



CITY OF PALO ALTO CITY COUNCIL MINUTES

Special Meeting
March 24, 2014

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:04 P.M.

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

Absent: Scharff

Parks and Recreation Commission:

Present: Ashlund, Crommie, Hetterly, Lauing, Knopper, Markevitch, Reckdahl

STUDY SESSION

1. Study Session with Council and Members of the Parks and Recreation Commission on the Parks, Trails, Open Space and Recreation Master Planning Process and Outcomes.

Greg Betts, Director Community Services, reported the Parks, Trails, Open Space and Recreation Master Plan project would take a year and a half to complete properly. Staff interviewed four, well-qualified firms before hiring MIG. MIG had experience, background knowledge, and enthusiasm. Staff and representatives of MIG, Inc. toured parks, open space, trails, and community centers. The City had not had a cohesive Parks, Trails, Open Space and Recreation Master Plan (Master Plan) since 1965. The Master Plan process would provide the opportunity to review all parks and facilities in Palo Alto. The goal of the Master Plan process was to consider short-term, mid-term, and long-term uses of resources to ensure facilities continued to be properly conserved, relevant, fun, and safe. Information would be utilized to develop grants and to identify gaps that partners could fill.

Lauren Schmitt, MIG Inc., noted the City was unique in that it was a constrained community. MIG's intent was to develop a Master Plan that would help Staff determine which amenities should be offered. MIG would

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review the full range of services offered by the City as well as maintenance and capital improvements. Community outreach was critical to determining the best direction for the community. Much of outreach would be focused on engaging the broader community. MIG targeted audiences for outreach. A web page for the Master Plan would link with the Our Palo Alto initiative. Public information would be provided through social media channels. A stakeholder advisory group would be comprised of approximately 30 members representing all of Palo Alto. MIG would utilize intercept activities to reach residents who typically did not participate in outreach. Mapita, a mapping tool, would be utilized to obtain community feedback. Many activities would occur in the next year and a half. Community engagement and technical analysis would occur throughout the process. In the fall, MIG would develop recommendations for public and Council and Commission review. Key deliverables of the resulting Master Plan would be a comprehensive inventory of all facilities, a community needs assessment, a capital development plan, and a comprehensive policy document. The Master Plan would provide guidance for coordinating programs at existing sites to provide the most use.

Vice Mayor Kniss inquired whether MIG would compare the City with other cities. She noted one criteria was residents should not be more than half a mile from a park, and requested Ms. Schmitt comment on that. It seemed that walking more than half a mile to a park would be beneficial to residents' health.

Ms. Schmitt indicated the parks and recreation industry considered a half mile as a good measure of proximity. MIG would review needs, distances, and recreation experiences to develop specific analysis criteria to determine where exercise could be maximized.

Vice Mayor Kniss hoped the half-mile measure would be flexible as it could discourage walking.

Council Member Price referenced the 5-year, 10-year, and 25-year scenarios. She asked if the Master Plan would provide guidance or methodologies that could be used over time to make changes in programs. Programmatic needs often did not align with constraints and opportunities at parks.

Ms. Schmitt agreed that trends in recreation did change rapidly. She preferred to develop a Master Plan that could provide guidance and yet flex with changing circumstances. A specific tool to assist with making changes was the capital and operations cost model.

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Council Member Klein requested examples of similar outreach programs MIG conducted in other cities and an indication of success in reaching populations identified as targets.

Ms. Schmitt had good success with various outreach programs. MIG tracked attendance at events. If a target group was not participating in activities, then MIG would place more emphasis on an activity known to be effective with that group. Based on past experiences, online and face-to-face interactions would work well in Palo Alto.

Council Member Klein requested examples of cities where MIG worked in the past.

Ms. Schmitt reported MIG utilized a similar approach in Overland Park, Kansas, and Longmont, Colorado, with good success. MIG was currently working in Atherton on a civic center plan. All of those projects contained community engagement at some level. High tech and high touch were the most effective tools for community engagement.

Council Member Klein referenced acquisition of new parkland and inquired whether Cubberley Community Center was included in the 187 acres.

Mr. Betts answered no.

Council Member Klein asked why it was not included.

Mr. Betts indicated none of the properties owned by Palo Alto Unified School District (PAUSD) was included in the 187 acres.

Council Member Klein believed Cubberley should be part of the calculations. Neighborhoods regarded school yards as park space.

Mr. Betts explained that the methodology utilized by Staff was devised by the National Parks and Recreation Society. The half mile that Vice Mayor Kniss referenced was a national standard. Staff used the same guidelines to count City parks.

Council Member Klein noted neighbors utilized Jordan Middle School playing fields for a variety of activities.

Ms. Schmitt clarified that schools used as parks were common issues. Staff and MIG had a meeting arranged with PAUSD to discuss parks planning. In compiling a comprehensive inventory of facilities, MIG could consider only City-owned land, City and PAUSD sites, or City and PAUSD sites and leased land.

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Council Member Klein felt national standards were interesting but not appropriate for every situation. Another consideration for inclusion was the use of Stanford University spaces. He hoped Staff would not spend a great deal of time regarding expanding or acquiring land for parks. Most people recognized that Palo Alto was 99 percent built out.

Mr. Betts noted a vacant parcel was adjacent to Mayfield Park. He wanted to have a list of properties that could make a park functional or that could add space for more amenities. That type of information would be good for future planning.

Council Member Klein inquired about a potential budget for land acquisition as the cost of land in Palo Alto was high.

Mr. Betts mentioned Palo Alto's long legacy of donations to expand park facilities, and wished to plant the seed for benevolent residents to consider endowing the City with additional parkland.

Council Member Klein referenced the statement that Palo Alto did not meet the needs of citizens with a broad range of mental and physical abilities. He requested context for that statement and a comparison of Palo Alto to other cities. The Staff Report seemed to indicate the City needed more safety and security in parks, while acknowledging that almost no accidents had occurred.

Ms. Schmitt reported the Staff Report was not an assessment of the park system; however, it was a good overview of the perception of facilities in Palo Alto.

Council Member Burt felt the Staff Report contained depth and good vision. The half-mile distance was a good rule of thumb, but it should not be rigid. Walking patterns and pathways were not the same as adjacencies to parks. Policy should include providing parks such that children and elderly residents did not have to cross major arterial roadways to access a park. He liked the reference to safe routes to parks and requested a concept of pedestrian arterial pathways. There was a contradiction between advocating for better lighting in parks and rules against access to parks after dark. Ordinances should be updated. The language regarding acquisition of land was appropriate with respect to strategic sites. Staff should identify shortfalls and align parkland with added housing density. The City owned parcels that were not parkland and not good candidates for parkland. Perhaps those parcels could be traded for more valuable sites. He preferred a greater emphasis on natural landscaping in parks and supported having more than one category of defined parkland. Many residents supported parks having refreshment stands.

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Council Member Schmid was struck that MIG's goal was engagement, but it did not appear to be engaging the City Council. MIG would spend the next ten months gathering data. Within that ten months, MIG would make many decisions regarding criteria and selection of data, which would impact priorities.

Ms. Schmitt hoped to return to the Council prior to ten months' time. Staff and MIG planned three check-ins with the Council. MIG could return to the Council more frequently. Mr. Betts would provide periodic updates and request feedback.

Council Member Schmid indicated a meeting with the City Council appeared in the schedule for January 2015. MIG should return to the Council in mid-summer to discuss criteria.

Ms. Schmitt felt one of the key points for checking-in with the Parks and Recreation Commission (PARC) and the Council concerned the needs assessment. MIG would check-in with PARC as they designed the needs assessment after some initial public engagement. Before finalizing the needs assessment, MIG intended to check-in with the Council.

Council Member Schmid felt data gathering was important. Rather than return to the Council with the final selection of data, MIG should return while in the process of selecting data.

Ms. Schmitt would work with Staff to ensure she met the level of engagement requested by the Council.

Council Member Holman noted the last paragraph on page 6 should refer to the draft Comprehensive Plan. The Master Plan should look 50-100 years in the future. The City could miss an opportunity if it did not plan that far out. The Mid-Peninsula Regional Open Space District (MROSD) proposed an initiative on the next ballot regarding habitat connectivity to accommodate migration. Perhaps Staff could coordinate habitat connectivity with trails. It was important for the Council, Boards, and Commissions to receive input directly from the stakeholder group. The City owned some abandoned well sites that could be considered for pocket parks or land swaps. Open space and natural areas should have that type of design, i.e., signage and parking stripes. Cubberley and school sites were not dedicated parkland; thus, the City had no control over those sites or Stanford lands. The City should plan for the future based on sites over which it had control.

Council Member Berman agreed it would be difficult to identify additional parkland. Better utilization of existing parks could provide the same result.

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Mayor Shepherd suggested Staff integrate Our Palo Alto into the Master Plan process. She was interested in the concept of utilization of open space. She wanted to understand the policy for dedicating parkland. She asked why all pools located on school sites were not included on the map.

Mr. Betts explained that Staff provided the document they felt was most understandable to address Vice Mayor Kniss' request for a visual of Palo Alto parks. The map did not include all pools. The Gunn High School pool was the primary site for summer camps and aquatics programs.

Mayor Shepherd requested Staff discuss with PAUSD the possibility of PAUSD owning schools and the City owning fields around schools. That would greatly expand the amount of park space proposed outreach techniques were good. The Council would want periodic updates.

Robert Moss indicated a rock climbing structure was located in Briones Park. He suggested Staff review all parks and facilities donated to the City for restrictions. Perhaps a senior center and children's facility could be located at Cubberley. The City should require new development along California Avenue to contain parks, not just benches.

2. Palo Alto Historical Museum to Present an Update and Discuss Future Vision and Plans for the Roth Building at a Study Session with the Council.

Rich Green, Palo Alto Historical Museum Board of Directors President, presented a video of interviews with residents. The History Museum would demonstrate how a small community affected the lives of hundreds of millions of people around the world. Palo Alto was rich in heritage and pride. Palo Alto deserved a great museum. The History Museum would be dynamic with changing exhibits. The people in the community would contribute to the History Museum's shape and design of exhibits. The Board decided to explore design opportunities for a new kind of museum. The educational aspect would engage the community to work together to create something new and to do something important. The History Museum would reveal the stories of individuals in the community. Individuals would be able to share their stories while visiting the History Museum. The History Museum would be the permanent home of the City's archives. The Palo Alto Historical Association (PAHA) was digitizing the archives, and the History Museum would provide a digitization lab. A virtual museum would be a very important component of the History Museum. The Board was searching for members focused on mission and funding. Consultants were providing the Board with good advice. The Board constantly refined messaging and focus based on feedback from consultants. Rehabilitation of the Roth Building

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would cost \$7.2 million. To date, the Board had invested \$600,000 in capital costs. The Board had \$400,000 in hand and \$2.5 million in pledges. The Board would need an additional \$2.4 million to rehabilitate the Roth Building and an additional \$8-\$12 million for the actual museum. With individual giving, the History Museum would be cash positive year on year. The City of Palo Alto and the History Museum could strike an effective and efficient public-private partnership. The quickest way to complete rehabilitation of the Roth Building was a grant from the City. A second option was a matching fund or challenge grant. The Board had three months remaining on the lease option, which could not be renewed by the City Manager. Plans for the Roth Building were approved and ready for construction.

Margaret Chai Maloney assisted with development of a children's program for the History Museum. The History Museum could aid the City's international reputation.

Janet Lustgarten indicated visitors to the City could visit the History Museum to learn about technologies that began in Palo Alto.

Joe Huber, Santa Clara County Judge, felt Palo Alto was a phenomenal community with great people; however, the City did not have a museum to demonstrate the phenomenon. He encouraged the Council to do as much as possible to ensure the History Museum became a reality.

Michael Shanks, Stanford University Professor, believed the past was fundamental to the future. The Board had a vision and a method to realize that vision.

Lalo Perez, Administrator Services Director/Chief Financial Officer, reiterated that the option for the Roth Building ended June 30, 2014. Staff sought Council guidance regarding next steps.

Mayor Shepherd inquired whether the lease would be presented to the Council as an action item or be referred to the Policy and Services Committee.

James Keene, City Manager, indicated Staff would make a decision based on Council comments.

Richard Brand supported a History Museum. It was time to have a place to showcase Palo Alto's contributions to technology. Heritage Park was the perfect location for recreation and technology.

Vice Mayor Kniss asked Mr. Keene or Mr. Perez to comment on whether the City had \$2.5 million to give to a nonprofit organization.

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Mr. Keene noted the City's revenue stream was better than in past years; however, there were many demands on revenue. If the Council felt there was a viable business plan, then Staff could review ways to stage decisions to possibly free up funds. The City did not have excess funds just waiting to be spent.

Vice Mayor Kniss inquired whether the History Museum Board wanted \$2.5 million in a lump sum.

Mr. Green commented that would be the quickest way to rehabilitate the Roth Building and to entice philanthropists. The Board was flexible regarding funding. A matching grant would also be a trigger event for the donor community.

Vice Mayor Kniss recalled the City bought the building at the turn of the century. She expressed concern that the History Museum had been delayed for such a long period. The Council needed to know that the Board was motivated to search for funding from the community.

Council Member Price noted the History Museum Board performed research and inquired of prospects. She requested comment regarding the statement that indications were very good.

Bob Woods reported donors were interested in various aspects of the project. His experience led him to believe that support would be forthcoming quickly, especially if the Council joined in a positive way.

Council Member Price remarked that Mr. Woods made a distinction between factors and interests. Some people were interested in the capital campaign while others were interested in programs.

Mr. Woods developed a list of gift opportunities and was identifying prospects who gravitated to each opportunity.

Council Member Price inquired about the type of candidate the Board would solicit for funds.

Mr. Woods indicated a number of foundations stepped forward for the capital campaign. The genre of philanthropy in Palo Alto was driven mainly by individuals. 85 percent of giving across the United States was from individuals, 12 percent from foundations. The Board was focusing on those individuals in Palo Alto who would want to make an investment in the project.

Council Member Price asked if pledges included bequests.

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Mr. Woods replied pledges were outright pledges.

Council Member Price inquired whether any entities expressed interest in a public-private partnership.

Mr. Woods stated the Board considered a number of other public-private partnerships and explored several avenues. The project was delayed because the Board had hoped for another form of public-private partnership. The Board was reviewing other government funding agencies as well.

Council Member Price was interested in the City providing a combination of approaches: a matching grant of \$400,000, a loan of \$800,000, and a gift of \$800,000. This proposal would require phasing of programs.

Council Member Burt asked if the City would remain as the owner of the Roth Building.

Mr. Perez replied yes. The City acquired the building in April 2000.

Council Member Burt inquired whether the City would own the appreciated value of the rehabilitated building.

Mr. Perez noted there could be a depreciation adjustment. The maximum term for a lease was 50 years.

Council Member Burt recalled that the City had an issue regarding the rear wings not being a part of the historic structure. Part of the rehabilitation costs was repairs to the back half of the building. He inquired about the amount of rehabilitation costs related to the back half of the building.

Mr. Green reported the cost for a new back wall and some additional features would be approximately \$1 million according to the current architectural plans.

Council Member Burt felt the City bore some responsibility for the condition of the back half of the building. He asked if the Board could utilize \$1 million from the City as reimbursement for repairs as a matching fund.

Mr. Green responded yes. That would be extremely meaningful to the donor community and they would step up.

Council Member Holman recalled a brief history of the City's ownership of the Roth Building. Fundraising for a History Museum began in 2007.

Mr. Perez agreed that the City released a Request for Proposals (RFP) in 2004; however, there were other issues.

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Council Member Holman commented that scenarios proposed by Council Members Burt and Price were interesting. She wanted to provide a \$2.4 million grant, but was not sure the City could do that in the context of other commitments. She inquired about an instrumental event that would receive the greatest response from potential donors.

Mr. Green indicated unconditional support from the City would mean a great deal to the donor community and would create a bandwagon effect. A matching grant or a staged approach would be a strong signal to the community that the City supported the project.

Mr. Woods believed it would be highly motivational for donors to know they could utilize some of the City's money as leverage for gifts. The Council was being asked to certify that a History Museum was the right project. Matching grants, challenge grants, and outright grants were not synonymous. The Board would have to discuss with the City which method was the most logical to motivate donors.

Council Member Holman suggested Staff return with proposals for a \$2.4 million grant in the context of other commitments, Council Member Burt's scenario, and Council Member Price's scenario.

Mr. Perez reported the Transfer of Development Rights (TDR) figure of \$1 million was based on revenue with parking exemptions. Because the City changed the conditions, it might be obligated to make up the gap between the revenue it would receive without parking exemptions and the exemption. That was another figure that needed to be considered in terms of a bottom line.

Council Member Berman liked Council Member Burt's scenario with respect to elements of construction for which the City might be responsible. The difference in TDRs based on loss of parking exemptions was another area for consideration. He preferred a matching grant over a grant, because a matching grant incentivized other people to donate. Phase 2 costs of \$8-\$12 million was a rather large number in comparison to funds raised to date.

