



CITY OF PALO ALTO CITY COUNCIL TRANSCRIPT

Regular Meeting
June 8, 2015

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:08 P.M.

Present: Berman, Burt, DuBois, Holman arrived at 6:28 P.M., Kniss, Scharff, Schmid, Wolbach

Absent: Filseth

Vice Mayor Schmid: The Mayor is representing the City at a memorial service and should be here shortly.

Agenda Changes, Additions and Deletions

None.

City Manager Comments

James Keene, City Manager: Thank you, Mr. Vice Mayor and Members of Council. Three short items to report on. First of all, as it relates to plastic foam products, interested businesses and citizens are invited to a public meeting this Thursday, June 11th, at 10:00 A.M. in Room H-1 at the Cubberley Community Center to discuss the possible expansion of Palo Alto's existing ordinance that prohibits the use of plastic foam foodware, such as Styrofoam, at restaurants and other food service establishments. Staff is preparing a draft Ordinance Amendment that could restrict the retail sale of plastic foam products, such as cups, bowls, plates, trays, containers, ice chests, shipping boxes and packing materials. For more information on that meeting this Thursday, June 11th, at 10:00 A.M. at Cubberley Community Center, go to the City of Palo Alto's website, cityofpaloalto.org/plasticfoam. Following up on the great Summit that we had on May 30th, I wanted to reiterate the directive from the Council that we are seeking applicants for the Citizens Advisory Committee to assist the Council and the community with completion of the Comprehensive Plan Update. Applications for interested parties are available on our website at paloaltocompplan.org. They are due by close of business on June 15th. That is a week from now, next Monday. The City Manager, that would be me, will select 17 individuals

TRANSCRIPT

representing a variety of neighborhoods and interests. There will be three ex officio nonvoting members representing the Planning and Transportation Commission (P&TC), the School District and Stanford. Lastly, just did want to report that Community Services kicked off the 2015 summer camps and aquatics program. Over 200 college and high school students who joined the City of Palo Alto as hourly employees over the summer to help oversee several hundred summer programs were in attendance. This is a first-week training we do every summer for the Staff, where they learn a lot about the City itself and their own job and that sort of thing. I did want to thank Mayor Holman and Council Member Wolbach in case Council Member Wolbach had anything more to add to this. I did want to welcome all the summer Staff to our City. That's all I have to report.

Council Member Wolbach: I wanted to offer my thanks also to the City Staff who was there in attendance and helped organize the kick off today. Assistant City Manager Ed Shikada was there along with Rob de Geus and a number of other people from the department. It was really wonderful. Khash Alaei from your office gave some very inspiring comments and stole a number of my talking points from under my nose, which allowed me to keep my comments shorter which I appreciated. It was lots of fun and a great start for what hopes to be a great summer for, at this point, over 4,000. By the end of the summer, we could have as many as over 6,000 Palo Alto youth participating in our camp programs.

Oral Communications

Gail Price: Good evening. My name is Gail Price. I'm a former City Council Member. Dear Honorable Members of the Palo Alto City Council, as former Mayors and Council Members, we, like you, have been concerned about the proposed closure of Buena Vista Mobile Home Park, concerned about the eviction of 400 residents and the loss to the community of scarce affordable housing. Recent actions, however, provide cause for some optimism. We're encouraged by the potential for a collaboration between the City, the County and the qualified nonprofit Caritas. The understanding that a market rate offer could be pulled together using affordable housing funds set aside by the City and the County in combination with the issuance of a tax-exempt revenue bond make keeping Buena Vista open as a mobile home park and permanent source of affordable housing in our community. As former Palo Alto Mayors and City Council Members, we understand that there are always more needs than there are resources. This opportunity is too important to let it pass without taking every reasonable step to prevent the closure. Based on our years of experience, we know preserving Palo Alto's economic diversity is a value shared by both the Council and the community. As development pressures increase, it only becomes more difficult to find

TRANSCRIPT

suitable sites for affordable housing, of which you are well aware. If the park closes and its residents are forced to relocate, Palo Alto will not only be poorer for the loss of those 400 residents, but finding a way to replace close to 120 lost housing units will pose a daunting challenge for many years. The most practical solution is to simply preserve the units in place at Buena Vista. We urge your every effort to make that happen. Sincerely, former Palo Alto Mayors and City Council Members, Ron Anderson, John Barton, Betsy Bechtel, Bern Beecham, Mike Cobb, LaDoris Cordell, Peter Drekmeier, Sid Espinoza, Yoriko Kishimoto, Larry Klein, Judy Kleinberg, Leland Levy, Nancy Lytle, Jack Morton, Deena Mossar, Vic Ojakian, Frank Patitucci, Enid Pearson, Gail Price, Emily Renzel, Dick Rosenbaum, Micki Schneider, Nancy Shepherd, and Gail Woolley. Thank you.

Claude Ezran: I would like to invite all members of the City Council, members of this audience and also all the people who are watching us on TV and Palo Alto citizens and citizens of the Bay Area to the seventh annual Palo Alto World Music Day. The event will take place this year on June 21st from 3:00 to 7:30 Downtown Palo Alto. University Avenue will be partially closed to traffic. This year the date, June 21st, which is the real start of summer, has a bit more significance because this is the summer solstice date which is used as the date for similar events all around the world, including the U.S. New York, Los Angeles, Chicago and major other cities have similar events on June 21st. We'll be in sync or maybe I should say in tune with them for that event. I would also like to take this opportunity to thank the City Council for its steadfast support of this event since day one, and also City Staff that helped put it together. I know we have quite a few people involved with this event, whether it's policemen at the event during Father's Day or people who help with a variety of tasks. I also would like to acknowledge, besides our great sponsor *The Palo Alto Weekly*, a very important sponsor which is the Stanford Federal Credit Union. They gave a \$50,000 grant to the Palo Alto Recreation Foundation which uses it to produce events like World Music Day or help the City with events like the chili cook-off or the May Fete Parade. We are preparing a great show for the City. Just to give you a quick flavor of what we'll have. We'll have Hawaiian music with a band of ukulele players. We'll have opera singers. We'll have a whole Chinese music orchestra group, a variety of dancers, Punjabi dance, dance from the Philippine. Let's not forget it's also Father's Day, so we'll have belly dancers. We'll have also a whole group of harmonica players, drums, marimbas, Indian music, jazz, classical music. It's going to be a wide variety of events. Again, it's on June 21st, Sunday, Downtown Palo Alto from 3:00 to 7:30. Don't miss it. Thank you.

Bill Rosenberg: Good evening. I'm Bill Rosenberg. I live at 820 Bruce Drive in Palo Alto. Many of you probably know that we have a leaf blower

TRANSCRIPT

Ordinance in Palo Alto that bans the use of gas-powered leaf blowers. I will understand if some of you, even on Council, don't understand that we don't have this Ordinance, because it gets no publicity and absolutely no enforcement. A few years ago, when I was concerned that there was no enforcement of this, I talked to the Police Department. They told me that, yes indeed, they don't enforce it. I'm sympathetic that the police do have more important things in town to do. On the other hand, we do have an Ordinance, and it should be somehow enforced. I asked them if they had a sheet that I could hand out to people to at least inform them. They said no, they didn't. I went to the City website, and I printed out the frequently asked questions section of the leaf blower Ordinance. I do hand this out. When I see somebody that's using a gas-powered leaf blower, I go up to them and I try and be polite. I ask them if they know about the Ordinance. In general, almost unanimously people say, "Oh, no." I say, "I can understand that. It's only been an Ordinance for ten years." I hand them one of these sheets. The people that are using the leaf blowers are generally gardeners. I write on the sheet "please ask your customer to provide an electric outlet and use an electric leaf blower or a rake if you have to." I leave one of the sheets usually in the handle of the door. I say, "please provide your gardener with an electric outlet and means to use an electric leaf blower." I would suggest that we have on occasion a policeman riding a bicycle around town doing essentially the same thing. I don't want to fine people. I don't want to penalize them, but I would like it to stop. Thank you. I hope we can figure out some way to do this.

Consent Calendar

Vice Mayor Schmid: Any comments on the Consent or is there a Motion?

Council Member Scharff: I'll move the Consent Calendar.

Council Member Berman: Second.

Vice Mayor Schmid: Moved by Council Member Scharff, seconded by Council Member Berman.

MOTION: Council Member Scharff moved, seconded by Council Member Berman to approve Agenda Item Numbers 1-3.

1. Finance Committee Recommendation to Accept the Police Department: Palo Alto Animal Services Audit.
2. Approval of Amendment Three to Contract Number S13149754 With Renne Sloan Holtzman Sakai LLP Public Law Group to Add \$36,000 for

TRANSCRIPT

a Total Amount Not to Exceed \$216,000 for Labor Negotiations Services and Extend the Contract Term by Six Months.

3. Approval of the 2015 Santa Clara County Multi-Jurisdictional Program for Public Information (PPI) to Provide Reduced Flood Insurance Premiums for Palo Alto Residents and Businesses Through the National Flood Insurance Program's Community Rating System (CRS).

Vice Mayor Schmid: All in favor, please vote on the board. That passes with a 7-0 vote, Council Members Filseth and Holman absent.

MOTION PASSED: 7-0 Filseth, Holman absent

Vice Mayor Schmid: With Council permission, I would like to do Number 5 before Number 4 and move ahead with that. If there's no issue with that ... [discussion proceeded to Item Number 5]

Special Orders of the Day

4. Appointment of One Candidate to the Architectural Review Board for One Unexpired Term Ending December 15, 2017.

First Round of voting for one position on the Architectural Review Board with a term ending December 15, 2017:

Voting For Peter Baltay: DuBois, Schmid

Voting For Wynne Furth: Berman, Burt, Holman, Kniss, Scharff, Wolbach

Voting For Kenneth Huo:

Voting For Flore Schmidt:

Beth Minor, City Clerk: Wynne Furth with six votes has been appointed to the Architectural Review Board with six votes.

Action Items

5. PUBLIC HEARING: Staff Recommendation that the City Council Adopt a Resolution Amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-

TRANSCRIPT

Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) to Increase Average Water Rates by 8 Percent.

Vice Mayor Schmid: Tonight we will consider adoption of a Resolution amending various water rate schedules effective July 1st, 2016.

James Keene, City Manager: Jon Abendschein, Staff member from our Utilities Department is firing up the report hopefully.

Jon Abendschein, Senior Resource Planner: Good evening, Council Members. I'm Senior Resource Planner Jonathan Abendschein, and I'm here to talk to you about our proposed changes to our water rate increases. We have quite a bit of information in the report. I won't try and go through it all. Tonight we're asking you to adopt a Resolution amending our water rate schedules to increase rates by 8 percent and to incorporate some adjustments to the cost of service methodology. In March and April, the Utilities Advisory Commission and Finance Committee unanimously recommended 12 percent increases to water rates effective July 1st. Tonight we're recommending that you split that rate increase to an 8 percent on July 1st. We'll come back to you later with a request to do the remaining four percent effective September 1st. The reason for this is that right around the time we sent the Prop 218 notice out for the 12 percent increase, there was a court case published right about the same time that gave some additional guidance on how to show cost of service in relation to water rates to comply with the California Constitution. We asked our water rate consultant to take a look at our methodology. They found the methodology was fundamentally sound but recommended some slight adjustments to the way capacity costs were allocated between the residential rate tiers and the customer classes. In order to incorporate those adjustments into the upcoming rate increase and to comply with the procedural requirements of Prop 218, we need to break that rate increase into two separate rate increases, send out a second Prop 218 notice to do the second part of this rate increase. The reasons for that are described in-depth in the report. I'm happy to go into them in more depth if you have questions. Otherwise, I'll just turn it back over to the Council for questions. Thank you.

