



CITY OF PALO ALTO CITY COUNCIL MINUTES

Special Meeting
June 9, 2014

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:03 P.M.

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

Absent: Scharff

Architectural Review Board Members:

Present: Gooyer, Lew, Lippert, Malone-Prichard, Popp

Absent:

1. THIS ITEM HAS BEEN REMOVED.

STUDY SESSION

2. Joint Meeting with the Architectural Review Board.

Lee Lippert, Chair of the Architectural Review Board, noted recently there had been negative comments regarding the Architectural Review Board (ARB). Some members of the community might not understand the role of the ARB and the review process. The ARB was charged with reviewing projects for quality and character. If a project met underlying use and zoning criteria, the ARB was often the only discretionary review process for commercial or multifamily projects.

Robert Gooyer, Architectural Review Board Member, reported the purpose of the ARB was to promote the orderly and harmonious development in the City, to enhance the desirability of investment in the City, to encourage the attainment of the most desirable use of land and improvements, to enhance the desirability of the living condition, and to promote visual environments of high aesthetic quality and variety. Many people viewed the ARB as an

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architectural control board. The ARB could only critique a project presented to it. The ARB did not design a project for the applicant.

Clare Malone-Prichard, Architectural Review Board Member, remarked that the summary document illustrated the critical and thoughtful review given to every project. The quality of the initial application determined the number of project reviews and changes. ARB Members spent a great deal of time reviewing the packet for each hearing. The ARB did not dictate design. The goal of the ARB was to meet the findings and to improve the built environment.

Alexander Lew, Architectural Review Board Member, reviewed an arts and crafts style building proposed for 500 University Avenue. The ARB wanted an integrated solution. The applicant proposed changes which resulted in a pedestrian-friendly building with storefronts visible to the street. The applicant indicated the changes generated greater interest from potential tenants.

Randolph Popp, Vice-Chair of the Architectural Review Board, noted the public did not see the original proposals for projects and, therefore, were not aware of many improvements to projects. The initial proposal for Bloomingdale's was such an example. The appearance of height and mass for the project were dominated by a mechanical screen. The ARB recommended the applicant minimize the height of the project to make the building compatible with the context. The ARB encouraged the applicant to interpret new standards for its buildings.

Board Member Lew indicated the 405 Curtner Avenue project was a six-unit condo building originally proposed as a three-story row house with no modulation of the façade, a virtually blank front façade, and a lack of fenestration pattern. The applicant had the highest intentions for sustainable design; however, the ARB did not see that in the plans. After ARB review, the applicant proposed changes that included greater differentiation among the units, more windows and balconies on the front façade, more harmonious and integrated landscape, and individual entrances to each unit.

Vice Chair Popp advised that an applicant requested feedback for a project and stated very specific goals of a sleek, clean, and modern building. The ARB's response was that the building was architecturally severe and the structural frame was more appropriate for a high-rise building. The ARB requested plans for the adjacent building to anticipate the current and future context of the building. As a result of the review process, the massing of the building was broken up and dramatically reduced. Balconies were added to

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create variation and to soften the intensity. One considerable challenge was the build-to requirement which was overcome by additional landscaping around the project.

Chair Lippert suggested the ARB could create a better understanding of the purpose and responsibility of the ARB. The community oftentimes confused the role of the ARB. Public comment at ARB hearings may not concern the quality or character of a project, but rather the use and zoning of a project. The ARB was not responsible for parking and traffic in the community. The ARB reviewed the quality and character of surface parking lots, landscaping, and spacing of vehicles. The ARB did not consider the number of parking spaces or the effect on traffic. As part of Our Palo Alto, the ARB was considering holding one or two dialogs regarding design in Palo Alto. It was important for the community to voice their concerns, and for the City to hear those concerns.

Vice Mayor Kniss commented that the approved design for the Curtner project was dramatically different from the original design. She inquired about the ARB's process to work with the architect and the applicant to obtain better designs.

Vice Chair Popp explained that an applicant who was open to the review process was the most easy to work with. For the Curtner project, the applicant was willing to listen to the ARB. The Curtner project was the only project to receive a fourth review rather than a project denial. The ARB attempted to provide specific examples of elements that needed change. The process was iterative, one step at a time, one piece at a time. Cumulatively, the ARB spent approximately 17 1/4 hours on each project. Staff helped applicants understand the process, so that applicants were ready to be part of the process when their projects reached the ARB.

Council Member Price felt the ARB did excellent work. She regretted the derogatory comments directed toward the ARB. She inquired whether the City could do things differently to educate the community about the ARB's role and responsibility or whether the ARB could do individual things to assist community education.

Chair Lippert believed a discussion within Our Palo Alto would be very helpful in explaining the ARB's role and the Planning and Transportation Commission's (P&TC) role. He and P&TC Commissioners presented information to Leadership Midpeninsula regarding roles of the two. Formal presentation of that information to the public once or twice a year could help the public understand its role in speaking before the ARB and the nature of the ARB discussion.

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Council Member Schmid recalled controversial projects presented to the Council. In 2010 the Council requested design standards which resulted in a discussion of sidewalks and the build-to line. He understood the ARB requested discretion, guidelines, or standards. The ARB should present a list of topics to be included in guidelines so that the Council could provide the ARB with discretion and guidelines.

Board Member Gooyer reported the ARB had a good set of specific criteria for review. Problems arose with compatibility in the case of a change in zoning or the presence of an overlay zone.

Council Member Klein concurred that the ARB was a review board rather than a control board. He requested Board Members comment on whether Palo Alto should have a control board and on cities with control boards.

Board Member Malone-Prichard indicated Irvine had a control board and all architecture looked very much the same. Some cities designated materials for use and provided a range of colors. She did not believe the community would want that type of control. Palo Alto was an eclectic community with a range of materials and styles being used in the community. In reviewing compatibility, the ARB reviewed size, scale, and setback.

Council Member Burt remarked that he would not support the direction of the ARB with regard to some projects. He wanted to steer the discussion toward areas where the Council sought different guidance. ARB comments regarding issues, even with qualifiers that the topic was not within the ARB's purview, confused the community. In a recent prescreening of a project in the 4000 block of El Camino Real, the ARB indicated it would support up-zoning for the project, even though zoning was not within the ARB's purview. Maximum heights and maximum Floor Area Ratios (FAR) were considered not only the ceiling but also the floor in almost every circumstance. It was very rare for a project to propose less than the maximum height and the maximum FAR. The City had all these other criteria that might not allow a project to reach the maximum if they could not meet the criteria. He suggested the ARB exercise more input on limitations of projects so that the quality of the project was better and had more latitude in its design. He disagreed that the 195 Page Mill Road project complied with the ARB findings and stated in that Council discussion ways in which it was not consistent with compatibility guidelines of the Comprehensive Plan. Clearly there was a sense that the Council and community wanted to recalibrate. It had also been stated that the ARB did not stipulate style. However, in past circumstances, the ARB had spoken out against what it described as traditional or derivative styles. He was unsure

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whether any style was not to some degree derivative. He did not want the ARB to prescribe its own style values. On Waverley Avenue, a number of buildings did not seem in character with the area. The Audubon Society had discussed the need to consider bird-friendly materials and designs. He would be interested in the ARB's input on that topic.

Chair Lippert inquired whether Council Member Burt wanted the ARB to respond to the projects he mentioned.

Council Member Burt requested a higher-level of comment.

Board Member Lew shared Council Member Burt's concerns. The Hilton Garden Inn was first proposed as four stories. The City changed zoning to allow larger hotels. The ARB requested the applicant decrease the building height to meet the height of Arbor Real. The ARB did not always do that. Even with that change in design, the building appeared very large. Generally the project at 195 Page Mill Road was not compatible. Generally, a project had to be pretty bad to receive three no votes from the ARB.