Council Member Klein wanted the History Museum to succeed, because Palo Alto was a special place and had a special story. He expressed concern about the community's interest in a History Museum. Raising \$3.5 million in seven years was not impressive. The campaign should prove itself before the City became involved. Discussion seemed to indicate this was the first request for City participation. However, the City provided a lease at no cost, TDRs, and Library archives. The amount of City funds provided and proposed for the History Museum far exceeded funds provided to other partnerships. The History Museum did not garner a great deal of support in

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surveys performed regarding infrastructure projects. He could not support any funding now, but perhaps in the future.

Council Member Schmid liked the focus on an investment in the future and would wholeheartedly support an extension of the lease if needed. Operational costs were positive through 2014, but half of revenues were donations. He assumed donors had the same figures as presented to the Council; therefore, it might be good to have a financial discussion with the City first. He enthusiastically supported the concept, but he needed an in-depth review of financial information.

Mayor Shepherd noted the Finance Committee reviewed the proposal two years ago. At that time, the History Museum had a gap of \$800,000 and a need of \$1.2 million and did not expect to use all of the building. She inquired whether the History Museum would utilize the entire Roth Building.

Mr. Green indicated the operations budget included leasing at commercial rates about 2,100 square feet of the second floor to nonprofit groups.

Mayor Shepherd felt there could be some tax implications in that situation. She asked if the Board had determined any of those details.

Mr. Green answered no.

Mayor Shepherd asked if the History Museum would be open only two days a week.

Mr. Green replied yes. The History Museum could open with one semi-permanent exhibit and one rotating gallery.

Mayor Shepherd requested an explanation for why the gap had increased from two years ago.

Mr. Green did not have an answer. The construction budget was reviewed and updated in July 2012.

Mayor Shepherd noted fundraising amounts were larger then.

Steve Staiger, former Palo Alto History Museum Board Member, explained that the Board was counting on a historic tax investment credit at one time; however, it determined those funds would not be available for the project.

Mayor Shepherd asked if the City's purchase and repair of the building interested donors.

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Mr. Woods indicated a matching grant would drive donor interest on the program side as well as the renovation side. At the current time, probably more donors were interested in the establishment of the Museum than the renovation of the building. A matching grant would drive donations for the museum itself.

Mayor Shepherd understood the terms of the lease option required the History Museum to raise all money before the option could be exercised.

Mr. Perez clarified that there would not be a lease option. The City's and History Museum's interests would be best served by entering into a lease.

Mayor Shepherd could be more supportive of the proposal if the City could utilize the second-floor space proposed to be leased to other entities. It was important to use the building five days a week. TDR rights could not be sold until the building was constructed according to standards. She asked if the City Council made the determination regarding the TDRs.

Mr. Keene asked if Mayor Shepherd was questioning whether the Council had discretion related to the amount of the TDRs.

Mayor Shepherd wanted to know who made the decision to sell the TDRs.

Mr. Keene reported the City owned the building; therefore, the TDRs belonged to the City. If the Board could close the gap on funding, then the City could activate the sale of the TDRs as another funding source. If the relationship was different at a future time, then the City Attorney would have to comment on discretion.

Mayor Shepherd noted the Council was under pressure not to generate additional development Downtown; however, the project would increase development through the TDRs. She questioned whether the Council should consider that as a policy matter for the City.

Molly Stump, City Attorney, indicated the sale of the TDR right was the City's decision at the current time. Mayor Shepherd's suggestion to hold a conversation about that was appropriate.

Mayor Shepherd would like to see the History Museum become a reality, but more discussion with the City Manager was needed.

Council Member Holman explained that the TDRs were created almost two years ago. The City decided not to sell them. The TDRs were created once plans were approved. The City did not have to wait until the project was constructed to sell the TDRs.

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Mayor Shepherd wanted to know who would make the decision to sell the TDRs in order to understand the accuracy of the \$1 million value.

Mr. Keene reported the History Museum was asking the Council for significant gap funding. This was a Study Session, so the Council was not formulating a Motion. He did not believe Council comments precluded consideration of a renewal of the option. The Board's strategy and networking warranted an option to renew the lease for a year. Staff would meet with the Board to discuss funding options and would return in June 2014 with an item regarding extension of the lease option.

Council took a break from 8:55 P.M. to 9:05 P.M.

CITY MANAGER COMMENTS

James Keene, City Manager, announced LINK+ service was restored at the Downtown Library on March 6, 2014. The first Residential Permit Parking (RPP) stakeholder meeting was held March 20, 2014, with another meeting scheduled for April 17. City Staff would host a public meeting on April 1, 2014, regarding a proposed Ordinance changing setbacks for new development along El Camino Real. George Browning, a volunteer with the Police Department, passed away March 22, 2014.

ORAL COMMUNICATIONS

Stephanie Munoz indicated the Roth Building was taken apart as a concession to South of Forest Area (SOFA) developers. If the City had not torn down half the building, it could have put offices in that space. The City wanted affordable housing, and Buena Vista Mobile Home Park was an area of affordable housing.

Fred Balin reported new information regarding the Mayfield Development Agreement Upper California Avenue Housing Site Plans were presented at a hearing before the Architectural Review Board. There was not sufficient time for the public to review and comment on the new information. The public should be provided the complete Staff Report and all attachments and allowed to subscribe to notices of postings and changes of Staff Reports.

Mike Francois noted a march against fluoride would be held in San Jose. Fluoride contributed to a high cancer rate in Marin County.

CONSENT CALENDAR

Robert Moss was struck by the small compensation increase for the City Clerk in comparison to the large compensation increase for the City

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Attorney. In terms of providing service to the community, the City Clerk was more valuable than the amount of compensation offered. He suggested the Council increase the City Clerk's compensation and decrease the City Attorney's compensation.

Stephanie Munoz concurred with Mr. Moss' comments. The community was not enthusiastic about compensation increases for employees already earning large salaries. She felt the Council should reconsider compensation increases.

MOTION: Council Member Berman moved, seconded by Council Member Price to approve Agenda Item Numbers 3-8c.

3. Authorization to Submit a Grant Application to the California Arts Council for California Creative Communities.
4. Appeal of Director's Individual Review Approval of a Two-Story, Single Family Home at 4055 Second Street (Staff Requests Continuation to April 7, 2014).
5. Authorize the City Manager to Execute a General Services Agreement with Western States Oil in the Amount not to Exceed of \$925,000 per Year, with Authorization for Two Additional Years, to Pay for the Purchase of Unleaded Gasoline and Diesel to Supply Fuel for the City's Fleet.
6. Approval of Contract Amendment 3 with Materials and Contract Services, LLC for Temporary Employment Services in the Administrative Services Department Purchasing Division in the Amount of \$99,800.
7. Approval of Contract No. C14149799 with Musson Theatrical, Inc. In the Amount of \$262,240 for the Replacement of Children's Theatre Audio/Visual Monitoring Systems and the New Sound System for the Lucie Stern Community Theatre.
8. Approval to Extend the Application Deadline for the Planning & Transportation Commission Recruitment.
- 8a. Approval of Amendment to City Attorney Employment Agreement.
- 8b. Approval of Amendment to City Manager Employment Agreement.
- 8c. Approval of Amendment to City Clerk Employment Agreement.

MOTION PASSED: 8-0 Scharff absent

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Mayor Shepherd reviewed Action Items and their purposes.

ACTION ITEMS

9. Council Direction on Whether to Submit Utility Users Tax Modernization Ordinance to Voters in November 2014 Election.

Molly Stump, City Attorney, reported Staff was requesting the Council provide direction regarding inclusion of a Utility Users Tax (UUT) Modernization Ordinance on the November 2014 ballot. This was an opportunity for the Council to revisit the large user discount applied to the gas, electric, and water portions of the UUT. That could be a part of the same measure if the Council chose to do so. Voters adopted the UUT in 1987 as a general tax. The UUT applied to gas, electric, water, and telephone services. The UUT currently provided approximately \$11 million annually, or 7 percent of General Fund revenues. As part of the 1987 campaign, the City and community leaders discussed two primary reasons for the City to raise additional funds; however, those reasons were not a part of the UUT language itself. Those two reasons were to fund the Covenant Not to Develop with the Palo Alto Unified School District (PAUSD) and various leases; and to fund needed improvements to streets and sidewalks. The proposed Amendment did not change the purposes of funds generated by the UUT. The Council stated publicly it wished to use funds from the Covenant Not to Develop for a different but related purpose: to maintain and improve Cubberley Community Center. Most jurisdictions with a telephone tax either recently amended technical aspects of the tax or were considering doing so. The tax was intended to apply broadly to telephone services, and it had done that. The changes in telephone technology outpaced the language of the Ordinance; therefore, the language should be revised to capture all modern uses of telephone services. Changes in Federal law put at risk certain parts of the telephone user tax. If voters adopted the changes, the telephone tax would continue to apply to most telephone services. The language would be expanded from traditional land lines to modern technologies. As a practical matter, Staff did not believe most consumers would experience an increase in their tax amounts. Staff understood most telephone service companies currently charged the tax to customers in a fairly broad way. To ensure that continued in the future, changes needed to be made to the language to make it consistent with modern practice and law. In 1987 the UUT provided a reduced rate for large users of gas, electric, and water services. The standard rate was 5 percent which tiers of 3 percent and 2 percent with increased usage. Currently nine entities received the benefits of the large user discount, all commercial accounts. The Council could direct Staff to retain, modify, reduce, or eliminate the large user discount.

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Council Member Price requested the names of the nine commercial accounts receiving the large user discount.

Lalo Perez, Director of Administrative Services/Chief Financial Officer, responded CPI, Hewlett-Packard, Varian Medical, Stanford Hospital, Loral, Stanford Heinz, VMware, Stanford University, and 529 Bryant.

Council Member Price asked if Staff had approached the entities about the possibility of the rate changing.

Ms. Stump indicated Staff had not conducted specific outreach.

Cara Silver, Senior Assistant City Attorney, reported Stanford University agreed to forego the large volume discount as part of the consideration for the Stanford University Medical Center Development Agreement. Once Stanford Hospital opened, it would pay the full 5 percent rate.

Council Member Price asked if other cities with utilities provided a discount.

Ms. Stump was not aware of any others, but Staff did not specifically survey for that topic.

Council Member Price inquired whether elimination of the large user discount could be phased out.

Ms. Stump replied yes.

Council Member Price noted the Staff Report did not include scenarios phasing out the discount.

Ms. Stump explained that Staff did not include those scenarios, because Staff had not received any direction from the Council or a Council Committee. Most modern rate structures increased rates rather than decreased rates for higher usage.

Council Member Price asked if eliminating the large user discount would result in a \$500,000 revenue increase for the City.

Joseph Saccio, Assistant Director Administrative Services, answered yes. The projected revenue increase was \$550,000.

Stephanie Munoz was surprised that large user discounts continued for institutions that were better able to pay than residents.

Council Member Berman inquired whether modernizing the UUT would not change the rate for most users in Palo Alto.

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Mr. Perez could not confirm that telephone companies were all charging the tax in the same manner. Because the City did not have regulatory control, it did not receive detailed information. Staff reviewed and compared their personal phone bills to determine how the tax was applied.

Council Member Berman asked if Staff felt the vast majority of residents would not see any substantial increase.

Mr. Perez answered yes.

MOTION: Council Member Berman moved, seconded by Vice Mayor Kniss to direct Staff to return to Council to: 1) call an election for November 2014 and place before voters the amendment to the Utility User Tax to modernize the telecommunications provision; and 2) provide direction to Staff to include elimination of the large volume discount paid by nine commercial users on gas, electric and water.

Council Member Berman believed modernizing the UUT was logical. The Council should eliminate the large volume discount. The discount did not create an incentive for higher usage but provided a benefit for higher usage. He wanted to discuss the possibility of reducing the UUT rate. He inquired about the amount of reduced revenue that would result from 1 percent and 1/2 percent decreases in the UUT.

Mr. Saccio indicated a 0.2 percent rate reduction would decrease annual revenue by \$126,000; a 0.25 percent reduction would decrease revenue by \$158,000; and a 0.5 percent reduction would decrease revenue by \$315,000. These amounts resulted from decreases in the telephone portion only of the UUT.

Council Member Berman asked if the 0.2 percent reduction would decrease the 5 percent rate to a 4.8 percent rate.

Mr. Saccio replied yes. The overall projected tax amount for 2014 was \$3.15 million.

Council Member Berman inquired whether decreased revenue resulting from a rate decrease in the telephone portion of the UUT would be offset by increased revenue resulting from elimination of the large user discount.

Mr. Saccio answered yes.

Mr. Perez noted Staff Report page 154 contained statistics from June 2002 through June 2013 related to modernizing the UUT with a reduction in rate and use of the same rate.

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Vice Mayor Kniss would not support decreasing the rate. In 1987, the Council proposed the large user discounts because it felt large companies would oppose the ballot measure. Stanford Hospital would be unhappy if the Council continued the large volume discount.

Council Member Klein added the discount was negotiated to obtain approval of the measure. Staff should provide notice to the nine users as it was only fair to obtain their comments prior to eliminating the large volume discount.

Council Member Burt noted Council Member Klein did not offer an Amendment to the Motion regarding notice to large users.

INCORPORATED INTO MOTION WITH THE CONSENT OF MAKER AND SECONDER that the Council defers action on the second half of the Motion regarding elimination of the large volume discount paid by nine commercial users of gas, electric and water until such time as Staff has notified the nine large volume discount users.

Council Member Berman wanted to create a timeline for commercial users to comment and Staff to report those comments to the Council. The Council had to meet the deadline to place a measure on the ballot in November 2014.

Ms. Stump reported the first meeting in August was the deadline for the Council to place an item on the ballot. With the Council Break being the month of July, the Council would need to act in June. There would be sufficient time for Staff to communicate to large users and receive their responses.

Council Member Burt referenced the revenue gain of \$550,000 from eliminating the large user discount. A 0.5 percent rate reduction would result in a revenue decrease of \$315,000, but the overall revenue increase would be \$235,000. A rate decrease was worthy of further consideration. The Council did not know the community's opinion on reducing rates.

INCORPORATED INTO MOTION WITH THE CONSENT OF MAKER AND SECONDER to request Staff return to Council with a number of options for determination of the rate for the balance of the ratepayers before the language for the ballot measure has been determined.

Council Member Berman inquired about a method to obtain feedback from the community.

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Council Member Burt explained once the Council took the proposed action, a potential rate decrease would become a topic of conversation and would generate public comment.

Mr. Saccio asked if the rate decrease would apply only to the telephone portion of the UUT, such that the 5 percent rate would be maintained on all other utilities.

Council Member Burt inquired whether Mr. Saccio's calculations for the revenue decreases applied to the telephone rate only.

Mr. Saccio replied yes.

Council Member Burt suggested Staff consider both alternatives. He did not believe there was much reason to change the rate for the other utilities.

Mr. Saccio indicated a 0.5 percent rate discount for all utilities would result in a \$1.1 million reduction in revenue.

Council Member Burt felt the City did not need a significant revenue gain from eliminating the large user discount. Staff should consider various scenarios for revenue to be neutral.

Council Member Berman assumed rate reductions made by other cities affected telephone only.

Ms. Stump responded yes. Staff would provide the Council with analysis of rate reductions. She inquired whether the Council wished the analysis to consider only 0.2 percent, 0.25 percent and 0.5 percent rate reductions for telephone or for all utilities.

James Keene, City Manager, believed Staff could return quickly with several scenarios.

Council Member Berman did not want reductions to exceed \$550,000.

Council Member Burt felt the Amendment was worded to provide Staff with discretion regarding scenarios.

Council Member Holman interpreted the last Amendment to mean Staff would make the final determinations and asked if the Council should make the final determination.

Council Member Berman interpreted the language as the Council would make a final determination once it analyzed the options provided by Staff.

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Council Member Holman preferred to maintain a rate of 5 percent. She inquired whether any percentage of the increase could be directed to specific programs.

Ms. Stump explained Council Member Holman was suggesting a special tax, which required two-thirds approval by the voters.

Council Member Schmid noted the Motion directed elimination of the large volume discount paid by nine specific commercial users. The Motion did not eliminate the discount for other future commercial entities.

Council Member Berman agreed to delete the words "nine commercial."

Mayor Shepherd felt there was no reason not to modernize the UUT. She supported elimination of the large volume discount.

MOTION AS AMENDED PASSED: 8-0 Scharff absent

10. Colleagues' Memo From Council Members Burt, Holman, and Schmid Urging Colleagues to Dedicate New Parkland in the Foothills.

James Keene, City Manager, reported in 2011 John Arrillaga approached Staff with an unsolicited proposal to acquire long-term access and use of 7.7 acres gifted to the City "for conservation including park and recreation purposes" by the Lee family in 1981. In January 2012 Mr. Arrillaga expressed interest in leasing the property for 25 years. His expressed interest was to secure long-term access to the property. Staff discussed potential options and requirements for a lease and a purchase. A May 2012 appraisal of the property set a value of \$175,000. The City informed Mr. Arrillaga it would not consider selling the property at that appraised price. Additional offsetting parkland and a higher sale price could be factors in any City consideration of selling its interest in the 7.7 acres. On June 4, 2012 and September 18, 2012 the Council held Closed Sessions on the topic. Staff clearly indicated a policy session would need to be scheduled for public discussion of options and issues as part of any decision to proceed. The City informed Mr. Arrillaga that any sale of public land could involve the Surplus Property Act and would be subject to local bidding requirements. Mr. Arrillaga withdrew his proposal.

Council Member Holman noted the consultant in the first Study Session of the evening indicated that every square foot of parkland was valuable in a built-out community. Many colleagues did not realize this land existed or that it was City owned. She requested coauthors of the Colleagues Memo be allowed to make comments prior to public speakers.

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Mayor Shepherd indicated coauthors could provide relevant comments in response to Council questions.

Enid Pearson supported dedication of the 7.7 acres as parkland. She recalled that Mr. Lee offered the City the quarry and additional lands; however, the City opted not to take his offer. She suggested Staff and the Council review other lands for possible dedication as parkland.

Geoff Paulsen, member of the Lee family, was appreciative of the relationship between the Lee family and the City. The land provided a valuable emergency access route. The property was flat and amenable to access by the elderly and disabled, provided a variety of habitats, and allowed connection to the network of Foothills trails.

Emily Renzel was pleased dedication of the property as parkland was presented. The site offered interesting possibilities for consolidating natural areas.

Winter Dellenbach shared stories about Deer Meadow and the lack of dedicating property donated to the City as parkland.

John Lindon was interested in adding a trail that connected the property with trails from Foothill Park. He offered to provide a substantial portion of the cost to construct a foot bridge for the trail.

Herb Borock supported the proposal to dedicate the 7.7 acres as parkland. He provided additional history regarding the City's decision not to purchase additional land from Mr. Lee.

Doria Summa urged the Council to dedicate the 7.7 acres as parkland.

MOTION: Council Member Holman moved, seconded by Council Member Schmid to direct Staff to: 1) return to Council with a park dedication Ordinance for this City-owned land adjacent to Foothills Park; 2) outline the major options for the best uses of this land; 3) present to the Parks and Recreation Commission alternatives for public uses along with natural landscape restoration for their review and for public input; 4) establish a timeline for permanently opening the land to the public; and 5) draft a letter of appreciation acknowledging the contribution of the Lee family to Palo Alto parks.

Council Member Holman felt a letter of appreciation was overdue.

Council Member Schmid was not aware the property was restricted to conservation and recreation until Mr. Arrillaga made his offer to the City.

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The property was beautiful. He had no doubt the public would support dedicating the property as parkland and opening it to public access as quickly as possible.

Council Member Klein supported parkland dedication. The deed restriction limiting use to conservation and recreation did not expire and would apply to any owner of the property. Dedication added another layer of protection for the property. The Motion appeared to be inconsistent with the Parks, Trails, Open Space and Recreation Master Plan (Master Plan) process. The property should be included in the Master Plan process.

AMENDMENT: Council Member Klein moved, seconded by Vice Mayor Kniss to delete item numbers 3 and 4 in the Motion and add to the end of item number 2, "and estimated costs of such uses".

Council Member Klein felt the Council should move deliberately in order to determine the City's needs. He expressed concern that the public might not be interested in additional parkland, as the usage of Foothill Park had been declining for a long period of time. The issue needed additional study before the City spent funds to develop the land.

Vice Mayor Kniss visited the property earlier in the day. In order to access the property, one had to pass a maintenance yard, cross property leased to Acterra, and then cross barren land. The property should be incorporated into the Master Plan process. She presumed the parking lot and maintenance yard would need to be moved in order to extend the meadow. If the Amendment was not adopted, she hoped the Council would reconsider evaluating the property in terms of the Master Plan process.

Council Member Burt did not believe the Amendment provided guidance to move the issue forward. Recommendation Number 3 did not prescribe an action or an outcome. Recommendation Number 2 could include potential costs. Recommendation Number 4 requested the establishment of a timeline. He would not support the Amendment. The property was located along a valuable riparian corridor and presented an opportunity to restore a rich, natural habitat. Acterra would embrace the opportunity to participate in restoration of the natural area.

Council Member Price concurred with Council Member Klein and Vice Mayor Kniss' comments. The Amendment did not diminish the importance of property.

Council Member Berman inquired whether Recommendation Number 3 would be part of the Master Plan process or a separate process.

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Darren Anderson, Open Space, Parks and Golf, indicated the Council would provide that direction. Staff would present updates to the Parks and Recreation Commission (PARC) regarding the Master Plan.

Council Member Berman suggested the Motion could be revised to include the property in the Master Plan process without disrupting the objectives of the Motion.

Council Member Holman did not accept the Amendment as an incorporation, because it eliminated the creation of a timeline for the land becoming public. She wanted a timeline for public access to the property. PARC could determine how the property best fit in the Master Plan process. PARC should provide the Council with guidance regarding integration of the property into the Master Plan process.

Council Member Berman reiterated that Staff was seeking Council direction and the Council was referring it to PARC.

Council Member Holman felt the PARC was the lead body in the Master Plan process. She could not state whether the property should be part of the Master Plan process or an independent process.

Council Member Berman referenced an email from Acterra regarding its nursery located on the property and requested Staff comment.

Mr. Anderson noted Acterra used approximately 1/2 acre for its nursery. He did not believe that use was inconsistent with conservation and recreation uses. Any action regarding Acterra's nursery would depend upon PARC and Council decisions regarding use of the area.

Council Member Berman was pleased by the prospect of Acterra being allowed to continue use of the property.

Mr. Anderson wished to continue the successful relationship with Acterra.

Mr. Keene added a firehouse was located in the park. An Acterra shed could be accommodated as well.

Council Member Berman would support the Motion. He encouraged PARC to include the property in the Master Plan process if that was appropriate.

Mayor Shepherd inquired whether the yellow house on the property was the Lee's home when they lived on the property.

Mr. Paulsen believed the house was moved onto the property and utilized as the gardener's home.

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Mayor Shepherd understood Mr. Arrillaga was attempting to make the old quarry habitable; however, the property was the staging area for Mr. Arrillaga's work. She expressed concern that the Motion did include a provision for estimating costs. She preferred to retain Acterra's use of the property. The Motion did not address many of her concerns. She referenced problems with maintaining Buckeye Creek. She would support the Amendment.

Council Member Schmid would not support the Amendment. Many issues needed to be resolved. The Amendment would delay any action on the property.

AMENDMENT FAILED: 4-4 Berman, Burt, Holman, Schmid no, Scharff absent

AMENDMENT: Council Member Berman moved, seconded by Council Member Klein to add "and estimated costs of such uses" into item number 2 of the main Motion.

Council Member Holman suggested identification of costs should be a separate recommendation. Costs would be identified after PARC review.

Council Member Berman felt costs should be estimated first to aid PARC's analysis of options.

Council Member Holman would not accept the language.

Council Member Klein believed as responsible stewards the Council should know costs prior to considering uses.

Vice Mayor Kniss felt the costs should be considered in order to best restore and utilize the land.

AMENDMENT PASSED: 7-1 Holman no, Scharff absent

Mayor Shepherd noted one of the neighbors maintained Buckeye Creek, and inquired whether the City could collaborate with the neighbor on that work.

Mr. Anderson suggested opening the property to the public could cause neighbors to fence their properties and, thus, remove the incentive for the neighbor to continue the work.

Mayor Shepherd asked if the City would need additional equipment at the property.

Mr. Anderson responded yes.

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Mayor Shepherd inquired whether there was any possibility for neighbors to continue some maintenance on the property.

Mr. Anderson indicated Staff would need to discuss it with neighbors.

Mayor Shepherd believed the City would need a plan for maintenance once the property was opened to the public.

Mr. Keene understood the Council would direct Staff to work through the Commission process regarding options. Council Member comments did not prescribe or limit options; therefore, other resources could be leveraged.

MOTION AS AMENDED PASSED: 8-0 Scharff absent

STATE LEGISLATIVE DISCUSSION AND POTENTIAL ACTION

11. Endorsement of AB 1799 - (Gordon) to Modify State Law Governing Funding for the Long-term Stewardship of Mitigation Properties by Public Agencies.

James Keene, City Manager, believed Staff could have proceeded with the item under existing Council policy guidelines. Requiring local jurisdictions to prefund the lifetime care and maintenance of a mitigation would necessitate a significant amount of cash. Assemblyman Gordon's bill included some qualifications to ensure local governments could meet standards and requirements. This was an important piece of legislation to support environmental initiatives and to have them be practicable.

Stephanie Munoz stated the State forced actions onto cities without taking responsibility for funding those actions. The Council should recognize the reasons for the State's demands.

Herb Borock did not believe the Council should take action without having the bill for review. There would be other opportunities for the Council to state its position, after it had reviewed the bill. The summary language was too broad. The bill would be applied retroactively.

MOTION: Vice Mayor Kniss moved, seconded by Mayor Shepherd to direct Staff to send a letter of support on the City Council's behalf to Assembly Member Rich Gordon in support of Assembly Bill 1799 (AB 1799).

Vice Mayor Kniss indicated the law would modify State law governing funding for the long-term stewardship of mitigation properties by public agencies.

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Mayor Shepherd noted the bill was scheduled for hearing; therefore, the City's position should be provided to Assemblyman Gordon.

MOTION PASSED: 6-2 Holman, Schmid no, Scharff absent

COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Council Member Burt questioned the lack of polling for the Closed Session scheduled for March 25, 2014. He and Council Member Holman were not available to attend the Closed Session.

Mayor Shepherd reported the matter was raised over the weekend and quick review was needed. Many Council Members would be unavailable later in the week or the following week.

Molly Stump, City Attorney, clarified that the matter was related to interviewing candidates for the City Auditor position. The Mayor and Vice Mayor felt it was important for all Council Members to receive an update regarding the process.

Council Member Burt asked if March 25 was the only time the Closed Session could be scheduled.

Mayor Shepherd indicated one Council Member was currently unavailable and other Council Members would be unavailable beginning March 26. The matter was time sensitive. Six Council Members would be available on March 25.

Council Member Berman spoke at the Youth Speaks Out event at the Palo Alto Art Center. The program allowed youth to use art to express their feelings about being a youth in Palo Alto. The artwork and descriptions were amazing.

Council Member Price attended Santa Clara Valley Transportation Authority's (VTA) groundbreaking ceremony for the Bus Rapid Transit. She worked on the conceptual and preliminary engineering for the project and conducted more than 60 community meetings. Several Council Members attended the ribbon cutting for California Avenue improvements and the farmers market expansion. She attended the Silicon Valley Sustainable Landscape Summit. At that event, Palo Alto Utilities received one of the water conservation awards.

Council Member Klein provided the Council with the latest update from the San Francisco Public Utilities Commission regarding water reserves. The Hetch Hetchy Reservoir was expected to be filled by July 1, 2014 despite

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current drought conditions. The 10 percent voluntary water reduction remained in effect. If the Hetch Hetchy Reservoir did not fill by July 1, the City could face additional conservation measures.

Vice Mayor Kniss planned to attend the Navigating the American Carbon World conference as a representative of the Bay Area Air Quality Management District.

Council Member Holman requested the City Manager address with Staff comments made by Mr. Balin during Oral Communications. She requested to adjourn the meeting in memory of Tom Wyman's service to the City and community.

Adjournment: The meeting was adjourned in memory of Tom Wyman at 11:21 P.M.