Vice Mayor Schmid: We now move to the public hearing portion of this item. The Council will conduct two public hearings on the water rate changes. The first hearing is tonight, second hearing on June 15th. This hearing is governed by Proposition 218. Before we begin the hearing process, the City Attorney will provide some background on Prop 218.

Molly Stump, City Attorney: Thank you, Vice Mayor Schmid. Proposition 218 applies to property-related rates and fees. It has both substantive and

TRANSCRIPT

procedural requirements. Jon Abendschein mentioned to the Council and the public one of the substantive requirements, which we did have some court guidance on earlier this spring. There are also procedural requirements. Very briefly, those require that the City provide a notice of potential rate increases, and then hold the protest hearing. That will happen tonight. The hearing will be opened. It will be closed next week at the end of the second item on water rates on June 15th. At the end of that time, there will be a majority protest procedure, which means that if 50 percent plus one of the affected customers and property owners have filed signed, written protests against the proposed rate increases, then those rate increases cannot be imposed by the Council. These are requirements of our California Constitution adopted by the voters in 1996. Thank you.

Vice Mayor Schmid: Before we begin the public hearing, let me explain the process. All residents and interested persons will have an opportunity to provide testimony this evening on the water rates. To be a valid protest to the proposed rate increases, it must be in writing, signed and submitted to the City Clerk before the close of the hearing. The protest must also identify the parcel and the rate being protested. The City Clerk will accept written protests until the public hearing on this matter is closed. Protestors can submit comments at this meeting or on June 15th. At the conclusion of this public hearing, the City Clerk will count the number of written protests against the proposed rate increases, and the Council will determine whether a majority protest exists for each rate. If a majority of customers and property owners have not submitted protests by the close of the public hearing tonight, the City Council may approve the Resolution adopting the new water rate schedules. At this time, we will open the public hearing on the proposed water rates.

Public Hearing opened at 6:28 P.M.

P. Srinagesh: Members of the City Council, thank you for giving me an opportunity to speak this evening. I moved to Palo Alto in January of 1997. Every time I've turned on my tap, I've gotten water. It's been a very high quality, and the bills have been very reasonable. Many people can afford to pay twice what we pay for water. Compared to what's charged in other places I visit, the service is excellent and the rates are low. Nonetheless, I'm here to ask you to rescind this particular rate increase and not move forward with it. On April 30th, when you sent out a letter announcing the rate increase, I filed a public records request asking for cost of service analysis that might justify the rates that are going up. I was told that the last cost of service analysis that was performed for the City was in 2012. I checked that study. It was a study that provided you with rates for one year, not for several years. Since that time, the Constitution allows you to

TRANSCRIPT

pass through increases in your costs, such as the cost for wholesale water. According to your letter, San Francisco PUC will increase the rates it charges the City on July 1 of 2016 by 90 cents a ccf. A pass-through would be an increase of 90 cents per ccf beginning July 1, 2016. The current structure that you're proposing is not a pass-through, because it doesn't do that. If you don't follow the dictates of Prop 218, you leave the City open to the risk of litigation. The San Juan Capistrano case that was mentioned by Attorney Molly Stump and by Jon Abendschein makes it very clear that judges are taking very seriously the administrative record and the methods that are used to justify rates. If you go in for litigation like that, you are likely to lose. You will pay not only your own litigation expenses, but also the expenses incurred by the plaintiffs. Taxpayers at the end of the day, me and everyone else that lives in the City including many of you, will have to pay for those costs. It would be a good idea to have a strong cost of service analysis to justify any increases you put in place. Once you have that, as I said, I'm sure the people in Palo Alto will be more than happy to pay what's necessary to get the very high quality service that we have become used to. Thank you very much for listening to me. I appreciate the opportunity to speak to you.

Herb Borock: Mayor Holman, Vice Mayor Schmid and Council Members. I don't believe that you should approve the proposed rate increase this evening. Instead it's more appropriate that you have a single rate increase for the 12 percent recommended increase rather than two increases. Also I believe that you should direct Staff that it is the Council rather than Staff that should initiate the proposal that begins the 45-day period for ratepayers to object. What Staff has done is after the Council has received recommendations from the Utilities Advisory Commission and the Finance Committee, Staff on its own has sent out the proposal to the ratepayers without finding out if that is the proposal the Council wants to send to the ratepayers. While it's true that the written objections of a majority of the ratepayers are sufficient to oppose the rate increase, you don't need more than one for the Council to make a decision to not approve a rate increase. In fact, a few years ago the Council did that when one ratepayer objected to having a third higher water tier rate. The cost of service analysis, as indicated by the first speaker, was not available. What Staff would send out was the previous cost of services analysis. The first I heard of there being one was at the Finance Committee meeting, which was when the 45-day period was almost over. You need to make that available when you notify ratepayers of the 45-day period to object. I do have a concern about how recycled water is handled. In the court decision that has been referred to, it was a case where there were capital expenses on recycled water and who should pay for them. In this case, there's a claim that there aren't any expenses. It happens to be the City that's the customer. However, the

TRANSCRIPT

court has indicated that the fact that there are expenses that make water available if necessary to the city, that it's not paying now for irrigating the golf course and Greer Park, means that the City should be paying for those expenses as well. It's water availability. Whether the water is recycled water or whether it's water that other customers are using, all ratepayers including the City that happens to be using recycled water right now should be paying for those water capital improvement expenses. For example, if for some reason it's not possible, such as a break in a pipe, to use the recycled water for City irrigation, then the City has water available to it that everybody else is paying for but the City isn't. That's wrong and it results in the wrong rates. Finally, not tonight but in the future, if you agree that there's one 12 percent increase or if you do a second 4 percent increase, the drought rates that would be proposed need to correlate with the cost of service. Thank you.

William Ross: I'm commenting on Agenda Item Number 6 as a residential ratepayer and as a business ratepayer. Regardless of what happens to the Capistrano case, and I don't know if the recent request for depublication was mentioned in the previous Staff hearing, there's evidence before you tonight that suggests that the rate study does not follow a method that would comply with Proposition 218. Specifically, this is a reasonable basis that was adopted by Capistrano but it's applicable here. Water is an inclusive term including both potable and non-potable water. Government Code Section 53750(m). In the third week of April, you started your much-delayed Environmental Impact Report on the recycled water system. There's an interrelationship between potable water and non-potable water. To the extent that non-potable water is available, it reduces potable water consumption. Nothing in this rate study acknowledges that. These are standalone computations. That's not allowed. There should be an integrated basis between those two sources. Otherwise, you can't come up with what the actual rate is that's based on the various categories presented. I could say it this way. It could be reasonably argued based on your own DEIR that because of the lack of recycled water, development that's been occurring is being subsidized by the residential users. What you have in this report is something that's backwards. You're trying to meet budget projections. You're not basing it on a cost analysis. This would be true regardless of whether Capistrano ends up being the law or some regulations formulated by the State Water Control Board. I find it unique that the rate study, although commenced in 2012, does not mention the shortage, the regulations implemented by the State Water Resources Control Board or anything to do with your now five-year out-of-date Urban Water Management Plan and the projections. It needs to be rethought based on all those factors. The basis isn't there for you to make the evidentiary finding

TRANSCRIPT

that the costs are individually related to the individual parcels reflected. That's violative of Proposition 218. I object.

Vice Mayor Schmid: I wondered if Staff had any response to the issues raised by the speakers.

Ms. Stump: Just on a couple of procedural points. The Staff in the Attorney's Office have reviewed the 2012 study. It remains a valid basis on which the Council can set rates. That was the basis on which the initial 45-day notice was sent to the public. Afterwards, with some additional guidance from the court, in an abundance of caution Staff asked the consultant to look again very closely at the rate study in light of the court's additional comments. The consultant did recommend some minor adjustments. Those caused Staff then to recommend a set of increases that are less than or equal to what was noticed to the public be brought forward at this time. It is correct that a 45-day notice is required, but the Council can do less or equal to the notice. You can't do more. That's what's proposed here in terms of incorporating the minor adjustments that were recommended by the consultant. I would also like to note for the Council and the public that there's nothing in the State Constitution or State law or City law that requires the Council itself to pass on the proposed rate increase that's noticed to the public. There is a careful procedure that Staff uses to consult with the UAC. Staff can advise whether the Finance Committee also saw that proposed notice. Usually Staff attempts to ensure that that at least occurs. Of course, the Council has to adopt the final rates, and they can be no greater than what's noticed. If the Council, as a policy matter, wishes to not adopt the level of rate increases that are recommended and then have them noticed to the public, then that's a policy decision that you're able to make this evening.

Mayor Holman: I do note that any Motion would need to be a tentative Motion since this item is being continued to next Monday.

Council Member Scharff: I was going to make the tentative Motion then. I'll make the tentative Motion.

Vice Mayor Schmid: Second.

MOTION: Council Member Scharff moved, seconded by Vice Mayor Schmid to tentatively adopt a Resolution Amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) to increase average water rates by eight percent..

TRANSCRIPT

Council Member Scharff: It's unfortunate, but we do need the water rate increases if the fund is to be solvent. It's not for profit. It basically covers the costs, and they're allocated according to the study that we do. I'm glad you brought this issue to us. This is the right approach.

Vice Mayor Schmid: We've had several years of very low rate increases. We were quite aware of the capital investment that was being made in the Hetch Hetchy system, and approved that years ago. We are now seeing the capital costs of that emerging. It is prudent that we decided to split the rates and make sure that we had the updated study for the full one-on.

Council Member Burt: First, there are two issues before us tonight. One is how much overall increase we do need and, second, to assure that we're doing this in the correct proportions to comply with Prop 218. On the first one, we've glossed over what is in the Staff Report. I wanted to see if Staff would take a couple of moments to review for the public what are the drivers in the need for an increase at all. It's not an insubstantial one, so it's important.

Mr. Abendschein: As Council Member Schmid mentioned and as many members of the public are aware, we're in the middle of a nine-year \$4.6 billion improvement to the Hetch Hetchy water system. Each year another year of work is done on that project, and each year another round of debt is issued to fund that year's worth of work. When that new debt is issued, the debt service that gets allocated to all the wholesale customers in the Bay Area, which includes Palo Alto, goes up. The SFPUC passes those costs directly onto us. For us to continue to receive water from the SFPUC, we need to raise rates to cover those increased costs. That's been the main driver for those increases over the last few years. This year the SFPUC is increasing rates nearly 32 percent. That translates into a 14 percent increase to our costs. We're proposing to increase rates by 12 percent, and use our Rate Stabilization Reserves to spread the remaining portion of the rate increase over subsequent years. That's a summary of what we discussed with the UAC and the Finance Committee.

Council Member Burt: Can you clarify the 32 percent increase by SFPUC? Essentially the Hetch Hetchy water system, covers the capital improvement program. Aside from those increases from the Hetch Hetchy system, I should have said what portion of our increases are being driven by those changes and charges to us.

Mr. Abendschein: The entire rate increase is being driven by that this year.

Council Member Burt: On the second item which the City Attorney explained—correct me if I don't get this right—we're basically holding back

TRANSCRIPT

one-third of the increase so that we can give a new notice to the public. That new notice would reflect the minor changes that our consultant recommended that we have in our rate structure so that we are fully updated and compliant with a Cost of Service Study. Is that pretty much it?

Ms. Stump: Yes. To the extent that those adjustments would have taken any of the increases in any category above what was already noticed.

Mayor Holman: I have one clarifying question. What's before us on the left screen? Never mind. I see now that the Motion that Council Member Scharff has proposed is not what the overview recommendation is, but what the recommendation is based on the agenda. Correct, Council Member Scharff?

Council Member Scharff: I meant to do what Staff requests Council adopt the Resolution, Attachment B. There it is. Do we need to say Attachment B?

Ms. Stump: For purposes of your straw vote tonight, it isn't necessary to be precise. When you take final action next week to adopt the rates, you will need to do that.

Council Member Scharff: For the public, why are we doing it in two times?

Ms. Stump: The City Manager for a number of years has for all budget related items, and this is related to the annual budget, wanted to provide extra opportunity for people to be heard and for Council to weigh in on budget items.

Mayor Holman: The Motion by Council Member Scharff and seconded by Vice Mayor Schmid is to tentatively adopt the Resolution amending rate schedules W-1, W-2, W-3, W-4 and W-7 to increase average water rates by 8 percent. Can Council Members vote on the board please? That passes unanimously with Council Member Filseth absent.

MOTION PASSED: 8-0 Filseth absent

Mayor Holman: At this time, we will continue this item to next Monday, July 15th.

Ms. Stump: Just to clarify, Mayor Holman. I know you said this, but so that the public understands. This is a straw vote to indicate the Council's intentions, and it's subject to hearing from any additional members of the public who wish to file a protest or speak next week.

TRANSCRIPT

6. PUBLIC HEARING AND PROPOSITION 218 HEARING: Adoption of Budget Amendment Ordinance for Fiscal Year 2016, Including Adoption of Operating and Capital Budgets and Municipal Fee Schedule; Adoption of Five Resolutions, Including: Adopting a Dark Fiber Rate Increase of 2.7 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 2.7 Percent Per Month Per Equivalent Residential Unit for Fiscal Year 2016; Adopting a Wastewater Collection Fee Increase of 9.0 Percent and Amending Utility Rate Schedules S-1, S-2, S-6, and S-7; Adopting a Refuse Rate Increase of 9.0 Percent Per Month Per Equivalent Residential Unit for Fiscal Year 2016 and Amending the Utility Rate Schedule R-1; Amending the Salary Schedule Attached to the 2014-2016 Compensation Plan for Management and Professional Employees, as Amended by Resolution No. 9053 to Add One New Position and Change the Title of Two Positions; Amending the 2013-15 Memorandum of Agreement Service Employees International Union (SEIU), Adopted by Resolution No. 9398 to Add One Position and Correct the Salary of One Position; and Amending the Terms for the Utility Management Professional Association, as Amended by Resolution Nos. 9492 & 9503 to Correct the Salary for One Position and Add Two New Positions; and Refer to the Finance Committee a Discussion of Changes to the Public Art Ordinance to Simplify the Calculation of the Public Art Fee and a Discussion of Usage and Replacement of Pool Vehicles.

Walter Rossmann, Office of Management and Budget Director: Good evening, Mayor Holman and Council Members. Walter Rossmann, Budget Director. I would like to provide you with a brief overview of the Fiscal Year 2016 Proposed Budget as revised by the Finance Committee and by Staff. I have about a 15-minute presentation, hopefully hitting the major points regarding this year's budget. Here with me is Lalo Perez, Chief Financial Officer, as well as Christine Paras, Principal Management Analyst. After the initial presentation of the Proposed Budget by City Manager on April 27th, the Finance Committee reviewed the Proposed Operating and Capital Budgets. I would like to thank the Committee for the engaged discussions during the last month and working with Staff to bring this budget to you here today. Before I continue my presentation, I would like to also acknowledge the artwork in this slide and the budget documents. All artwork was produced by children involved in the Palo Alto Art Center's Children's Fine Arts camps and classes offered by our Community Services Department. The Citywide Expenditure Budget of \$563.4 million has increased by about \$93 million or approximately 20 percent in comparison to the '15 Adopted Budget. The major changes are due to increases in the Capital Budget and salary and benefits. The Capital Budget increased

TRANSCRIPT

primarily due to change in reappropriating funds between fiscal years, whereby \$51 million of unspent funds are carried forward through the budget process from Fiscal Year 2015 to Fiscal Year 2016. The salary and benefit changes are consistent with compensation increases granted by the Council through approval of Memoranda of Understandings and compensation plans for our employee groups as well as some increases in positions in support of Council direction and priorities. The Fiscal Year 2016 Capital Budget as recommended by the Finance Committee totals \$124.6 million. It has more than doubled, increasing by \$67 million from 57.5 to \$124.6 million, primarily due to the change in reappropriating unspent funds from the current fiscal year to Fiscal Year 2016. The majority of expenditures in the Enterprise Internal Service Funds, which represent about two-thirds of the entire Capital Budget, are proposed for the rehabilitation and repair of existing infrastructure. The Capital Improvement Fund and Cubberley Fund, representing the blue part of the chart, comprise approximately 38 percent of the City's overall 2016 Capital Budget of 47 million. Both of these funds are primarily supported by transfers from the General Fund. Focusing my discussion on the Capital Improvement Fund for the next five years, planned expenditures in the Fiscal Year 2016-2020 proposed revised Capital Improvement Program of 252 million are approximately 140 million higher than last year's five-year program. The increase is primarily attributable to two factors. First, due to the reappropriation change for Fiscal Year 2016, the budget increased by 51 million in comparison to this year's budget. The second and more significant driver of the increased expenditure level is the inclusion of the \$126 million Infrastructure Plan the City Council approved in June last year, which is primarily reflected in the blue bar representing the buildings and facilities category and the purple bar representing the traffic and transportation category. With the additional staffing resources as proposed in this budget, Staff is committed to implementing the Infrastructure Plan. Before we discuss in detail the General Fund Budget, I would like to quickly speak to increases in rates for the City's utility customers. This budget includes rate increases for water, as we just heard, wastewater, refuse collection and storm drain. Additionally for the City's fiber optics customers, the rate will increase by 2.7 percent, which is equivalent to the Consumer Price Index adjustment as contractually agreed between the City and its customers. As recommended by the Finance Committee and Staff, the General Fund has a surplus of approximately \$600,000 for Fiscal Year 2016 with a projected Budget Stabilization Reserve balance of 34.9 million or 18.8 percent, which is above the 18.5 percent target level. The General Fund revenues include 184 million in revenues and the 2.1 million carried forward of Fiscal Year 2015 budget surplus. These total revenues cover the \$185.5 million in expenditures and result in the aforementioned \$600,000 budget surplus for Fiscal Year 2016. As noted in the Budget Adoption Memorandum, the Fiscal

TRANSCRIPT

Year 2015 budget surplus is currently projected at approximately \$8 million. This chart shows the General Fund estimated revenues for Fiscal Year 2016. As part of the 2016-2026 General Fund Long Range Financial Forecast as presented to the Council, Staff estimated all revenue streams based on a detailed analysis of available data and historical trends. As part of the development of this budget, these revenue streams were reviewed and slightly adjusted as necessary. In comparison to the Fiscal Year 2015 Adopted Budget, revenues are increasing by \$14.6 million or about 8.6 percent, from 169.4 million to \$184 million. More than half of the increase in revenues or 8.7 million is attributable to increases in tax revenues. It's important to note that a third of the growth in tax revenues, about \$3 million, is due to the voter approved transient occupancy tax rate increase from 12 percent to 14 percent. Next I will speak briefly about General Fund expenditures. In comparison to Fiscal Year 2015 Adopted Budget, this budget recommends an additional transfer of \$5.3 million to the Capital Improvement Fund, increasing the transfer to the Capital Improvement Fund by 39 percent from 13.7 million to \$19 million. This increase primarily supports the Infrastructure Plan and is paid through the additional taxes from the transient occupancy tax. Due to the higher investment in infrastructure, in comparison to Fiscal Year 2015 Adopted Budget the salary and benefits portion of the budget is reduced from 63 percent of Fiscal Year 2015 to 61 percent in this coming fiscal year. In comparison to the Fiscal Year 2015 budget, this budget proposes to add 5.3 full-time equivalent positions. However, in comparison to Fiscal Year 2015 Adjusted Budget, the revised Fiscal Year 2016 Proposed Budget proposes to add 11.3 positions as shown in the last column of this slide. This position increase includes recommended adjustments included in the at-places memorandum before you and distributed to Council on Thursday last week. It also assumes that one Community Service Officer position is frozen for one year pending evaluation of the need of this position as part of the Fiscal Year 2017 budget process. Freezing the one Community Service Officer position means that only the funding for this position is eliminated in the Police Department budget. The recommended position increases primarily support Council priorities. This budget proposes increasing library hours, mainly at the Rinconada and Mitchell Park Libraries, by 32 hours or 14 percent per week from 228 hours to 260 hours. These additional hours will require an increase of 3.3 full-time benefited positions and 1.5 part-time positions. As discussed, this budget includes the Council approved Infrastructure Plan. In order to support the implementation of the Infrastructure Plan, we are recommending to add one Engineer position. To support the City's multilayered Traffic Congestion Mitigation Plan, this budget adds one Traffic Operations position to primarily support the new traffic system and one Parking Operations Lead to assist the Parking Manager with the many parking-related initiatives. This budget includes some modest funding in the

TRANSCRIPT

Fire Department for a community public health consultant to conduct a study regarding the health risks for our residents based on demographics such as age and use of Emergency Medical Services. This budget adds one Recreation Superintendent position to assist with the day-to-day operation of the Recreation Division in the Community Services Department and the coordination of special events. The Finance Committee and Staff are also recommending to add \$85,000 for special events funding. After operating the Palo Alto Airport for nine months, this budget recommends adding one Airport Operations Manager. With this staffing level, Public Works believes that they can easily and successfully operate the airport from 7:00 A.M. to 9:00 P.M. 365 days per year. This summary is also contained in the at-places memorandum before you. It was distributed to you as part of last week's packet. It summarizes actions proposed by the Finance Committee such as additional dollars for Council meeting meals as well as action proposed by Staff and approved by the Finance Committee. Below on the bottom part of the slide, you see the additional changes Staff is recommending as part of the at-places memorandum. I would like, before we move onto the next slide, to talk about what Mayor Holman mentioned already today, then after Staff concludes the presentation, we'll open up to Council questions and public comment. We ask for tentative approval of City Council changes to this budget. We'll come back on June 15th for final adoption of the Budget. Lastly, on the last slide, I would like to point out some outstanding issues we would like you to be aware of. As you know, we are in negotiations with Stanford concerning the continuation of the Fire Services contract. This budget assumes a continuation of the current contract and doesn't assume any reductions to revenues or staffing levels at this time. Further, this budget assumes that the golf course closure will start on January 1st. Based on the newest information available, we expect this to be in spring 2016. We'd also like to bring to you, City Manager Keene will talk to this shortly about additional Project Safety Net funding. Lastly, the Finance Committee removed two pool cars from the Vehicle Fund budget. These cars, we found out later, were assigned to Development Services for Building Inspectors. We ask to reconsider this recommendation from the Finance Committee and still come back as proposed in this Motion today with a discussion of pool vehicle usage to the Finance Committee in the fall. City Manager Keene, would you like to make additional comments?

James Keene, City Manager: If I can go over some of these facts again, so that we're clear. I'm sure the Finance Committee will speak more specifically to some of the issues that came up before the Finance Committee. The budget that the Council has before it has the original City Manager's Proposed Budget, all of the changes from the Finance Committee up and down and then these other outstanding issues. If I understand correctly, before bringing up these issues on this chart right now, there is

TRANSCRIPT

about a \$560,000, in a sense, surplus. This has nothing to do with the idea of the different reserves that we have. After we make the allocations to the Infrastructure Reserve or the Budget Stabilization Reserve and you take off all of the revenues and all of the expenditures, this year there's this \$560,000 in revenue that is, in a sense, still available. That and other funding sources we have, like some of the Stanford fund, are important, because the Fire Services contract we have with Stanford is about \$7.6 million a year. That's their contribution to Fire Services. If we come back with a future service level that is less than that, then potentially we're going to have to make those adjustments in the budget itself. The golf course closure, again, could work in the other direction. Just restating what Walter would have said. On the operational side of the golf course, we were planning to close the golf course at midyear. As I think the Council is aware, we finally got the Army Corps of Engineers formal notice of the project itself, which was a necessary step to us getting the Regional Water Quality Control Board certification of the project. I've written the Executive Director of the Regional Water Quality Control Board last week or the week before, asking for certification of our golf course project. These are key steps in us being able to go ahead and start construction. Based on seeing the schedule we saw, it looked like it would be at least two months later than our January date, so we wouldn't be closing the golf course probably until March of next year, which means we wouldn't lose quite as much revenue on the golf course for next year, but it would be pushed over into the following year. The next figures are on the operations side for Project Safety Net and which the Policy and Services Committee will be taking up tomorrow night in discussions about the future directions and different models that could be available for the Project Safety Net consortium, that deals with the support and operational issues around both the mental health and the response to the contagion events that we've been having. We put initially funding and this \$118,000 figure for a new permanent Director for Project Safety Net. It's clear that's been in the range of where we have been over the past couple of years. We've had either difficulty in attracting the right kind of person or being able to keep them. I met with Rob and some of our Staff and I said I did not think for planning purposes that that was a viable number and asked to increase it to \$200,000. That isn't a decision about what ought to be done; it's just to have sufficient planning and funding available so that when Policy and Services works through the different models, it could include spinning off a completely new not-for-profit or whatever. We're indicating the level of Director that any effort is going to have. It also leaves unspoken how we continue to work with the School District in cost-sharing over the long term on whatever it is we do in Project Safety Net. We thought it was critical to be accurate about the numbers. We also have about a half year of funding Track Watch. I'm sorry, those numbers seem too high to me.

TRANSCRIPT

Mr. Rossmann: That's half year funding for the security services at the tracks. At the current level with all the additional staffing we have added the last few months.

Mr. Keene: We'll check that. I thought we were saying it was \$40,000 a month, which to me was more like \$480 or \$500,000 for a full year. In any case, here's the main point. We only have half year funding for continuing the Track Watch guards. I don't think we're in a position to be able to say that that's where we'll be at midyear. We're not making a specific recommendation on that funding point at this point, but we want to alert the Council that as you go into the budget year, we could be in a situation where we have to come back and take a look at that issue. I just want to restate the Finance Committee had some concerns about some of the pool cars that we were using in Development Services and asked that we cut those. My recommendation is counter a little bit to the Finance Committee's, which would be keep the funding in there under the condition that the subject come back in more detail to the Finance Committee. We had preliminary discussions, but there's some good reasons that we have not explained well enough to the Committee, with the caveat that there would be no moving forward this fiscal year with any of these purchases until we got the follow-up recommendation from the Finance Committee. I would highlight that we've been having ongoing discussions with Caltrain related to improving and increasing means restriction to the right-of-way on the four miles of the Caltrain tracks in our City, including both use of technology at the crossings and running some pilots there and significantly enhance and complete fencing along the corridor. There is always the possibility, as those talks unfold, that there could be cost impacts to the City in order for us to achieve the objectives and timeline the Council may want us to be able to achieve. I wanted to identify the fact that we don't have anything included in the Capital Budget at this point in time. Again, sometime during this fiscal year, that could come forward. Lastly, I'm going out on a limb here a little bit. I recall there was some discussion about automatic emergency defibrillators, AEDs, and additional funding for those that had come up during Finance. I wanted to point out we did not add any additional money at that point in time on those items. Those are all of the issues. Again, when the Finance Committee speaks, Madam Mayor, there may be one or two things that I overlooked. Thanks.

Mayor Holman: We'll return to Item Number 4 momentarily for the vote on the ARB appointments. Thank you for indulging the change of order.

Vice Mayor Schmid: I want to say what a pleasure it was to work through the budget. Over the course of the last five weeks, the Finance Committee met for close to 25 hours over the budget with careful attention each session

TRANSCRIPT

going over each department and our capital funds with close attention. I'd like to thank my Colleagues, Liz Kniss, Greg Scharff and Eric Filseth, for their close attention. We had with us volumes, where people said the hardest job of all was carrying those volumes around from meeting to meeting. That is the work of the Office of Management and Budget, that prepared for us, so we could be prepared for these meetings, detailed numbers. Where each dollar came from, where it's going and the options available for spending it. During the course of the meetings, there was a constant dialog between the Council Members on the Finance Committee and the OMB members or representatives of the various departments who were able to get up and answer each question, pointing to details in the documents which shed light on the questions that came up. If the data was not immediately available, we got a written report at the next meeting answering the questions. I want to say that it was a great process and enjoyed every moment of it and the results are contained in what's coming to the Council tonight. I want to thank each member of the Staff who participated in that process. The budget itself, it was a pleasure to work for. In my seven years on the Council, there have been a number of budgets where the revenues were falling short of expenditures, and you had to go through looking for places to cut. This was a year where revenues were up a projected 8.3 percent and allowed expenditures to increase as well. The most notable part of the budget process was the capital investment in infrastructure. As was pointed out in the Staff slides, we have spent as much in this budget as we have over the last five years on capital expenditures. We are following the trend of reinvesting in ourselves for the long run. That's a notable triumph. One clear issue came up through our discussions, and that was the question is this budget sustainable. A lot of the revenue increase that we had this year, about \$10 million of it, was either dedicated funding, the new TOT tax dedicated to infrastructure, or jumps in sales tax or documentary transfer tax which might be a one-time event. The question continually was raised that if we do something, will our revenue stream be able to meet it in the future. One of the striking numbers in the budget is that we were including our full-time equivalent staff by 13 people. You add together what we did last year, it's a 22 full-time equivalent increase in Staff. As our Long Term Finance Forecast tells us, Staff costs money, not just in salaries but in benefits, both healthcare and retiree costs. As a matter of fact, the long term forecast says that benefits will be rising 60-70 percent faster than salaries. Every time we hire someone, we're not just hiring someone for this year. We are making an investment in the long term, and we have to make sure that we have revenue streams that can meet those obligations. We looked very carefully at the 13 additional full-time equivalents and asked the question will we have revenue streams in the future that can meet the demands that each new person has. We looked at what was available in the budget document over the last three years, from the actual 2013 to the

TRANSCRIPT

project 2016. Over that time, we saw that revenues were growing about 4.1 percent on average over that time period, but salaries and benefits were growing by 5.5 percent. Even in the short term of the last few years, we have salaries and benefits growing faster than revenues. Certainly in the long run, we see a disturbing trend where we know benefits will be growing faster than salaries into the future, putting a cap on how fast we can raise salaries. Our ten-year forecast is that salaries would rise about 2.5 percent per year. Those aren't only salaries; they also include step increases, merit pay, keeping up with neighboring cities. Actually salary increases per year are probably well under 2 percent unless we have a major shift in our revenue streams. That's why at the end the Finance Committee said, "The budget is good. You've made a very clear and important case that we need new personnel for libraries, for planning, for technology, for a variety of cases. But a 13 full-time equivalent increase might be too much." We suggested cutting three full-time equivalents somewhere on the staffing and left it up to the option of the City Manager to come back to us with those cuts. That's where the Finance Committee ended. Tonight we have come back with two cuts and a frozen position, but they will be reexamined over the next year. That's something the full Council should address. There were two other things that are important to note. After a few years of relative stability, we see some substantial increases taking place in utility rates. Water rate, we've heard earlier tonight. Waste treatment is going up by 9 percent. The refuse rates are going up by 8 or 9 percent. That's a trend which we'll probably see more of in the future. Other key issues were brought up during the discussions, and let me mention the main ones and leave it up to my Colleagues to bring these up individually. We had extended discussions on the vehicle fleet, on the Infrastructure Reserve balance, on Project Safety Net, on the City fiber system, on Animal Services, and on Cubberley. Maybe as we get into the details of the budget, my Colleagues can discuss those issues. One last thing. There was a new reporting mechanism set up for our transfer in and out that is significant. It's more transparent for each budget but, in the movement from the old budget to the new budget, it might cause some confusion. I'd ask Staff to say a word about the new reporting mechanism for fund transfers from year to year.

Mr. Rossmann: Walter Rossmann, Budget Director. Vice Mayor Schmid and the Council, we made a few changes within this budget which were aligning it with best practices. One is how to budget salary and benefits. That created a discussion with the Finance Committee. Secondly, we made sure that certain internal service funds, like the General Liability Fund, the Workers' Compensation Fund, were funded at the actuarially required level, which increased allocated charges from departments. I can't recall the transfer issue, so I may have to ask you what you meant by that. Oh, the

TRANSCRIPT

reappropriations for capital. Thank you. The other change which we made was the Council approved the Municipal Code change in October 2014 how we carried funds forward in the Capital Budget from one year to the next. That change in the Capital Budget increased the budget by about \$50 million, which is typical practice we will do from now forward. The change also resulted, when you look at your Capital Budget, it has all projects included. As we mentioned at the kick off meeting with the Council on April 27, we redesigned the Capital Budget document to hopefully make it more accessible with information for the Council and the public.

Mr. Keene: Could I just expand on that a little bit? The latter part of this was about the Capital Improvement Program, which is the five-year period for capital projects now includes the complete funding. This was something the Council asked for. What we had before was you'd have these five-year periods moving through time, but they wouldn't continue to pick up earlier year funding. If you had a project that had a seven or eight year life, you were still seeing the most current year and then five years out. You couldn't look at the absolute total costs. That's one of the things we did. The other thing, again just restating what Walter was saying, it was much more of an accounting approach than it was a cost increase approach. What we were doing is we got close to the end of the fiscal year, we could see that a project was not going to be completed or whatever, and we would proactively add that to the Capital Budget for the next year. Now, rather than waiting, closing the books on the year and coming back with a reappropriation later in the fiscal year, it gives you a start right at the get-go to more easily see what was undone this year and what was being carried over into the next year. Thanks.

Vice Mayor Schmid: It's a very helpful change and will certainly next year be apparent. In the change from last year to this year, there was a little confusion sometimes. It's helpful to go through that. Thank you.

Council Member Kniss: I want to say thanks to Greg, because he did a terrific job. It was almost a full day's excursion into the budget. Before we go to the public, I'm concerned about the slide which is up here. It's quite different than the amount that we voted on in Finance. I've heard your explanation of it. I'm very glad to see the additional amount under the Director for Project Safety Net. The Track Watch is a very different amount. I don't know if anyone here from the public is going to speak to that. Given that that was not the number that we saw at Finance, I'm somewhat surprised.

Mr. Rossmann: If I may quickly speak to Council Member Kniss. The \$315,000 for Track Watch, the Committee did vote on. We brought

TRANSCRIPT

additional information forward, and that's what we're recommending today, to double that amount. The \$315,000 only provides Track Watch service for six months. We believe we should include the funding for a full year.

Vice Mayor Kniss: For some reason, Walter, that wasn't clear during the meeting. That's why I'm puzzled. Maybe my other Finance Members will take a look at it and say they anticipated that to be the case. I thought we were working with \$315 for next year.

Mr. Keene: You were. It was not funding for a full year. I think that's what was not clear. I would say this differently than Walter is right now. We wanted to make it clear that there's half-year funding at the service level we have right now. I'm not asking the Council right now to amend the budget to double it. What we are telling you is as we worked through the Finance Committee discussions as to where we are, that we could be in a situation that in the course of this fiscal year, before we get to the midyear which would be the end of this calendar year, we could be in a situation where we'd be coming back to the Council and saying we need to continue the Track Watch program. It would cost us extra money to fund it for the full year. Hope that's clear.

Council Member Kniss: This will not come out of the General Fund. This is going to continue to come out of the Stanford fund.

Mr. Keene: That is correct. It comes out of the Stanford funds.

Council Member Kniss: Thank you, Mayor. I was concerned because that was quite a different figure.

Council Member Scharff: Briefly to add to what Chair Schmid said on the Finance Committee. I think we dropped the ball a little bit. We had a strong discussion about the AEDs, and I do think we intended at some point to put them into the budget. We ran out of time at the last minute; we had a Council meeting starting, and we didn't get to put those into the budget. That was a mistake on our part. At some point, I would like to see us put that into the budget. I concur with the City Manager on the pool cars. Our intent at the time is to take a strong look at Finance about how pool cars are structured and how much we spend on it. It's a difficult issue that takes a lot of thought and time. That's going to come to Finance. The thought is that we wouldn't spend any money on it until that point. That was all that Finance was trying to achieve. I, for one at least, am completely fine with going with the direction the City Manager suggested, that we put it in the budget but we don't spend the money until after Finance has had a chance to look at that with possible recommendations coming to the full Council about how to deal with it. Briefly, while we do seem to have a lot of money,

TRANSCRIPT

Vice Mayor Schmid made a good point in terms of the increase in costs and how we're paying for that out of basically sales tax and documentary transfer tax. We had a big bounce back in sales tax, but I don't think we can continue to expect sales tax to continue on the same trajectory. Whereas, the expenses are on that trajectory. We do have some concerns about what the golf course might cost us as we go through this process. That's a real risk in terms of the General Fund. The Fire Services contract with Stanford is a real risk. The other real risk, I've said a couple of times, is as we go forward on our Infrastructure Plan and start to rebid this stuff, I hear the construction costs are probably up somewhere between 20 and 30 percent of when we first costed this stuff out. That's going to be a challenge for the City as we implement our Infrastructure Funding Plan. While everything looks rosy and there's lots of money, our budget could be fairly constrained to achieve the things we've already committed to the public that we're going to do. Thank you.

Mayor Holman: As has been mentioned already for this item and for the last item, we'll conduct two public hearings on the budget and utility rate changes. The first meeting being tonight and the second hearing being next Monday, June 15th. A portion of this hearing also relates to changes in wastewater and refuse rates, and this portion of the hearing is governed by Prop 218. Before we begin the hearing, City Attorney has some background on Prop 218 to provide to Council and members of the public.

Molly Stump, City Attorney: This hearing is quite similar to the last one that we already discussed concerning water. This one addresses wastewater and refuse rates. Also we want to mention that fiber and storm drain are not included in the Prop 218 hearing. Fiber, because it is not a property-related service, and storm drain, because the inflation increases that set of rates, were approved by the voters already. Again, the procedural requirements of Prop 218 apply. Notices have been made to property owners and a majority protest hearing will be open tonight, kept open next week, closed at that point. The Council will not be able to adopt any rate increases where 50 percent plus one of the affected property owners have objected to the rates. Thank you.

Mayor Holman: All residents and other interested persons will have an opportunity to provide testimony this evening either individually or on the wastewater or the refuse rates or both. To be valid protests, the proposed rate increases must be in writing, signed and submitted to the City Clerk before the close of this hearing. The protest must also identify the parcel and the rate being protested. Although the wastewater and refuse rate increases are being considered together in one public hearing, the presence or absence of a majority protest will be calculated separately on each rate.

TRANSCRIPT

The City Clerk will accept written protests until the public hearing on this matter is closed. Protestors can submit comments at this meeting or on June 15th. At the conclusion of this public hearing, the City Clerk will count the number of written protests against the proposed rate increases, and the Council will determine whether a majority protest exists for each rate. If a majority of customers and property owners have not submitted protests by the close of the public hearing tonight, the City Council may adopt the new wastewater and refuse rate schedules as part of the Ordinance adopting the budget for Fiscal Year 2016. At this time we will open the public hearing on the Proposed Budget as well as the Prop 218 changes to wastewater and refuse rates.

Public Hearing opened at 7:31 P.M.

Frank Ingle: I want to speak about the Municipal Fee Schedule. I hope this is the right time and place. There are at least five neighborhoods who will come tonight to talk about single-story overlay fees and make a request again that you waive the fees at least temporarily. I'll argue that it will be to the benefit of the City to do this. Not only will it make the residents happier if they can have more control over changes in their neighborhood, but right now there will be a lot of appeals, and each one costs the City a lot of time in the Planning Department as well as City Council to decide. With the single-story overlays, there'll be much less of that, because there will be much more clarity about what people can do. My circumstances that I've lived in Midtown 35 years in a basic Eichler on an Eichler street. The zoning and the Individual Review was not successful in preventing a house being built next to me that's twice the floor area, 2 1/2 times the height and only a one-car garage. We see a land rush happening in our neighborhood and many neighborhoods, and would like to have a collective ability to control that to some extent. I hope you'll consider waiving the fees for a year. There's some precedent for this. Thank you.

Renee Banerjee Flemish: Thank you, Council leaders. Thank you, Mayor Holman, for the opportunity to share my comments with you tonight. My name is Renee Flemish, and I'm here representing the Los Robles neighborhood of original Eichler homes. As you know, the main living areas of our homes are see-through walls of glass. While that makes for a wonderful connection to nature, it also exposes our lives to whoever can see in. Privacy is sacred when you live in an Eichler. Last fall at our annual block party, our homeowners who span in age from early 30s to 99 years old came together and shared our interest in pursuing an SSO to protect what we see as an increasingly rare neighborhood. In this era of social media and online everything, it is such a treasure to live on a block where people know each other and gather frequently, where neighbors share meals and

TRANSCRIPT

handyman tools and where the children and grandchildren of long-time Palo Altans play with the children of new owners. Please help us preserve the sweetness of our neighborhood and protect our privacy by waiving the substantial and burdensome application fee for a single-story overlay. We have met all the criteria for application; however, our efforts are being obstructed by the fee. Many of our residents are on fixed incomes and, for them, the fee is burdensome. Asking them to pay or for others with more resources to cover the shortfall has become an uncomfortable topic in our neighborhood. In essence, it is the only barrier to our moving forward with an SSO. Thoughtfully planned Eichler neighborhoods where homes are constructed and situated to maintain homeowner privacy are an important part of the California modern architecture legacy. That legacy in similar neighborhoods are being protected elsewhere in the state. We respectfully ask the City to recognize this legacy and, where neighborhoods are willing to dedicate so much of their own time to protecting the legacy, we ask that you please temporarily suspend the single-story overlay application fee. We know the fee has been waived before for single-story overlay. In fact, we have yet to identify a situation where a neighborhood has ever paid this fee. We have two houses preparing to be listed for sale right now. This decision is urgent. Let us move forward and protect our neighborhood and protect Staff resources, as you heard, that would be spent on any potential protracted or contentious battle with whoever might buy those two houses, should they be purchased by someone who intends to build upwards. We are ready to move. We are looking to our City Council and Planning Department leadership to remove the fee so that we can protect our neighborhood. Thank you again for your consideration and thank you for your leadership.

Herb Borock: Mayor Holman and Council Members, I'd like to repeat some comments that I made at a couple of meetings of the Finance Committee. The first set of comments refers to pages that I believe need to be corrected in the budget documents that I believe Staff has acknowledged at those meetings need corrections. The Operating Budget for refuse—the reference for that is under my comments at packet Page 766—refers to the new processing facility for food scraps and composting as a local facility, when in fact it's not a local facility. It's a nearby facility. Second, at packet Page 782 under the CIP Budget, the anaerobic digester is referred to in one place as being \$75 million and on another page as being \$57 million. Staff acknowledged that the correct number should be \$75 million in both places. Finally on the corrections under each of the CIP programs, there is a funding sources schedule and an expenditure schedule. These schedules do not appear to match the narrative when there are expenditures beyond the five-year CIP. There is a column for the total for the five-year CIP. Then there's a column for beyond the five year CIP, and a total of both. It seems to me

TRANSCRIPT

that they need to reconcile. For example, the anaerobic digester is more money than shown for the five-year CIP, but the total that includes the time beyond the five-year CIP is the same as the five-year CIP because the table shows zero beyond the five-year CIP when in fact it's about \$40 million dollars beyond that. That is throughout the document and before you adopt the budget. I believe before you adopt the budget that you need to correct the pages on that. My other comments refer to the Fiber to the Premise and the Fiber CIP. The first two years show the amount for rebuilding the fiber backbone, which is now being scheduled at the very time when you'll be making decisions on Fiber to the Premises, which may affect what would be built in the same areas. I've been assured by Staff because of the amount involved that the contracts will be coming to the Council, so you'll have an opportunity to amend those if necessary to take account of the need for fiber for the Fiber to the Premises. The other concern is that at the wrap-up Staff removed the out years three and four which put in as holding amounts for the Fiber to the Premises. They had assumed a certain amount, about \$2.4 million total approximately, and now they show zero. Thank you.

Annette Glanckopf, Racing Hearts: Good evening, Council Members. Tonight I come before you as a Board Member of Racing Hearts and with the support of both the Fire and Police Chiefs to request that you add \$50,000 to the budget for more AEDs, automated external defibrillators, to save lives from sudden cardiac arrest, the number one cause of death in the United States. Thank you, City Manager Keene and Council Member Scharff, for priming the pump on this issue. We currently have 78 AEDs installed in City locations and parks including ambulances and fire rigs. For 60 of these, funding came out of the Council's discretionary fund. We ask for 25 more AEDs to be placed in 3 parks and 22 in City vehicles that are out and about and drive most on City streets. This allocation could come from the Contingency Fund, from Fire, Police or Public Works budgets. The park locations are Mitchell Park near the Magical Bridge; Greer Park is an extensive area, and we request one on the south side of the park; and the Cubberley playing fields. We as a community encourage all children to play sports and adults too for our healthy community. Frequently the news reports of an individual who has collapsed due to sudden cardiac arrest. Thus, we want AEDs to be close to these highly used fields. The American Heart Association estimates for every minute that elapses from time of collapse to time of defibrillation chances for survival decrease by 10 percent. Conversely, rapid defibrillation increases chances of survival as much as 70 percent. Stephanie Martinson, who's speaking next and founded Racing Hearts, will provide additional comments on the science and the need for AEDs and the current outcomes in Palo Alto. We brought this request for more AEDs to the May 7th Finance meeting. There was general agreement that AEDs can save lives and the request was an important one, but no

TRANSCRIPT

Motion was made to add them to the budget. Two relevant quotes from this meeting, about Page 439 of that large report. Council Member Scharff asked Chief Nickel, "Do you agree we need additional defibrillators?" Chief Nickel said, "I do agree." A little bit later Ron Watson, Police Captain, said, "We'd love to put one in every police car." Additionally, we suggest the renegotiation of the service maintenance contract of all of the AEDs when it expires in December to reduce or maintain the yearly cost of 12,000 with the \$3,000 contingency fee. We feel that this should cover all of the 103 now AEDs with no additional fees. In conclusion, we're also very supportive of Chief Nickel's vision to revise the Fire Code to require new businesses to add a publicly accessible defibrillator in their lobbies. It is a very modest investment certainly to save lives. We ask that you procure 25 more AEDs for City vehicles and parks. I've indicated those in the attachment that was sent. AEDs do save lives. Thank you for adding these to the 2016 fiscal budget. On another topic, off topic, I support the need to eliminate fees for single-story overlay applications.

Stephanie Martinson, Racing Hearts: Thank you, Councilmen, for letting me speak. I'm the President of Racing Hearts, as Annette said. Two years ago, City Council did a wonderful thing by increasing the heart safety of our community. Because of you, I'm happy to share that we were able to get 52 AEDs and that we handpicked high-risk locations. The results of the very first year, saying that they were used nine times in the very first year. What you guys did—thank you so much—was definitely looked upon at other communities. Because of you, Mountain View decided, "I'm going to put an AED in every single police car." They did, and they did it very efficiently. What we're asking for you is to match the standard of care, that an AED is put in every police car here in Palo Alto, just like Mountain View, Los Gatos, the City of Santa Clara. In addition, we've already worked out the numbers. The maintenance program that you guys currently have can absolutely be reduced by 40 percent. Just go out and rebid it. I'd like to say thank you to Annette and to other people who have truly worked so hard; Councilman Scharff and Liz Kniss and Pat Burt, who have helped spearhead this initiative. Thank you so much.

David Hammond: Good evening, Mayor and Council Members. As a runner or actually a fast walker in Greer Park, I didn't realize there wasn't a defibrillator there. As an 82 year old, I have some interest in there being one there. Off subject, of course. My name is David Hammond, and I'm here to ask for the waiver of the single-story overlay fees. I've lived in Metro Circle for more than 50 years and, for more than 40 years, was a structural consultant to the many creative architects in the Palo Alto area, and had my office in Palo Alto. In addition to being a consultant, I taught structural engineering at Stanford University's art and architecture

TRANSCRIPT

department in the '60s and late '70s. I love good design. My wife and I purchased our Eichler home on Metro Circle in 1963, because of its crisp design, intimate neighborhood of the Circle and its being in that wonderful city called Palo Alto. Last year, our neighborhood's unique character was threatened when the Planning Department approved a very large 4,500-square-foot house, two-story, next to mine. The project was approved despite our coming to the planning hearings with our protests. Fortunately the owners of the lot decided on their own to become better neighbors and to redesign their house at one-story. That's been the best outcome that any of us could have predicted. As a result of this experience, our neighbors and myself with the four other neighborhoods that are represented here probably tonight are working on our single-story overlays. Almost all of us have completed the sign-up of more than 70 percent or near 70 percent and are ready to go forward and are stopped by the fees. You might say fees for zoning change are normal, but they're normal for individual developers who can factor them into their budget. For us—I realize it's a cost recovery thing in Palo Alto—it's an unpredictable fee. You start out with an amount that you could divide by how many ever you want and get what's fair. Then there's an additional amount that you don't know until the Planning Department gets to the cost that it needs to recover. It is important for this kind of group to have those fees waived. I have done some research and found that the last two SSOs that were applied for—that is Allen Court in 2004 and our sister circle Van Auken Circle, which we would complete the SSO with, in 2002—neither of them paid a fee. Again, I would respectfully ask you to consider waiving the fee. If you could at least make it a fixed fee at perhaps something a little bit lower than it is now. Thank you.

Sheraden Nicholau, Abilities United: Thank you very much. I'm Sheraden Nicholau from Abilities United. I'm here to say a deep thank you very much. We are a HSRAP applicant and wanted to thank you for the community organizations funding, and a thank you to the Finance Committee for proposing the 2.6 percent cost of living adjustment. With your support, we look forward in Fiscal Year '16 to serving Palo Alto and surrounding communities, and doing so in a variety of ways for a variety of individuals with different abilities. Specifically, early intervention services and therapy services for infants and children with developmental and other disabilities; respite home companion services; community integration which not only serves adults with disabilities but also serves a variety of other nonprofits in Palo Alto and surrounding areas; adaptive aquatics and water safety, drowning prevention programs for children and for adults; and respite home companions so that families can stay together. Thank you very much; thank you for the funding. We look forward and encourage and hope that we can see the 2.6 percent cost of living increase for Fiscal Year '16. Thank you very much.

TRANSCRIPT

Richard Willits: Good evening, Council Members. As you've heard from others, I'm here to speak about the single-story overlay fee waiver. I want to add one comment to that. If you look at the fee schedule, as Dave mentioned, cost recovery makes a lot of sense, when there's a single individual or a company or a family who would benefit. With the fee for a zone change for a single-story overlay, our groups are required to essentially run their own elections. We have campaigned them; we have polled them. They need to be polled by the City, and that's what we pay for. We pay for an election which transfers, which is what we want to do, our ancient right of single-story residences from the legal system of the County to the much more capable arm of the planning group in the City. We essentially—the victors only as I understand it—need to pay for this election. We're not a single individual making that decision. We have to go and poll all of our residents and bring forth an election and pay for it. I believe that that is the only fee on the fee schedule that is of that nature. It is rarely used, but in this case we need to use it because we feel threatened. I would ask for you to eliminate that on the basis that it is essentially something that was eliminated, as I understand it, in about the 17th century in England and in the 19th century in the American south: a poll tax. We'd rather not have that. Thank you.

Kurt Knodt: Mayor and Council. My name's Kurt Knodt. I live in 1049 Metro. That's the same neighborhood as Dave Hammond. I own a single-story home that's right in the center circle. There's five houses, and they're separated by a 7-foot fence, so nobody can see into the other backyards. The main concern there is that if any of those five houses puts up a second story, they'll encroach on the privacy of those other five houses in the area. There are a number of ways that we've tried to preserve the neighborhood. The Individual Review Guidelines haven't worked; we've tried that. There's no fees associated with that. It's been a problem, particularly in the Eichler neighborhoods. One of the important barriers to the SSO is this fee that's associated with it. Allocating that fee to the various people is very difficult, because everybody derives a different amount of value from that single-story overlay. As the owner in the center with four other units there, I might get more value from having that limitation, because I don't have to worry about these other four houses. Another house that borders on Greer Park doesn't have any danger of somebody building a house and being able to look into their backyard. Everybody derives a different amount of value from that single-story overlay. It's very difficult to allocate how much everybody should pay. If somebody decides they don't want to pay, managing that whole process. It was mentioned earlier, the way the fees are done makes it very difficult as well. There's an upfront \$8,000 fee. If the SSO is established, there's an additional fee later on. It makes it very hard for us to come together and decide how much it's going to cost and

TRANSCRIPT

collect that and have that cover the cost of the single-story overlay. I'm asking you to support the fee waiver for that. Thank you.

Ben Lerner: Good evening, Mayor Holman, City Council Members. I'm Ben Lerner from the Palo Verde neighborhood in south Palo Alto. I'm also here to address the SSO fees. I will try to be brief, because you've heard a lot of different angles on this already so far. I'd like to say I'm thankful to everyone who has spoken before me. I agree with what they have to say, and I support them. What I wanted to add about the fees is that they're relatively new. There were no fees or much smaller fees until just a few years ago when the City imposed these new fees, which are quite high and quite formidable and in a way prohibitive. There have been about ten single-story overlays to date. I don't believe any of them had to pay these fees. I believe in the last one or two cases the fees were waived. I feel that this is not just a partisan issue for a particular neighborhood or a particular group of homeowners, but there's a value to the entire City to help preserve the Eichler and other mid-century modern neighborhoods. They are a valuable part of Palo Alto's housing tradition. I'd like to join the chorus and ask that the fees either be reduced or waived even temporarily, so that those neighborhoods who are interested can have some time to react and get their applications together and try to get single-story protection. If waiving the fees isn't feasible, it would be helpful if at least they could be reduced to an amount that isn't prohibitively high and is fixed and predictable. For example, today we're asked to pay a little over \$8,000 upfront. If there's still more work to be done, we can be asked for any additional amount. We don't know ahead of time what that's going to be. There's no guaranty of success or of a refund if we decide it's too much and we want to bail. We would appreciate it. If waivers are not feasible, then at least if it could be reduced to something manageable and fixed. The system that we have today—I hate to say it—is not very resident friendly or neighborhood friendly. This is something that's not just for us; it's something of value to the entire community. With that, I'd like to thank you for your consideration and hope you can do something. Thank you.

Doria Summa: Good evening, Mayor and City Council. I'll be brief. I want to talk about one tiny bit of your very big budget you're considering. I want to thank Staff and the Council for including landscaping the bare traffic circles as part of the new budget. I'm strongly in support of this, especially since every time I back out of my driveway, I have to back around one of them. It will be a nice improvement that will benefit everybody in the community. Thank you.

Stephanie Munoz: It's been interesting to have the budget and the overlay altogether. It calls to mind the fact that the people have always with all

TRANSCRIPT

organizations and all governments, not just ours, had a difficulty with the cost of permits. Once Prop 13 went in, cities start scrabbling around to see where they could get money. Permit fees became higher and higher to the point where there was an initiative, Prop 218, stating that cities could not ask for a permit fee more than the cost of policing and monitoring and advising the permit. What I came to say to you tonight was the part of the budget that we are not paying much attention to isn't saving money by skimping on safety. It's a wonderful idea to have AEDs in police cars. Who could fight that? That's great. That new room, I notice it because I keep going in looking for the television set and the comfortable chairs and they're not there and the water fountain is gone. With that money, you could have built a modest women's shelter. It does seem that you're missing opportunities to spend money frugally. You're missing opportunities to save. For instance, the golf course. There's a building out at the golf course, and it could have housing on top of it. In fact, every public building in the City could have compatible housing. It wouldn't be suitable for children. There are many people who are very quiet. You would never know they were there. They could be housed and they could be paying some rent. Why not? I do have to say that spending a lot of money on decoration, when people are homeless, is not (foreign language). Down in your hearts, I don't think that's you. I just don't. At the risk of being boring, let me tell you once again it would be a real shame to lose those trailers that the people have provided on their own as low-income housing. Thanks, folks. Bye-bye.

Mayor Holman: Before we begin the discussion and the proposed tentative Motion to adopt the Ordinance for the budget for the Fiscal Year 2016, City Attorney has some comments about potential conflicts of interest.

Ms. Stump: Thank you, Mayor Holman. Each year during the budget time, when we have Council Members who have financial interests associated with items that are related to the budget, then we have to divide the budget and do some recusing. We do have that situation this year. Council Member DuBois has, through his spouse, a source of income at Stanford University. Stanford is a party that's related to some portions of our budget. The way that we are allowed to handle this under State law is to segment off the Stanford portions, take them first. With eight Council Members this evening, it will be seven addressing those Stanford-related items. Then Council Member DuBois can come and rejoin the Council for the remainder of the budget.

Mayor Holman: While we're talking conflicts, if we have discussion on single-story overlays, there are also some recusals there.

TRANSCRIPT

Ms. Stump: Thank you, Mayor Holman. If the Council wishes to take that item up, there are two Council Members, that I am aware of, who have identified themselves as living in neighborhoods that have expressed an interest in perhaps having a single-story overlay and would then be potentially impacted by some change in the fee structure. Those two Council Members, Vice Mayor Schmid and Council Member Wolbach, should step outside for that portion of the discussion.

Council Member DuBois: I assume this is the right time. Since my wife works at Stanford, I will be recusing myself.

Mayor Holman: As stated, we will first be discussing the part of Item Number 6 that addresses the Fire and Office of Emergency Services budgets and the CIP budget related to Stanford University.

Vice Mayor Schmid: One of the outstanding issues that were just brought up is the Fire Services contract with Stanford. Could we get an update on where we are in that and what impact that might have?

Mr. Keene: In the simplest way, we're still far apart on reaching an agreement on what the going forward annual contract would be and what the specifics of the level of service would be. Staff can get more specific if need be. Technically, the contract that we have with Stanford is up in October of this year, if I recall. It's in the fall; I'm pretty sure it's October; I just don't know the exact date. If we were not able to reach an agreement by that period of time, obviously we'd be pursuing is it possible to come to some agreement about extending where we are to allow us to have more time to conclude negotiations and that sort of thing, whether that's month to month or something else. All of that is uncertain. We're dealing with methodology issues, how the cost factoring is computed and what are the service and safety implications of any of the changes in the approach that we would use.

Vice Mayor Schmid: I would raise two specific questions. At least two of our fire stations, maybe three of them, are on Stanford property. Is that right? Is there a financial issue with the cost of personnel?

Mr. Keene: In that regard, we only have one station on Stanford itself now. That's Station Number 6. We do have Station Number 2 on Hanover in the Research Park. For the most part, all of the discussions have revolved around the fact that if we were to no longer provide services to Stanford, if they were to contract with someone else or provide services, then certainly the operations at Station Number 6 on Stanford would go away.

TRANSCRIPT

Vice Mayor Schmid: The medical center and the business park would not be part of Stanford?

Mr. Keene: That's correct. The Fire Chief mentioned this during his budget, that we are carrying a pretty significant number of vacancies right now in the Fire Department. It's driven by a number of factors, but one of them is some of the uncertainty about where we're going with the contract. We don't expect that we'd be in a situation where we don't continue to provide services at close to the same level as we do. If we were to be in that situation, we didn't want to be in one where we're having to layoff existing firefighters. Having those vacancies open is a hedge against that option. Obviously this is something we hope to resolve pretty quickly.

Vice Mayor Schmid: There's no direct impact on the budget we are approving. This is a potential.

Mr. Keene: That's correct. I would expect that if we do reach an agreement, the nature of the conversations we're having is at a level that would be at a cost to Stanford that is reduced from what it is right now.

Council Member Kniss: I'm glad to move it if you wish.

Council Member Scharff: Are you moving a tentative Motion to approve the Fire and the Stanford-related budget?

Mayor Holman: Yes.

Council Member Kniss: I would move approval unless you want to beat me to it, Greg.

Council Member Scharff: I don't mind either way. I moved it. You're welcome to move it, and I'll second it.

Mayor Holman: Council Member Kniss, you made the Motion, seconded by Council Member Scharff generously.

MOTION: Council Member Kniss moved, seconded by Council Member Scharff to tentatively approve the Police and Fire CIP Budgets related to Stanford University.

Council Member Kniss: We've gone into it in a fair amount of detail. We certainly spent a lot of time with it at Finance. Especially if there are no other questions by Council, we would be ready for that tentative vote.

Mayor Holman: We will vote on the board for tentative approval of the Police and Fire CIP budgets related to Stanford University. That passes

TRANSCRIPT

unanimously with Council Member Filseth absent, Council Member DuBois not participating.

MOTION PASSED: 7-0 DuBois not participating, Filseth absent

Mayor Holman: We will discuss wastewater and refuse rates as well as the remaining portions of the 2016 budget including the remaining portions of the Police and Fire budgets and the CIP budget. Because this could be extensive, why don't we allocate five minutes a piece. If we need to do more than one round, then we can do that.

Council Member Wolbach: We heard some discussion about AEDs. What is the necessity and possibility of including additional funding? I heard the number of 50,000 proposed. What would be necessary or is it appropriate to do that this evening? I'd like to hear from Staff or Members of the Finance Committee.

Mr. Keene: To include it in the budget would take Council inclusion of it in any Motion that you would be making for approval of the budget.

Council Member Wolbach: Any thoughts from Colleagues, particularly from the Finance Committee, regarding the idea of an additional 50,000 for AEDs?

Council Member Scharff: We should definitely do this. If you have a heart attack, response times are the critical issue. If an AED is next to you, you're going to live. If it's not, you're probably going to die or have permanent damage. In terms of the small amount of money that this costs, \$50,000, if it saves one person's life or saves one person from a debilitating stroke or something where they have issues in terms of the medical care, it's just the right thing to do. We should do this.

Council Member Wolbach: Before making a Motion about that, my hope is it will be popular. Following the Stanford one, if there are any other items that Council Members would like to discuss that require Vice Mayor Schmid and myself to recuse ourselves for, I would encourage that those come forward soon so we can hop out of the room while any potential conflict issues are handled, then we can return for the rest of the discussion.

Council Member Scharff: I'm thinking of the most efficient way to do this. Maybe we should make the Motion on the AEDs, if you're interested in doing that. Then we can get that on the board and done. Mayor Holman, how would you like us to do this? So we get stuff out of the way and we don't come back to stuff. That's what I'm thinking.

TRANSCRIPT

Mayor Holman: I appreciate the interest in being efficient. At the same time in the interest of not having heard from other Council Members yet—I have a suspicion that everyone's going to agree with that—it's good to get people's questions and concerns out there, if there might be competing interests for dollars. We'll come back, and we can take these up one at a time, if that's going to be a good way to go about this.

Mr. Keene: I hear a combination of the two things. Council Member Scharff's idea is rather than having to roll everything up into one beautiful Motion, to be able to segment it. You're saying let's try to identify the range of segments that might be out there. You could still allow for a segmented series of Motions. I'm assuming that the majority of what the Finance Committee has done will be included in a Motion that the Council will approve, then you'll have changes.

Mayor Holman: You said exactly what the intention is.

Council Member Wolbach: If I could clarify before my five minutes is up, and maybe check with City Attorney. Again, following the example of what we did with Stanford, would it be more appropriate for us to handle anything that requires a recusal first and then handle any other issues or is it up to us?

Mayor Holman: I don't think it matters what order. It doesn't matter what order. When we take up single-story overlays, we'll have the recusals.

Council Member Burt: I'll leave single-story overlay alone for the moment. On the CIP first, from the presentation and the Staff Report, it wasn't very simple to see what actual changes we're having in the CIP, especially in the General Fund and Cubberley portion. Could you review that? What's the changes that have occurred year over year?

Mr. Rossmann: Sure. If you look at the five-year CIP for Cubberley and the Capital Improvement Fund, the major changes on the Capital Improvement Fund is for the Infrastructure Plan. The \$126 million is incorporated now as part of the CIP. It starts with funding for design for the Public Safety Building and Fire Station 3, I believe, starting in Fiscal Year 2016, and it ramps up. Regarding Cubberley, per the lease agreement with the Palo Alto Unified School District, we are transferring now the former Covenant Not to Develop funds into the Cubberley Fund, infrastructure fund. The primary purpose in Fiscal Year 2016 for Cubberley is roof replacement as well as a Master Plan to figure out what kind of improvements we should make. Both of those items will come back to the Council.

TRANSCRIPT

Council Member Burt: That's valuable. What I was trying to ask was the amount of dollars that we're putting into our Capital Improvement Fund this year versus previous years.

Mr. Keene: Can I add to that? There's two issues—got to clarify this. We've been putting very little traditionally into capital expenditures in Cubberley. In addition, we're now out of the agreement that we had, have an additional like \$1.9 million a year from the Covenant Not to Develop that is to go to Cubberley. Even over the next five-year period, that's almost \$10 million. Yet, in the CIP that we have over the five-year period, we're only budgeting right now—the way this shows it—like \$2.8 million in spending. The question is, is that also in a sinking fund that is sitting out there. That's something I was also hearing.

Council Member Burt: We budgeted a certain amount of dollars to be expended in FY 2015. We have a certain amount this year to be expended in this year, as opposed to the whole carryover methodology. I'm trying to do an apples-to-apples comparison of what we're putting into CIP from dollars.

Mr. Rossmann: We have to make some calculations for you quickly, because of the reappropriations change. Staff probably can do this; we'll get back to you during this meeting.

Council Member Burt: In this whole change over in the methodology, we've lost one of these clear points of reference. We can break it down in the budget itself, in the capital improvement document. It would be nice to have that laid out in a clear fashion. One particular item is the Bike Bridge. I read from the Staff Report that we're apparently seeing an increase in the total estimated cost for the bridge above what we had discussed. First, I need to make sure I understood that right, that that has occurred, in part apparently because just a small fraction of it was the feasibility study that had not been included before. That's \$280,000 and that matters, but it's not the biggest dollars. We're pushing 12 million. First, I want to confirm that I understood it correctly, that change has occurred.

Brad Eggleston, Public Works Assistant Director: Good evening, Council. Brad Eggleston, Assistant Director of Public Works. I was trying to turn to the page in the memo that includes the information about the Bike Bridge. I'm not finding it readily. What's described in the memo is that the information on the budget here, that's in the CIP currently, still reflects the \$10 million total project budget, when you consider that you're not including City Staff salaries and benefits or the feasibility study costs.

TRANSCRIPT

Council Member Burt: On tonight's Staff Report on Page 198 of the packet or Page 9 of the Staff Report is that table. That's the \$1.7 million in City salary and benefit costs. Are we saying that the previous number did not include those costs?

Mr. Eggleston: That's correct. That's one of the significant changes to the CIP document this year. In past years, we attempted to show the salary and benefits associated with the projects just for the first year of the five-year plan. This is the first time where we've tried to allocate those costs throughout the entire five years. Now, you're able to see both for prior years actual costs and for the projected future years the full salaries and benefits amounts.

Council Member Burt: In one sense, the construction costs, essentially the hard costs, for design and construction have not changed from the budgetary limit that we had?

Mr. Eggleston: They haven't changed in the sense that they have not been updated. The last direction from the Council, when we came to you with the results of the design competition, was to select the low profile bridge, and then to go and try to vet that design as to its constructability and also as to the potential cost implications. We're still working on that. When we've come to the Council, we have been pointing out that the \$10 million total budget that we're looking at was based on a 2012 estimate, very limited information on designs that would help us come to a number that we could truly justify, that would be based on engineering.

Council Member Burt: I'm going back on my recollection of the discussions around this. My recollection is that our direction was to have designs that fit within that budget limitation. The anticipation, based upon the preliminary designs and the submittals and the peer reviews of those submittal, is that they would do that. I'm concerned that it's sounding like we're anticipating that the cost of this is going to be higher than that budgeted amount for the hard costs and potentially significantly higher. When this first came to us—what, a year and a half ago—and when we reviewed it again several months ago, each of those times I raised this particular issue of whether we're going to make the bridge costs fit within our budget or we're going to expand the budget to reflect a design. Each time, I believe, I was assured that we were going to make the bridge cost fit within the budget. I don't know where we stand on this. I don't know how much of that vetting the Finance Committee did on this subject. Am I correct in understanding that you're expressing skepticism as to whether the costs will fit within the \$10 million hard costs budget?

TRANSCRIPT

Mr. Eggleston: That's correct.

Council Member Burt: Is it the intent, if that occurs, that you'd come back to the Council for a budget increase or you'd go back to the designer for a redesign?

Mr. Eggleston: If it was significantly different, we would come to the Council and discuss the change and get some direction in that area. Frankly, this is part of what we're discussing with the design team right now, their thoughts about the potential costs.

Council Member Burt: I think we've already given that direction twice. The design needs to reflect the budget, not vice versa.

Mr. Keene: If I could add a couple of comments. Like on any project, when we have a budget and we get to this point, we have to have a public discussion about do we value engineer the project down to the budget or does the Council want to consider a change upward. We can't assume that we'd make it. Secondly, these estimates are based on a concern about cost increases from what we know about the design. I know that during the process, Council Members and some community members said some things, that they liked some ideas from other designs that it might be nice to add to this particular project. Those are things we will also have to look at carefully. Obviously, if the project as originally designed looks like it could cost more, the idea of adding new components to it is just going to increase that. Clearly we're going to have to be back to the Council.

Council Member DuBois: I'd like to thank my Colleagues on the Finance Committee.

Mayor Holman: Had you completed your thought on that matter, Pat?

Council Member Burt: That item, but I hadn't gotten to the Code enforcement.

Mayor Holman: We'll come back around.

Council Member DuBois: It's clear you guys really dug in, focused on costs, particularly the pension and benefit costs. I had some questions related to the head count. One of the things we talked about early on in the budget process, I mentioned I'd like to see full-time equivalents of consulting. I'm wondering, maybe not for this year's budget, if we could plan to do that for next year's budget. We've had a lot of discussion about staffing. We don't have a clear picture of what's happening. We have 1,100 employees, but we don't know if you add in consultants as full-time equivalents. Do we really

TRANSCRIPT

have 1,500, 1,300? I don't think we really know. It'd be a useful thing to track. I would ask that we consider doing that for next year's budget process.

Mr. Keene: I agree that that request has been there. We've been talking about it at the Staff level. We'll probably need to come back to Finance or Policy and Services for a little bit more guidance as we start to refine it. Obviously there will be a range of different kinds of consultants. There will be consultant dollars, and some of them may be some very specific, narrow projects. We may actually have consultants who work a full year doing a substitute job versus somebody who comes in for a month to do something.

Council Member DuBois: I wanted to get that out there. I'm clear now, but it seemed a little inconsistent at first. There was talk about the Code Enforcement Officer and three positions. I want to clarify it's three total including that Code Enforcement position.

Mr. Keene: There are three total, yes, including the Code Enforcement position, yes.

Council Member DuBois: There was discussion about Recreation Superintendent. Was that put back?

Mr. Keene: That remains still within the budget as proposed, yes.

Council Member DuBois: The Senior Technologist is in the memo as cut. There was a lot of discussion in the document about it being a transfer from Police to IT. Is that the same position and is it really a cut or is it just moving it from one budget to another budget?

Mr. Keene: First of all, the position request did not exist before this year's budget. It was a request for a new position. The Finance Committee had a fair amount of discussion around this, including our recommendations that if the position was going to be added, it would not be added to the Public Safety Department directly but be added to the IT Department to exclusively serve Public Safety. This recommendation, however, in the spirit of trying to not commit to adding a new full-time, fully benefited position suggests instead that we put contracting dollars together to begin to enhance our ability in that area, but also allow us to do a deeper review of what we need to do. Next year, we could be in a better position to say, one, do we need this service; two, is it adequately provided by contracting out and keeping down those additional costs; or three, do we have a good case for reconsidering the assignment of the position in a full-time.

TRANSCRIPT

Council Member DuBois: There's still money being spent there, but for a consultant?

Mr. Keene: The money is being spent, but the FTE doesn't exist. I apologize; that sounds very governmental.

Council Member DuBois: If we said that we wanted to keep the Code Enforcement person, is there an alternative position that would be the third cut?

Mr. Keene: Believe it or not, the Council every week makes the Staff's life difficult. You could give us a difficult assignment on this one too. If you really said this is a real priority, you could then make the decision to say, "You don't have to do any more." You could say go back and find another position, and then I would bring another recommendation to you.

Council Member DuBois: Early reports talked about Fire Stations 3 and 4 and a parking garage Cal. Ave. and Downtown, but then in the budget it seemed to be just Fire Station 3 and Downtown. Are those other projects in the 2017 budget? Is that why they weren't ...

Mr. Eggleston: Brad Eggleston again. All of those projects are included in the five-year plan. The other ones are in the outer years. The ones we're currently starting are the Public Safety Building, Fire Station 3 and the Downtown parking garage.

Council Member DuBois: There was some talk around the Public Safety Building that we'd start the Cal. Ave. garage first if we use that location. Right?

Mr. Eggleston: Yes. That would be something to consider at the time that the Council makes a site selection for the Cal. Ave. garage, I mean the Public Safety Building site. We are planning to come back in the late summer or early fall.

Council Member DuBois: At the right point, I would like to talk about single-story overlays. On Project Safety Net, it is quite an increase, going from \$75K to now \$630K for the tracks. Do we do that all year round or do we stop Track Watch during the summer when there's no school?

Mr. Keene: I'm sure we could probably give it separately from this, an annual costing schedule for Project Safety Net. It's gone up and down, because it's been related to the amount of coverage that we have felt we needed to provide. Currently, we're providing Track Watch service at each one of the four grade crossings in the City, and we are doing it during the

TRANSCRIPT

entire period in which trains run in Palo Alto. That's almost a 24-hour period year round.

Council Member DuBois: I'm not suggesting we stop, but I am concerned about the big increase in cost. It's coming to Policy and Services, but I'd like to understand what other ways Project Safety Net is making progress. I support the defibrillators. I do have a question with this new sheet. I assume these are coming out of the budget surplus. Do we still have any surplus at this point?

Mr. Rossmann: The Project Safety Net funding would come from Stanford Development funds, not from the General Fund budget surplus.

Mr. Keene: The same thing with Track Watch.

Council Member DuBois: One thing I'd like to mention. At our current rate, those Stanford funds would last almost ten years. With this kind of budget, we're going to be out of money in a couple of years.

Mr. Keene: The Council allocated out of the \$4 million pool of health and safety funds—there's other funding within the Stanford contract, but a lot of that's been dedicated to the Infrastructure Funding Plan. You've taken \$2 million out of the \$4 million and specifically set it aside for Project Safety Net. The other \$2 million is unallocated. Obviously, if we're at this sort of level, \$0.5 million a year just on Track Watch, you can do the math pretty quickly. This is one of the reasons why in our conversation with all of the members of Project Safety Net and also with the School Board, we said that the funding that we have available in this regard needs to be looked at as seed money to incent our program design or these interventions. We've got to build a sustainable funding source collaboratively.

Council Member DuBois: I'm being timed? I have more.

Mayor Holman: We're running ten minutes a piece, so you've got another minute and a half on ten.

Council Member DuBois: In terms of fees, do we have any fees for blocking streets during construction? I'm curious.

Mr. Rossmann: I don't know this offhand, but we could do the research in the meantime and get back to you. Brad is coming up.

Mr. Eggleston: I couldn't speak to the details of it, but we do have fees for encroachment permits. If you're doing work that encroaches on the public right-of-way, there's a fee for that. It's more based on the Staff time that it

TRANSCRIPT

takes to issue the permit, though, than any sort of penalty for blocking a street or a public right-of-way.

Council Member DuBois: I'd be interested, particularly if streets are blocked for an extended period of time and it's impacting the City. I support the round-about repair and improvements. I did have some comments about Animal Services. It was a good idea that it comes back to Finance monthly. I'd want to suggest that it comes in for Council check-in maybe in six months. There didn't look to be a Plan B, so it'd be good to check-in before a whole year goes by. Super quick, if I'm out of time. I was also interested in exploring the idea of escalating the Business Registry penalty, given the rate of sign-up. I'll wait and hear if other Colleagues may be interested in that idea.

Vice Mayor Schmid: Just a quick follow-up to a comment Council Member DuBois made. Finance Committee asked for three full-time equivalents. If you turn to page 2, the description of the three, there are three there. The first one says Code Enforcement Officer, and it says all the good things that the Code Enforcement Officer would do and that the Planning Commission wanted it and they'd do all these good things. Senior Technologist says, "We'll go and do a quick study," consultant, and see whether it's worthwhile and come back in 60 days and tell you how important it is. The third one, the Community Service Officer, says, "Police aren't actually using this now, but they will in 12 months or so," so it's frozen. It could be interpreted that all three of those are delayed but needed. I felt it would have been helpful if there was something there that said, "The issue of full-time equivalents against our long-term budget is an important one and we need to study it, look at it, do something. Maybe here's the areas we might find some room for change. Give us six months, nine months, and we can come back with some ideas." That's the only thing that is missing in there. You make the good case that these are important positions. Do we have a basic issue here and are we working to address that issue over time? That would be my request.

Mr. Keene: Could I respond to that? Those are good points. We're not playing any budget games here. The Committee's main concern was ensuring that we don't add FTEs that have these long-term, lifetime obligations. The Code Enforcement Officer fits in that position. The Technologist, we need more time to see whether or not we need that position or not as a position. We could end up coming back saying it's clearly not and we would never want it as a position. Yes, on the Code Enforcement Officer, what we're saying is we're not going to go ahead and fill that position. We're guarding against that. The question of long term, if we're not going to fill it, then it would be a situation where we'd have to

TRANSCRIPT

have a discussion about eliminating it. If we were going to fill it, then I would clearly say we're under the obligation to the Council not to forget about the original directive and have to cut another full-time position to be sure that we were meeting that.

Vice Mayor Schmid: To leave with a thought, maybe for Lalo and Walter. One of the things we did not have at the beginning of the budget process was a focus on revenues. We jumped right in with the budget and the expenditures. Maybe to have one session before the budget thing to take the revenue projections in the Long Term Financial Forecast and ask the question what does this mean for sustainability and basic number of employees that can be funded. That might be a helpful discussion before we get into the details of the budget.

Council Member Berman: After spending my first years on Council on the Finance Committee, it was nice to get my month of May back for the first time. Thank you to my Colleagues on the Finance Committee and to Vice Mayor Schmid for doing a very thorough job and putting Jim through his paces. I agree with some of the concerns that some Colleagues have brought up. First of all, I support adding the AEDs. I'll get that out of the way. I agree with concerns, some of the risks that were either brought up in the Staff Report or in colleague comments, things like the fact that the cost of the Bicycle Pedestrian Bridge increasing significantly above and beyond what we talked about a little bit ago. We might need to have a revisit to the full Council about that, to get a better understanding of the direction that's going and what our options are. I think it was Council Member Scharff that brought up the cost of construction and the impact that might have on our Infrastructure Plan. I don't know if it's full Council or if one of our Committees—we don't have the Infrastructure Committee any more—could have a discussion to try to get a handle on approximately what the anticipated costs of that formerly \$125 million in projects is now. I also noticed, for instance, the revenue from the TOT is above what was anticipated. I don't remember how that tracks back with what we were going to issue the Certificates of Participation on, what our estimate was. There might be additional revenue there that we weren't anticipating. Hopefully the additional revenue will partially offset some of the additional costs. Speaking of which, there was the increase in TOT from 12 to 14 percent, but there was also the additional TOT from new hotels. I know that a couple of other hotels have been proposed. I haven't been following all that very closely. Do we think that there are new hotels that might come online or changes that might occur to that anticipated revenue?

TRANSCRIPT

Lalo Perez, Chief Financial Officer and Administrator Services Director: Lalo Perez, Chief Financial Officer. Yes, we have minus one and maybe plus two from the last time that we discussed ...

Council Member Berman: Minus one is the Ming's site?

Mr. Perez: Correct. There's discussions about maybe a Mercedes Benz dealership going in there, so that triggers a sales tax. You bring up some good points. The City Manager and I were talking about that we need to provide you a more regular report on this Infrastructure Master Plan. We're trying to decide what the commitment can be. Learning from lessons of the prior plan, there were changes that were made, but we weren't presenting them in front of you on a more frequent basis to make better informed decision or to have a tally, if you will, an accountability, for us as an organization. That's one of the things we'll have to do. Going back to your comment on the TOT. We were conservatively estimating about 70 percent of the revenue generated. Because of the escalation of the costs, that could help us offset or because a recession could hit at any point without us having a buffer. That was part of the thinking. Capturing the comments you're making, it's an excellent point and we'll let you know what that frequency is and see what your feedback is, whether that's appropriate and what components would be included in there. You'd have that.

Council Member Scharff: I also would like to obviously support the AEDs, and hopefully we'll move forward on that. I want to talk a little bit about the City Manager's memo and the Code Enforcement Officer. When the Code Enforcement Officer came to us, one of the things we did was drill down with Director Gitelman and asked the question is there a backlog. Are complaints not being gotten to? Are we not getting the Code enforcement done that we need to do? