were known and market research determined consumer demand.

Vice Mayor Shepherd stated the Council could discuss reasons for constructing an FTTP network once it knew a network could be implemented throughout the community.

Mr. Fleming added that a third party interested in building the network would perform market research as well.

MINUTES

Vice Mayor Shepherd felt Staff was following the steps suggested at the FTTP conference in Kansas City. Mr. Fleming was familiar with many cities' experiences with FTTP networks because of his background in cable. Awareness of synergies between live events and internet broadcasts could allow the Council to make better decisions. Advances in Wi-Fi were occurring as well and would be critical for Council decisions. FTTP conferences were informative.

Council Member Schmid believed the excitement of possibilities was missing. It was important to understand the public benefits new technology could provide. Perhaps the Advisory Committee could provide a list of public benefits, ideas and possibilities and help define the characteristics of the RFP process. The Advisory Committee should be formed as soon as possible and discuss criteria, process and structure. He asked if Staff check-ins with the Council were included in the work plan.

Mr. Keene indicated there were a number of decision points where Staff would return to the Council.

Council Member Schmid believed check-ins would maintain momentum and allow the sharing of information.

Mayor Scharff stated speed on Wi-Fi networks was important now that personal hot spots could be created with smart phones.

MOTION PASSED: 7-0 Holman, Price absent

ADJOURNMENT: The meeting was adjourned at 10:45 P.M.