Board Member Malone-Prichard advised that the 195 Page Mill Road project was difficult and received many reviews. The project improved significantly between the initial design and the approved design.

Chair Lippert reported building materials influenced building styles. If the ARB stated style had to be rooted in a certain period or a certain style, then the state of architecture would be dumbed down. Palo Alto did not have an iconic piece of architecture that defined the community. The review process did not encourage architects to advance in building technology in the same manner as electronics led the nation.

Council Member Berman did not realize the extent of development in the community or the age of some buildings until he read the report. Buildings should look forward as they would be in use for 40, 50, even 60 years. He appreciated the difficulty of Board Members' roles.

Council Member Holman concurred with Council Member Burt's comments. If a project required many reviews, it would not be a good project. Good, integrated design did not result from trying to make design elements fit. It seemed as though the maximum standards were the minimum standards. There was a great reliance on Design Enhancement Exceptions (DEE). Exceptions were not good process. If Code changes were needed, then the ARB or P&TC should make recommendations to the Council. Palo Alto did have several architecturally significant buildings. One basis for judging the design of a new project was whether it was worthy of being in a book. For a

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long time she had had concerns about compatibility. She voted against the 636 Waverley Street project because the elements of the building were not compatible. Compatibility did not dictate style. The ARB and Staff were not following the basic components of compatibility. Two development projects compromised the community's values about canopy. The ARB and the Council needed to accept public input and determine ways to address concerns.

Vice Chair Popp felt the Zoning Code was written quite well. It was one of the most thoughtful and most capable Codes he had utilized. One component of the Code allowed exceptions within context. The findings of approval had context for evaluating whether design exception was an enhancement and whether a project at its maximum was compatible with others in the area. The process was challenging and subjective. The ARB was comprised of five individuals with a wide range of experience and very different educational and professional backgrounds. That diversity created a dialog to move projects forward in an efficient and effective manner. Sometimes projects should be denied early in the process. Other times, a project benefited from additional review. ARB Members struggled with limits on design advice. Perhaps that could be improved or better defined. He hoped the Our Palo Alto process would provide clarity regarding types of architecture the public was interested in seeing.

Mayor Shepherd was interested in thinking outside the box in the presence of constraints. The University Arts Building was substantially above the height limit, yet the interest of the building was outstanding. She questioned whether the Council could adopt no new net square footage while providing other opportunities for design opportunities. She understood the need to build to the maximum allowed. The Council needed to discuss minimum standards as maximum standards. The Our Palo Alto process was the ideal process to obtain community input regarding architecture, compatibility, and the role of the ARB.

Chair Lippert believed the debate of issues was good. Inherent in the discussion was property rights. Every property owner had the right to build on his site. Development regulations were embodied in those property rights. The ARB reviewed the context of rules along with property rights. DEEs were basically incidental and did not add square footage to buildings.

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SPECIAL ORDERS OF THE DAY

3. Palo Alto Apps Challenge 2014 - Finalist Recognition.

Jonathan Reichenthal, Chief Information Officer, reported the Apps Challenge was an experiment in community engagement. By creating incentives for the public to help create community solutions, a model for government and community co-creation could emerge. Entrants were required to submit an idea and be prepared to build it. The finale required a workable prototype of the idea. At the close of entries, the City had received 74 submissions within the theme of community engagement. Judges selected ten to compete for the finale. Finalists received coaching and feedback from Cloudera and elicited community feedback during the Apps Challenge Showcase event. In the 30 hours leading to the finale, finalists received 3,200 online votes. The finale was held in conjunction with the second National Day of Civic Hacking. The Apps Challenge succeeded beyond Staff's expectations. At least three highly valued app solutions would be delivered to the community. One of the apps, Adopt Me, was in use by animal shelters in the Bay area.

Mayor Shepherd noted 70 applications were submitted. The Apps Challenge was an opportunity to bridge the connectivity gap between the Council and the community.

AGENDA CHANGES, ADDITIONS AND DELETIONS

Mayor Shepherd announced the Agenda for the June 16, 2014 meeting contained three challenging items as well as the second hearing of the Proposed Budget. She requested Council Members voice all questions and comments regarding the Proposed Budget in the current meeting. If the Council could not complete the current Agenda and needed a substantive discussion the following week, she would request the Council hold a Special Meeting on June 18, 2014.

CITY MANAGER COMMENTS

James Keene, City Manager, reported 30 percent of Apps Challenge applications were submitted by youth under 18 years of age. *The Universal Woman* was now a permanent installation in the Art Center's Sculpture Courtyard. Ehren Tool was the Artist in Residence at the Art Center. Charlie Hughes threw the first pitch at the San Francisco Giants game on May 27, 2014. The Mitchell Park Library and Community Center would open in the fall.

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MOTION: Council Member Price moved, seconded by Council Member Berman to approve the Minutes of April 21, 2014.

MOTION PASSED: 8-0 Scharff absent

CONSENT CALENDAR

Mayor Shepherd announced public speakers could address only removing Agenda Item Number 9 from the Consent Calendar and not the appeal itself. The appeal would be heard on June 23, 2014.

Ree Dufresne asked the Council to remove Agenda Item Number 9 from the Consent Calendar so that the public could address the issue and Council Members could ask questions.

Robert Moss spoke regarding Agenda Item Number 9. He advised that the presence of hazardous materials was not adequately discussed in the Staff Report. The Council should address potential hazardous materials. Until testing could be performed, the presence of TCE and health hazards were unknown.

Chris Withman, Mayfield Development Agreement Projects Manager, spoke regarding Agenda Item Number 9. He reported Stanford University met with residents, the Fire Department, City Staff, development review committees, the Architectural Review Board, and the Planning and Transportation Commission. Stanford University received and responded to extensive comments and requirements. The project had been thoroughly vetted by City Staff, was responsive to all requirements established by the City, and complied with all applicable Codes and Ordinances. The Architectural Review Board and the Planning and Transportation Commission unanimously recommended approval.

Fred Balin indicated that Agenda Item Number 9, appeal concerned safety within the project. In November 2013 the Council adopted the State Fire Code which clearly provided options to meet the turnaround provision on dead-end streets. However, the City argued that the clearly stated turnaround requirements could be replaced by a "reach it with a hose" requirement, so that none of the specified turnaround options was required. With regard to minimum street width when hydrants were present, another generally accepted interpretation was employed, use of rolled curbs. Rolled

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curbs were part of the shoulder and did not change the actual street width. The City planned to remove parking on dead-end streets. The plans presented to the ARB and reviewed in the Director's decision were substantially under the City's requirements.

Ann Haight spoke regarding Agenda Item Number 9. She suggested the current plans would increase traffic congestion. She requested the Council consider not having access in both directions from the new housing development. Hearing notices usually arrived on the day of the hearing; therefore, additional public comment should be allowed.

Mayor Shepherd clarified that the Council would take up the appeal and the maps on June 23, 2014.

Stephanie Munoz spoke regarding Agenda Item Number 9. She believed the community wanted office space converted to housing. The City should cooperate with Stanford University to effect these useful changes.

Ed Schmitt supported a public forum for Agenda Item Number 9.

Council Member Klein recused himself from Agenda Item Number 9 as his wife was a member of the Stanford University faculty.

MOTION: Council Member Holman moved, seconded by Council Members Burt and Schmid to pull Agenda Item Number 9 to be heard on June 23, 2014.

MOTION: Council Member Price moved, seconded by Council Member Berman to approve Agenda Item Numbers 4-8, and 10-16.

4. Request for Approval of Agreement No. C15154285 Between the City of Palo Alto and the Midpeninsula Community Media Center, Inc. for Cablecasting Services in the Amount of \$125,000 Per Year for a Total not to Exceed \$375,000 from July 1, 2014 Through June 30, 2017.
5. Approval of a One – Year Extension of the Building Permit and the Option to Lease Agreement Between the City of Palo Alto and the Palo Alto History Museum for the Roth Building, 300 Homer Avenue.
6. Resolution 9422 entitled "Resolution of the Council of the City of Palo Alto Terminating PaloAltoGreen's Full Needs Program for Residential Electric Customers and Reinstating the Full Needs Program for Commercial and Master-Metered Multi-Family Electric Customers by

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Repealing Rate Schedule E-1-G and Amending Rate Schedules E-2-G, E-4-G, E-7-G, and E-18-G.”

7. Approval of a Three-Year Contract with Northwest Woodlands Services, Inc. in the Amount not to Exceed \$552,950 for Trail Maintenance in the Baylands Nature Preserve, Pearson-Arastradero Preserve, Foothills Park and Grounds Maintenance in Utility Reservoir Sites.
8. Parks and Recreation Commission Recommendation to Adopt a Park Improvement Ordinance for Hopkins Park
9. ~~Council Review of an Appeal of the Director of Planning and Community Environment's Decision Approving Architectural Review of the Demolition of Approximately 290,220 s.f. of Existing R&D/Office Space and Construction of 180 Dwelling Units Which Includes 68 Detached Single Family Units and 112 Multi Family Units Located at 1451 1601 California Avenue, as Part of the 2005 Mayfield Development Agreement. Environmental Assessment: City of Palo Alto/Stanford Development Agreement and Lease Project Environmental Impact Report (State Clearinghouse No. 2003082103).~~
10. Adoption of Ordinance Amending Section 22.04.270 By Adding Subsection 22.04.270(C) To Prohibit the Feeding of Wildlife And Feral Animals in Palo Alto Parks And Open Space Areas.
11. Resolution 9423 entitled “Resolution of the Council of the City of Palo Alto Approving the Fiscal Year 2015 Financial Plans and Reserve Management Policies for the Electric, Gas, Wastewater Collection and Water Utilities, With No Rate Increases Proposed for Fiscal Year 2015.”
12. Approve and Authorize the City Manager or his Designee to Execute Contract Amendment No. 2 to Contract C10135025 in the Amount of \$336,172 with Alta Planning + Design, for Preliminary Design and Environmental Assessment Services for the Pedestrian & Bicycle Overpass at Highway 101 (CIP PE-11011).
13. Resolution 9436 entitled “Resolution of the Council of the City of Palo Alto Approval of Consent to Assignment of Power Purchase Agreement with Brannon Solar LLC to CRE-Kettleman Holdco LLC and Approval of Amended and Restated Power Purchase Agreement with EE Kettleman Land, LLC.”

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14. Award of Contract with Ross McDonald Company, Inc., in the Amount of \$606,913 for Custom Casework for the Rinconada Library (CIP PE-11000 and LB-11000.)
15. Adoption of an Ordinance Authorizing the Operation, Management and Control of the Palo Alto Airport by the City of Palo Alto and Amending Section 2.08.190 of Chapter 2.08 of Title 2 of the Palo Alto Municipal Code to Add the Palo Alto Airport to the Duties of the Director of Public Works.
16. Accept the Retiree Healthcare Plan GASB 45 Actuarial Valuation as of June 30, 2013 and Approve Full Funding of the Annual Required Contribution.

MOTION PASSED for Agenda Item Numbers 4-8, and 10-16: 8-0
Scharff absent

ACTION ITEMS

17. Public Hearing – Assessment for California Avenue Area Parking Bonds – Plan G: FY 2014-2015; Resolution 9424 entitled “Resolution of the Council of the City of Palo Alto Confirming Engineer’s Report and Assessment Roll, California Avenue Parking Project No. 92-13 (For Fiscal Year 2014-2015).”

Mayor Shepherd advised that this was the time and place for the Public Hearing on the public assessment rolls for the California Avenue Parking Assessment District Number 92-13, Resolution of Intent Number 7230 adopted August 9, 1993. The City Engineer caused to be prepared and filed with the City Clerk a report providing for the levy of special assessments within the California Avenue Parking Assessment District. The report set forth the amount of assessments proposed to be levied for Fiscal Year 2014-2015. The assessments would be used to pay principal and interest on the bonds issued for the Assessment District. The report was and had been open for public inspection. The purpose of the hearing was to allow the Council to hear all persons having an interest in any real property within the Parking Assessment District; to hear all objections, protests or other written communications from any such interested persons; to take and receive oral and documentary evidence pertaining to matters contained in the filed report; to remedy and correct any error or informality in the report and to amend, alter, modify, correct, and confirm the report and each of the assessments therein. She inquired whether the City Clerk had received any written communication from any such interested persons.

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Donna Grider, City Clerk, responded no.

Mayor Shepherd inquired whether Staff had any additional information.

James Keene, City Manager, replied no.

Public Hearing opened and closed without public comment at 8:00 P.M.

MOTION: Mayor Shepherd moved, seconded by Council Member Schmid to adopt the Resolution Confirming Engineer's Report and Assessment Roll, California Avenue Parking Project No. 92-13 (For Fiscal Year 2014-2015).

MOTION PASSED: 8-0 Scharff absent

18. Review and Approval of the Revised Draft Infrastructure Project Funding Proposal (CONTINUED FROM JUNE 2, 2014).

Mayor Shepherd advised that the item continued the Council discussion regarding funding of infrastructure maintenance and backlog identified in the Infrastructure Blue Ribbon Commission (IBRC) report. On March 3, 2014, the Council reduced the original proposal of an increase in the Transient Occupancy Tax (TOT) from 3 percent to 2 percent. The change created a funding gap which the Council Subcommittee had resolved.

James Keene, City Manager, indicated Staff would return to the Council on June 16, 2014 with language relating to the ballot measures for Council action. Staff wanted to provide polling results to the Council along with the ballot language.

Council Member Klein, Chair of the Infrastructure Committee, reported the Infrastructure Committee (Committee) adopted three Motions, one of which the Council acted on at a previous meeting. The remaining two Motions concerned projects to be funded by the ballot measure and guidance to Staff regarding the Ordinance. The Committee did not recommend any reductions in the projects to be funded. Staff identified additional funds, and the Committee recommended portions of three projects be transferred to the Capital Improvement Program (CIP). The three projects were \$1 million of the Bicycle/Pedestrian Plan, \$4.6 million for parks catch-up, and \$800,000 for Byxbee Park. Those project amounts were small enough to be funded through the regular CIP, because the majority of funding remained within infrastructure funding. Staff proposed balancing the cost of projects with funding sources by eliminating Fire Station Number 4 from the list of projects, with the idea of funding it through the CIP. The Committee, on a vote of 3-1, included Fire Station Number 4 in the infrastructure project list.

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Inclusion of Fire Station Number 4 on the project list recognized its importance. The Committee believed the funding source for Fire Station Number 4 would be rental revenues from the existing police station once the new Public Safety Building was constructed. Construction of Fire Station Number 4 would occur after construction of Fire Station Number 3, because of the older age of Fire Station Number 3. Council Member Burt moved, seconded by Council Member Berman, that the TOT Ordinance reflect changes in the hospitality industry, such as online rentals.

MOTION: Council Member Klein moved, seconded by Council Member Berman to approve the revised draft Infrastructure Project Funding Proposal to include:

1. Retention of Fire Station 4 in the revised draft infrastructure project funding proposal;
2. Reduction of \$1 million for the Bike/Pedestrian Plan;
3. Reduction of \$4.6 million in parks catch-up;
4. Reduction of \$0.8 million in Byxbee Park funding to be covered by other sources such as COPs and/or Development Impact Fees.

Council Member Berman felt the Committee had been responsible in identifying funding sources and infrastructure projects. He was confident the Council could identify sufficient funding for Fire Station Number 4 prior to the beginning of construction.

Council Member Burt added that critical infrastructure projects would be funded and the vast majority of funding was obtained through existing revenues. The City had tripled funding for street paving and was more than halfway through a complete transformation of streets.

Council Member Price inquired about the use of cash to minimize capitalized interest costs for the Golf Course and about the mitigation payment plan from the San Francisquito Creek Joint Powers Authority (JPA).

Joe Saccio, Administrative Services Assistant Director, reported the goal was to advance monies from existing funds to cover the final design and construction costs of the Golf Course without jeopardizing reserve funds for other projects. Towards the end of the next fiscal year, the City would borrow the total amount of construction costs for the Golf Course less the JPA mitigation payment and funds received from taking dirt from other projects. Proceeds from issuing bonds would replenish reserve funds.

Vice Mayor Kniss noted the community had seen a great deal of improvement in streets, sidewalks, and bicycle and pedestrian access. She

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inquired about an interactive app for the coordination of street work and street construction projects.

Brad Eggleston, Public Works Assistant Director, advised the City did not have an app to view coordination of street projects. The GIS system had a coordination function for all street projects programmed for the next five years and all Utilities infrastructure projects for the next five years. Staff utilized that function along with the Pavement Condition Index (PCI) scores to determine which streets would be repaved.

Vice Mayor Kniss felt there was a better way, perhaps an interactive means, for the community to be aware of street work.

Council Member Schmid noted David Taussig and Associates presented the Development Impact Fee Study at a recent Finance Committee meeting. Mr. Taussig stated the fee charged residential properties was twice the amount charged commercial properties. Mr. Taussig also stated commercial office space did not pay any amount. That implied that residential properties paid the bulk of Development Impact Fees. Mr. Taussig explained it by saying traditionally office workers only used half the amount of services as residents. The Fire Services Utilization Study indicated two-thirds of calls for fire and emergency medical services (EMS) were received from the Downtown and California Avenue areas. According to the Police Department blotter, 75 percent of police calls were received from Downtown, Stanford Shopping Center, or highways entering Palo Alto. When Staff returned the following week, it would be helpful for Staff to provide a clear statement that either Mr. Taussig was wrong about Development Impact Fees or that action would be taken before the election to reach a notion of fair share in paying for development.

Council Member Klein did not want Staff to work on that. The chart on page 826 showed clearly the source of funds. Approximately \$4 million would be taken from the Parking In-Lieu Fund, which was the only reference to Development Impact Fees. The Committee created a good plan; Development Impact Fees were not a part of the plan.

Council Member Schmid reported residential properties paid 72 percent of the property tax and 64 percent of residents paid the sales tax. It was quite clear that residents were carrying the burden. It would be helpful if Staff returned with a clear statement about current Development Impact Fee shares and what they should be.

Mr. Keene recalled that the Council recently had a long discussion of Development Impact Fees, methodology, issues, and challenges in adjusting

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ratios. Staff would not be able to make a credible recommendation regarding Development Impact Fees given the amount of additional research that was needed.

Lalo Perez, Administrative Services Director and Chief Financial Officer, explained that the City could only add Development Impact Fee funding to the expansion of a current service or program. If a fire station was remodeled within the same square footage, then Development Impact Fees could not be utilized for those costs. If a fire station was expanded, then only 15 percent of the cost could be allocated to new development. Staff did review that issue.

Council Member Klein spoke at a recent Chamber of Commerce meeting regarding the proposed increase in the TOT. Hotel representatives felt the funding proposal was unfair in that the business community was the only ones taxed. No additional funds were being requested from residential taxpayers.

Council Member Holman noted the TOT was not a fee charged by the businesses. It was collected from visitors. She supported Council Member Schmid in recognizing that different aspects of the community were not paying their fair share.

Mayor Shepherd inquired whether the Committee had completed its work.

Council Member Klein indicated the Committee was waiting.

Mayor Shepherd stated the process had been long. The City had grown by 13 percent since 2000; however, infrastructure funding had not grown. She inquired whether the Council would vote to place a tax measure on the ballot on June 16, 2014.

Molly Stump, City Attorney, replied the issue would be scheduled for either June 16 or 23.

MOTION PASSED: 8-0 Scharff absent

Council Member Klein requested Staff provide the date on which the Council would consider the ballot item, as many members of the public wished to be present at that time.

Mr. Keene advised the discussion could occur on June 16.

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Mayor Shepherd recalled the intention to include all ballot items in a discussion on June 16.

19. Public Hearing: Adoption of Budget Ordinance for FY 2015, including Adoption of Operating and Capital Budgets and Municipal Fee Schedule; Adoption of Five Resolutions, including: Adopting a Dark Fiber Rate Increase of 2.6% and Amending Utility Rate Schedules EDF-1 and EDF-2; Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase Storm Drain Rates by 2.6 Percent per Month per Equivalent Residential Unit for Fiscal Year 2015; Amending the 2012-2013 Compensation Plan for Management and Professional Adopted by Resolution No. 9357 to Add One New Position and Change the Title of Two Positions; Amending the 2013-2015 Memorandum of Agreement Service Employees International Union (SEIU), Adopted by Resolution No. 9398 to Add One New Position and Correct the Salary of One Position; and Amending the Terms for the Utility Management Professional Association, Adopted by Resolution No. 9359 to Correct the Salary for One Position and Add Two New Positions.

Molly Stump, City Attorney, announced the title for the item would be clarified for the second hearing. The first part of the title referred to a Budget Amendment Ordinance; however, the item for hearing was the annual Budget Ordinance.

Mayor Shepherd advised that the item was the first public hearing of the Ordinance adopting a Budget for Fiscal Year (FY) 2015. The second public hearing would be held June 16, 2014, at which time the Council would take final action.

Walter Rossmann, Office of Management and Budget Director, presented the Proposed Budget as revised by the Finance Committee. The Finance Committee held five meetings in May 2014 regarding budgets for each Department. All documents presented to the Finance Committee were included in the packet. The Citywide Expenditure Budget totaled \$470.3 million. The largest expenditure was allocated to salaries and benefits, followed by utility purchases and the Capital Improvement Program (CIP). The CIP expenditure amount was a net number and did not include expenditures from Internal Service Funds. Staff did not propose any rate changes for electric, gas, water, and sewer utilities. A 2.6 percent Consumer Price Index (CPI) increase was proposed for storm drain and fiber optics. Staff increased the Solar Funding Rebate Program in the Electricity Fund and added 4.5 positions across all Enterprise Funds. Staff proposed a Management Analyst position to support the Airport Fund and a Laboratory Technician position to support wastewater regulatory requirements. CIP

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expenditures of \$28.5 million focused primarily on rehabilitating and maintaining existing infrastructure. The expenditure budget for the Capital Projects Fund was \$58 million. The change from FY 2014 to FY 2015 was \$5 million less in expenditures due to the Golf Course Reconfiguration Project. Within the General Fund CIP, the majority of funds were invested in streets and sidewalks, followed by traffic and transportation and parks and open space. Based on a suggestion from the Planning and Transportation Commission (P&TC), the Finance Committee added a \$500,000 project for a Baylands Levy Improvements Feasibility Study. Changes between the FY 2014 Adopted Budget and FY 2015 Proposed Budget of \$10.9 million resulted from salaries and benefits. The Proposed Budget had a \$1.9 million increase in all funds, primarily in salaries. The Proposed Budget contained only two minor changes to allocated charges in the Technology Fund and the General Fund Cost Allocation Plan. Staff proposed an increase of 14.45 Full-Time Equivalents (FTE): 5.5 FTE for non-General Fund activity, 1.5 FTE for Development Services and Junior Museum and Zoo, and 7.45 FTE for new libraries, City Attorney's Office, Planning Department, and Community Services Department. General Fund revenue of \$169.4 million was derived mainly from major tax revenue. The majority of General Fund expenses were allocated to salary and benefits. Other significant changes included an increase in contractual services to support Council initiatives. The majority of expenditures were for Public Safety, followed by Administrative Services, Public Works, and Development Services. Staff expected FY 2014 to close with a surplus of \$6 million, \$4 million of which would be set aside for infrastructure and \$2 million would be carried forward. The Proposed Budget was balanced with a contribution to the Budget Stabilization Reserve (BSR).

Council Member Berman reported the Finance Committee was skeptical about the City Manager's proposal for an additional 17.5 FTE. After discussion, three of the positions would be filled by consultants or part-time Staff. The Finance Committee unanimously approved the Proposed Budget with the exception of funding for Human Services Resource Allocation Process (HSRAP).

Public Hearing opened at 8:57 P.M.

Barbara Klausner, DreamCatchers Board Member, indicated DreamCatchers served low-income Palo Alto Unified School District (PAUSD) students. Approximately 75 percent of those students were Palo Alto residents. HSRAP funding was important to DreamCatchers.

Vice Mayor Kniss inquired about DreamCatchers' current budget.

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Ms. Klausner stated the budget was in the range of \$65,000.

Leif Ericson, Youth Community Services Executive Director, stated the Human Relations Commission (HRC) report revealed the depth of need in the community. Many HSRAP grantees struggled to access funding, because of the misconception that Palo Alto did not have the level of needs of south Santa Clara County. He requested additional funding in order to leverage funds with other organizations.

Ms. Stump reported the California Political Reform Act required Council Members to identify and recuse themselves from any governmental decision that could have a material impact on a source of income to Council Members. Through his wife, Council Member Klein had Stanford University as a source of income. State law allowed Staff to bifurcate items pertaining to Stanford University. The Council would first discuss portions of the Proposed Budget directly affecting Stanford University.

Vice Mayor Kniss presumed Staff had advised Council Member Klein that he could not participate in items pertaining to Stanford University.

Ms. Stump advised all Council Members on the general requirements of the law. Council Members were required and obligated to watch for decisions that could impact their sources of income.

Vice Mayor Kniss asked if the City Attorney advised Council Members regarding the law rather than directing Council Members' actions.

Ms. Stump replied yes. The City Attorney's office assisted Council Members with questions, but did not make decisions for Council Members.

Council Member Klein recused himself from discussions regarding Stanford University as his wife was a faculty member. The City Attorney had no authority to permit or deny Council Member participation in discussions. As such, he made the decision to recuse himself. Council Member Klein left the meeting.

Mayor Shepherd announced the topics for Council discussion were Police, Fire, and CIP Budgets. She inquired whether the Council should move adoption of Budget items while Council Member Klein was out of the room.

Ms. Stump answered yes; however, Council action was typically taken at the second Budget hearing.

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Council Member Schmid inquired whether the entire Police and Fire Budgets were open for discussion or only the Stanford University portion of those Budgets.

Mr. Rossmann stated only the Stanford University portion.

Council Member Schmid requested an update of negotiations with Stanford University related to Fire Services.

Mr. Rossmann advised that the City had not received an Stanford University's official response to the City's proposal.

Council Member Schmid asked if the Proposed Budget included revenue and expenses in anticipation of a contract with Stanford University.

Mr. Rossmann answered yes. The Proposed Budget assumed the City would provide dispatch services to Stanford University for FY 2015.

Council Member Klein returned to the budget discussion.

James Keene, City Manager, asked if the Council could reach a tentative approval of the Finance Committee's recommendation for the Proposed Budget.

Mayor Shepherd understood the Council would reach tentative agreement on the Proposed Budget in the discussion. She opened discussion of the FY 2015 Proposed Budget.

Council Member Berman indicated Staff provided a comprehensive list of programs funded through HSRAP and other City means. In total, the City provided \$2.4275 million for human services needs. Additionally, the City subsidized rents for nonprofit agencies, which should be considered as City funding of those programs. The City could not be the sole funding source for nonprofit organizations. At a previous meeting, the Council voted to increase HSRAP funding by approximately \$31,620.

MOTION: Council Member Berman moved, seconded by Council Member Klein to tentatively adopt the Budget Ordinance for FY 2015, including Adoption of Operating and Capital Budgets and Municipal Fee Schedule; Adoption of five Resolutions, including: Adopting a Dark Fiber Rate Increase of 2.6 Percent and Amending Utility Rate Schedules EDF-1 and EDF-2; Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase Storm Drain Rates by 2.6 Percent Per Year Per Equivalent Residential Unit for Fiscal Year 2015; Amending the 2012-2013

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Compensation Plan for Management and Professional Adopted by Resolution No. 9357 to Add One New Position and Change the Title of Two Positions; Amending the 2013-2015 Memorandum of Agreement Service Employees International Union (SEIU), Adopted by Resolution No. 9398 to Add One New Position and Correct the Salary of One Position; and Amending the Terms for the Utility Management Professional Association, Adopted by Resolution No. 9359 to Correct the Salary for One Position and Add Two New Position.

AMENDMENT: Council Member Berman moved, seconded by Council Member Burt to add an additional \$68,380 to HSRAP, PACCC or Avenidas, funding for FY 2015, allocation to be recommended by the Human Relations Commission and for Council approval, and an additional \$50,000 one-time contribution to establish a Human Services Reserve, with additional contributions to be determined annually. The previously approved increase of \$31,620 will go to a 2.6 percent increase in funding to be pro-rata distributed to the HSRAP agencies, along with PACCC and Avenidas.

Mr. Keene understood Council Member Berman moved the Finance Committee's recommendation and amended it regarding HSRAP funding.

Lalo Perez, Administrative Services Director/Chief Financial Officer, inquired whether Council Member Berman's proposed funding for HSRAP should be considered one-time or ongoing funding.

Council Member Berman responded the additional funding would occur in FY 2015 only.

Mr. Perez advised that Staff could treat the \$68,380 increase and the \$50,000 reserve amount as one-time funding as the Council directed.

Council Member Berman stated the \$68,380 amount would be ongoing but could be decreased in future years. The \$50,000 reserve amount would be one-time funding with an annual evaluation to determine if additional funds should be placed in the reserve.

Council Member Klein inquired whether Council Members could offer a series of Motions to amend the Proposed Budget while deferring approval of the overall Proposed Budget to the second Budget hearing.

Mayor Shepherd replied no. Council Member Berman's proposed HSRAP funding was included in the Motion to approve the Proposed Budget.

Council Member Klein suggested the Council vote on each Amendment separately.

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Mayor Shepherd agreed to do so. The Council could accept or reject Amendments to the Motion to approve the Budget Ordinance.

Council Member Berman noted the Finance Committee twice deadlocked regarding HSRAP funding, thus HSRAP funding was not included in the Finance Committee recommendation.

Mr. Keene clarified that the Motion, subject to Amendment, was tentative and would be approved at the second Budget hearing.

Council Member Klein felt it was important to note there were no rate increases for major utilities. The City continued to have serious long-term financial concerns regarding pension and healthcare costs and staff turnover. The City needed to minimize new hires and control expenses to maintain its AAA bond rating.

Council Member Berman restated his Amendment. He encouraged the HRC to review allocations for programs thoroughly prior to making a recommendation to the Council.

Vice Mayor Kniss inquired whether PACCC and Avenidas could be considered for the additional funding of \$68,000.

Council Member Berman responded yes.

Council Member Burt recalled the Finance Committee discussed increasing HSRAP funding to the level of funding two years previously. HSRAP agencies were highly efficient in use of funds and highly resourceful. At the current time, the Council was not committing to increased, ongoing funding. He hoped the Council would consider continuing or increasing the additional funding in the future.

Vice Mayor Kniss believed financial prosperity occurred in cycles of approximately seven years. She concurred with additional funding being one-time at the current time. She recommended nonprofit agencies appear at the County of Santa Clara's (County) hearings to discuss financial needs.

Council Member Price remarked that Palo Alto was not considered a high-need community. The City should educate the broader county regarding needs in Palo Alto. Nonprofit agencies worked to leverage funds; however, funders did not view them sympathetically. The costs for services continued to increase. Without additional support, agencies would continue to fall

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behind. She would enthusiastically support the Amendment. She asked if the HRC would determine the use of Reserve funds.

Council Member Berman clarified that the Council could utilize Reserve funds rather than decreasing funding for HSRAP. His goal was to establish a Reserve Fund and begin funding it; not to fully fund a Reserve Fund at 18 1/2 percent. He hoped in prosperous years, the Council would contribute additional funds to the Reserve Fund.

Council Member Price inquired whether the authority to utilize the Reserve Fund was strictly within the auspices of the City Council or in partnership with recommendations of the HRC.

Council Member Berman indicated utilization of the Reserve Fund was strictly within the auspices of the City Council. Within Budget hearings, the Council could discuss utilizing Reserve funds to make up funding shortfalls.

Council Member Price felt \$50,000 was an extremely small amount.

Council Member Berman hoped the Council would not have to utilize the Reserve for a while.

Council Member Klein would not support the Amendment as it was fiscally irresponsible. Funding charities was not one of the City's main purposes. Increasing funding for HSRAP was inconsistent with the City's main obligations and would be make union negotiations more difficult. He clarified that PACCC and Avenidas were eligible to participate in the additional funding, but he did not believe the HRC would provide them with funding.

Vice Mayor Kniss was sure the HRC would agree to consider PACCC and Avenidas.

Council Member Klein reported the HRC had not been good to PACCC and Avenidas historically. He did not believe future Council Members would honor the Reserve if funding was needed elsewhere. The process to consider and allocate \$68,000 incurred a high administrative cost. The Amendment was bad fiscal policy and sent the wrong message to constituents.

Council Member Schmid enthusiastically endorsed the Amendment. He interpreted the Amendment to mean the HRC had discretion to allocate the \$68,000 amount.

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Council Member Holman enthusiastically supported the Amendment as well. Funding HSRAP organizations was appropriate. The HRC review of programs and recommendations for funding occurred before the budget cycle began. Therefore, the HRC would make its recommendations prior to requesting use of the Reserve Fund in the budget cycle. She asked if Staff felt there would be a sequencing issue.

Minka Van Der Zwaag, Manager Community Services Senior Programs, explained that the Chief Financial Officer collaborated with Staff regarding budget preparation and would be aware of potential Budget reductions. If Executive Staff requested a funding decrease, then the HRC could discuss with Staff use of the Reserve Fund. Staff would have a few months to consider use of the Reserve Fund.

Council Member Holman understood Council Member Berman proposed an equal distribution of 2.6 percent to each agency; however, the Amendment did not reflect that.

Council Member Berman advised that Staff reviewed the Amendment and indicated the current wording included that intention.

Council Member Holman felt the Amendment should accurately state the intent as it was Council direction to Staff. She suggested the Amendment state the purpose of the \$50,000 contribution from the FY 2015 Budget was to establish a Human Services Reserve.

Council Member Berman indicated Staff advised that the Amendment state either one-time or ongoing.

Council Member Holman remarked that the \$68,000 increase did not state ongoing or one-time and questioned whether the Reserve had to state one-time or ongoing.

Council Member Berman clarified that he intended the \$50,000 amount to be a one-time amount. He wanted future Councils to have the option to contribute differing amounts.

Mayor Shepherd wanted to ask a few questions, then vote on the Amendment. Following the vote, the Council would have a time check-in. She requested Staff report on the increases that the Council provided for HSRAP the previous year.

Ms. Van Der Zwaag advised that all agencies received a 7.1 percent increase in the FY 2014 Adopted Budget.

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Mayor Shepherd commented that the 7.1 percent increase in FY 2014 would apply in FY 2015, because FY 2015 was the second year of the HSRAP cycle. Therefore, the proposed 2.6 percent increase would be in addition to the 7.1 percent increase. She questioned whether the Council could thoughtfully consider a method to grant funds without an application process. Perhaps in 2015, Staff could consider a process for determining when Reserve funds could be utilized. She suggested the HRC or Staff send a letter to the County requesting additional funds, because the County had approximately \$5 million to allocate. She would support the Amendment as she had long advocated for increased funding.

AMENDMENT PASSED: 7-1 Klein no, Scharff absent

Mayor Shepherd wished to discuss the Golf Course Reconfiguration Project.

Council Member Klein wished to discuss the Cubberley Reserve.

Council Member Schmid wished to discuss the shuttle program.

Council Member Holman asked if Mayor Shepherd wanted to know additional issues for which Council Members had questions.

Council Member Shepherd wished to release Staff.

Council Member Holman had questions that she first raised at Finance Committee meetings and that Staff had not answered. Her questions concerned garden plots for a low-income fee and the Alma Plaza Community Room.

Mr. Keene asked if those concerns arose from discussion of the Municipal Fee Schedule.

Council Member Holman responded yes. An additional concern was commercial impact fees regarding housing.

Mayor Shepherd reported the Council would need to determine whether to notice a meeting on June 18, 2014 prior to entering the Closed Session.

Council Member Schmid noted the Motion stated the storm drain rates were "per month" while other references stated "per year." He inquired about the impact of Proposition 42 funds on the City's Budget.

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Mr. Rossmann indicated prior to adoption of Proposition 42, the City submitted documentation for reimbursement of activities pertaining to the Public Records Act. Staff did not budget for that amount, because the amount of reimbursement was unknown. The Budget made no provision for Proposition 42 funds.

Council Member Schmid asked about the budget item "Cubberley Covenant Not to Develop". The budget reflected there would be an increase. He asked if that reference was to the PAUSD Reserve or the City's Reserve.

Mr. Rossmann replied the City's General Fund Reserve. It was an increase for the actual amount of the interest rate.

Council Member Schmid requested an estimate of the number of positions budgeted but not filled at the end of FY 2013 and FY 2014.

Mr. Rossmann explained that Staff assumed a certain number of unfilled positions in each budget. The \$2 million in vacancy savings from all General Fund Department Budgets divided by an average position cost of \$180,000, resulted in 20-25 positions.

Council Member Schmid inquired whether that acted as a Reserve Fund.

Mr. Rossmann answered no. Staff assumed a certain amount of vacancy savings in each Department's Budget and reduced the Budget upfront.

Mr. Keene added that the vacancy savings amount was credited against each Department's budget.

Council Member Schmid remarked that the actuary's report indicated the number of retirements had increased dramatically from 710 retirees in 2009 to 968. The Fire Department had an increase of 43 retirements between 2011 and 2013. The Police Department had an increase of 34 retirements. Yet there remained a four-year age gap between the Police and Fire Departments. The Police Department's average age was 38 years, while the Fire Department's average age was 42 years. As retirements occurred, the average age should decrease quite dramatically. He asked if the City was hiring younger people.

Mr. Keene inquired whether Council Member Schmid thought the average age should have decreased in the Fire Department or the Police Department.

Council Member Schmid noted two years previously, the City had a four-year age gap between the Police and Fire Departments. After more personnel

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retired in the Fire Department, the four-year gap remained. He asked if the City was hiring older firemen.

Mr. Perez believed 26 firefighter positions were recently filled, and the average age was 29.6 years for those positions, from a low of 22 years to a high of 39 years. The Fire Department and HR Department were working on different avenues to widen the span of applicants.

Council Member Schmid asked if there was any indication that the average age of new hires for the Fire Department was older than the average age of new hires for the Police Department.

Mr. Perez would need to perform a similar analysis for the Police Department. In the next five years, almost 50 percent of sworn Fire Department personnel would retire. The City saw a significant turnover in the Police Department over the last few years. The trend was for Fire Department personnel to remain with the City for their entire careers.

Council Member Schmid noticed shuttles were mostly empty except when taking children to school in the morning. Putting more shuttles into circulation was not the answer. San Francisco was experimenting with on-call cabs.

Council Member Burt stated the Council would have an opportunity to discuss a proposal for the shuttle program at a future meeting. The current discussion was not the time to review details and alternatives for the shuttle program.

Mr. Keene added that the Budget proposal included renewal of existing shuttle routes. The Council directed Staff to place funding for shuttle expansion in a Reserve, and Staff would return with an in-depth presentation.

Council Member Klein inquired whether the City was moving from a rolling 30-year amortization period to a fixed 30-year amortization period.

Mr. Perez replied yes.

Council Member Klein inquired about the cost of that change.

Mr. Perez would provide the amount either before or at the second hearing.

Council Member Klein asked if either amortization period was appropriate under actuarial standards.

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Mr. Perez explained that the actuary recommended the City change to a closed amortization period. The Council directed Staff to review that and determine the impact of a change. Because the Annual Required Contribution (ARC) would change by approximately \$600,000, the Council elected to remain with an open amortization period. Staff again requested changing to a closed amortization period.

Council Member Klein did not believe the City could concede to all the actuary's recommendations. At some point, the Council had to deny some recommendations, because the City had other obligations.

Mr. Perez commented that Bartel and Associates explained that an open amortization period was similar to refinancing a home mortgage yearly. Staff did not change the rate of return. Staff's actions mirrored most changes in pensions.

Mr. Rossmann advised that the payment amount would change in the second year. The impact would be \$200,000 higher in the second year. Prepaying the amortization liability over a 30-year period would be a long-term savings versus refinancing annually.

AMENDMENT: Council Member Klein moved, seconded by Mayor Shepherd to eliminate the allocation to reserves for the Covenant Not to Develop and to use such funds instead for capital improvements at Cubberley for the City-owned 8 acres and, if the City enters into a new lease with PAUSD for other property at Cubberley, such as PAUSD owned property at Cubberley.

Council Member Klein indicated the Council adopted a strong policy to eliminate the Covenant Not to Develop after December 31, 2014. He wanted to send a clear message that the City would not pay for a Covenant Not to Develop.

Mayor Shepherd supported the Amendment because of Council Member Klein's comments. Improvements to Cubberley were important.

Vice Mayor Kniss inquired whether the Amendment pertained to the City's 8 acres at Cubberley.

Mayor Shepherd reported the Amendment reallocated funds to Cubberley capital improvements.

Vice Mayor Kniss questioned whether the City should make improvements to PAUSD's property without a lease agreement.

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Mayor Shepherd stated that could happen.

Vice Mayor Kniss felt the Amendment should designate the City owned 8 acres.

Council Member Schmid asked what would happen to funds in the Cubberley Reserve.

Mr. Rossmann reported the money was set aside as part of the Budget for future allocations. The purpose of those funds was maintenance and infrastructure needs at Cubberley. Staff did not indicate in the Budget document the 8 acres just mentioned.

Council Member Schmid asked if the Reserve was in the City's name and whether the City had paid PAUSD.

Mr. Rossmann responded yes. The Reserve Fund was designated for Council disposition for future infrastructure and maintenance needs at Cubberley.

Mr. Perez recalled that the Council directed Staff not to include the Covenant Not to Develop in the Budget. The Council suggested that money could be utilized for maintenance and capital improvements at Cubberley.

Council Member Schmid asked if PAUSD had requested funds.

Mr. Perez stated the answer would be coming in the next section addressed by the City Manager.

AMENDMENT PASSED: 7-1 Schmid no, Scharff absent

Mayor Shepherd expressed concern about funding for the Golf Course. She requested Staff comment on the City's exposure for the Golf Course.

Mr. Keene reported Staff originally believed the City would award a contract at the beginning of May 2014 and close the Golf Course at the end of April. Staff was handling a shortfall in funding separately.

Mr. Rossmann advised that the Council approved a Budget Amendment Ordinance (BAO) in early May 2014 to keep the Golf Course open for the remainder of the fiscal year.

Mr. Keene inquired whether the BAO would total \$100,000.

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Mr. Rossmann had not finalized the total. Staff would present a BAO to the Council at the end of June and would include additional revenue from soil imports and other changes to set up the contract with sufficient funding in the next fiscal year if permits were approved.

Mr. Keene indicated the Golf Course was losing \$50,000-\$60,000 per month. The plan was to add sufficient funding through the end of the summer. The commitment to the contractor for the Golf Course construction extended through the middle of July 2014. Additional issues related to whether the contract could be extended or would have to be rebid.

Mayor Shepherd asked when Staff could provide an update to the Council.

Mr. Keene noted the tentative June 23, 2014 Agenda included an item for consideration of the Golf Course contract. He might have to ask the Council to review the contract but delegate to the City Manager the authority to award the contract sometime during the Council recess.

Mayor Shepherd would look for an item on June 23 for the Golf Course. She would not ask for a change in the Proposed Budget. Because of the uncertainty, a Budget Amendment Ordinance would be appropriate. She requested Staff provide a sketch of the impact to the Budget on June 23.

Mr. Rossmann referred to packet page 1069 which provided Golf Course financial information. The Proposed Budget assumed the Golf Course would be closed the entire 2015 fiscal year. If the Golf Course remained open, Staff would present a BAO with changes for that.

Mayor Shepherd had great concerns about the Golf Course's impact to the Budget.

Council Member Holman recalled that the Alma Plaza Community Room was a public benefit of the Planned Community (PC). The Staff Report indicated fees for use of the room followed guidelines as outlined in Policy I-29. She did not understand why the fees followed those guidelines when the room was a public benefit.

Gregg Betts, Community Services Director, explained that fees were charged for exclusive use events; those events not open to the public. If an organization held a meeting that aligned with the programs and services of the City, then there was no charge. Use of the Alma Plaza meeting room for a discussion, seminar, lecture, or author reading did not incur fees for liability insurance. If alcohol was served or attendance was greater than 150 people, then liability fees would apply. The City had no storage space at

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Alma Plaza; therefore, all equipment had to be taken to and removed from the facility for each event. For that reason, the City charged a fee for an exclusive use event.

Council Member Holman remarked that the guidelines did not provide for a group of neighbors wanting to meet to discuss City policy.

AMENDMENT: Council Member Holman moved, seconded by Council Member Schmid that the matter of the utilization and associated fees for use of Alma Plaza Community Room, as a public benefit of the PC, be sent to Policy and Services Committee for vetting.

Council Member Holman believed the policy should be clear in the Budget. She understood Staff was making policy decisions and questioned whether the Council should provide policy.

Mr. Betts reported Policy Number I-29 was the City's Co-sponsorship Policy. If approved, the Amendment would apply to all facilities. Staff utilized the guidelines to answer Council Member Holman's question.

Council Member Burt suggested referral of the issue to the Policy and Services Committee.

Council Member Holman requested the Policy and Services Committee clarify the PC Ordinance.

Council Member Price inquired whether the language of the Amendment clearly stated the matters referred to the Policy and Services Committee.

Mr. Keene understood the Amendment requested the Policy and Services Committee to review the issues.

Council Member Price added policy issues and the issue of a public benefit according to the PC Zoning Ordinance for Alma Plaza.

Mr. Keene suggested the Policy and Services Committee discuss the intention of the public benefit and how that related to the fee.

Council Member Burt did not believe charging a neighborhood group to meet at the Community Room fulfilled the intention of the public benefit. The discussion of the PC specifically included use of the Community Room by neighborhood groups.

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Mr. Keene felt the intent of a PC was to exact a contribution from a developer. The City would not go against a developer. The Council was asking Staff not to place a disincentive on use of the room by charging a fee or asking the City to subsidize the cost of the use of the facility.

Council Member Burt commented that the charge for an exclusive use event was different from the charge for a neighborhood meeting.

Council Member Holman stated the policy should be consistent with the PC zoning.

AMENDMENT PASSED: 8-0 Scharff absent

Council Member Holman had requested Staff return with clarification of Development Impact Fees. Housing impact fees were presented to the Council as separate categories; however, the Budget document grouped them into one category of housing impact fees.

Mr. Keene would provide a response during the second hearing.

Hillary Gitelman, Planning and Community Environment Director, understood Council Member Holman was comparing the method for assessing fees. All commercial impact fees were placed in one fund and were disbursed for affordable housing projects from that fund. There was no need to carry them as separate items in the Budget document.

Council Member Holman requested Staff clarify the matter. Staff stated that comments regarding the CIP would be listed in the Budget document; however, she did not find a listing of comments.

Mr. Rossmann reported suggestions regarding CIP projects would be incorporated into the Adopted Budget document, which Staff planned to publish in early August 2014.

Council Member Holman reiterated that the Council would not see a listing of comments prior to publication of the Adopted Budget.

Mr. Rossmann indicated that was Staff's intent.

Council Member Holman remarked that a lower rental rate provided to low-income youth for garden plots was eliminated in 1997. There was no indication that the policy had to be continued. It was odd that a low-income youth could receive a lower rate than a low-income adult.

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Mr. Betts could make adjustments to the Community Garden Program; however, the policy for a Fee Reduction Program applied to all or many programs listed under arts and sciences programs and recreation programs. A fee reduction applied to youth 17 years of age or under, seniors, and/or disabled adult residents. The Fee Reduction Program was based on income. Staff did not include able-bodied adults in the Fee Reduction Program for arts and sciences, recreation, or community gardens. Staff would need direction on whether the matter would be referred to the Policy and Services Committee for discussion.

Council Member Holman inquired about a reason for the Fee Reduction Program applying to all programs.

Mr. Betts explained that bifurcating the Fee Reduction Program between activities would be confusing for front desk personnel.

Council Member Holman requested Staff consider the matter in 2015 for FY 2016.

Mr. Keene would have to look at the issue of fairness and consistency of providing a discount for one program and not another.

CALL THE QUESTION: Council Member Klein moved, seconded by Council Member Price to call the question.

MOTION PASSED: 7-1 Holman no, Scharff absent

MOTION AS AMENDED PASSED: 8-0 Scharff absent

20. City Manager Update and Possible Council Direction on Negotiations with PAUSD Regarding Cubberley Community Center and Ventura School (COUNCIL MAY CONSIDER THIS ITEM IN WHOLE OR PART IN CLOSED SESSION CONFERENCE WITH PROPERTY NEGOTIATORS).

James Keene, City Manager, reported in February 2014 the Council established terms intended to provide a balance between flexibility and certainty for the City and Palo Alto Unified School District (PAUSD) for the Cubberley site. Those terms guided his conversations with PAUSD's Superintendent. He reviewed the terms. He had not reached an agreement with PAUSD to eliminate the Covenant Not to Develop and the payment under the lease. PAUSD was open to a longer-term lease and reconfiguration of the City's 8 acres. PAUSD suggested a reciprocal option for the City to purchase PAUSD's 27 acres. He declined, indicating the City's potential purchase of PAUSD's 27 acres was impractical. There did not

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appear to be an issue with respect to continuing the childcare program. PAUSD was open to discussing the playing fields. The City and PAUSD fundamentally disagreed regarding elimination of the Covenant Not to Develop. PAUSD agreed the Covenant Not to Develop should be eliminated from the lease; however, the funding stream should not be eliminated. The City and PAUSD considered other perspectives on a lease with some significantly different terms. Those terms were not within the Council's direction to Staff. Discussion of those terms should be held in Closed Session. He recommended the Council adjourn to Closed Session for him to provide the final state of negotiations.

Council Member Klein advised that an additional term, rationalization of rent, was not included.

Mr. Keene clarified that he did discuss that term with PAUSD. Elimination of the Covenant Not to Develop payment challenged negotiation of other terms.

Council Member Klein did not wish to overlook adjustment of the rent.

Vice Mayor Kniss inquired whether Foothill College had notified the City regarding its lease at Cubberley. She had heard that Foothill College would vacate Cubberley within the next two years.

Hamid Ghaemmaghami, Real Property Manager, indicated Foothill College stated two years; however, they also suggested they might stay slightly longer.

Mr. Keene asked if the Foothill College lease payment was approximately \$1 million.

Mr. Ghaemmaghami answered yes.

Vice Mayor Kniss felt two years was a good guess.

Mayor Shepherd inquired whether an additional term for discussion was correcting PAUSD's boundaries to include all of Palo Alto.

Mr. Keene had not discussed that with PAUSD.

Mayor Shepherd received a letter from Los Altos School District indicating it was searching for property along El Camino Real. She wanted PAUSD boundaries to remain on the list of terms.

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MOTION: Vice Mayor Kniss moved, seconded by Council Member Berman to move into closed session for a brief period.

MOTION PASSED: 8-0 Scharff absent

Mayor Shepherd directed Staff to notice a Special Meeting for 6:00 P.M. on June 18, 2014.

COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Council Member Klein had reservations about supporting Agenda Item Number 5. He urged the Council not to grant an additional one-year extension in 2015. If the organization could not complete fundraising in ten years, then the City should identify another use for the building.

Mayor Shepherd attended the San Francisco Airport Roundtable Advisory Group in an effort to obtain a seat for Palo Alto. One requirement for a seat was that a city share a border with San Mateo County. She assumed Palo Alto could continue its efforts to obtain a seat.

The Council convened into the Closed Session at 11:09 P.M.

Council Member Price left the meeting at 11:09 P.M.

CLOSED SESSION

21. CONFERENCE WITH REAL PROPERTY NEGOTIATORS, CALIFORNIA GOVERNMENT CODE SECTION 54956.8

Properties:

Cubberley Community Center, 4000 Middlefield Road, Palo Alto 94306 (including 8 acres owned by the City of Palo Alto and remaining acres owned by the Palo Alto Unified School District); and Ventura School site, 3990 Ventura Court, Palo Alto 94306

Agency Negotiators:

James Keene, Lalo Perez, Joe Saccio, Hamid Ghaemmaghmi, Greg Betts, Rob De Geus, Thomas Fehrenbach, Molly Stump

Negotiating Parties:

City of Palo Alto and Palo Alto Unified School District

Under Negotiation:

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Lease and/or Purchase/Sale*
Price and Terms of Payment

*Purchase/sale is listed to comply with Brown Act legal requirements, and include various types of transactions including but not limited to easements, options, rights of first refusal and land exchanges.

The Council reconvened from the Closed Session at 11:45 P.M. and Mayor Shepherd advised no reportable action.

ADJOURNMENT: The meeting was adjourned at 11:45 P.M.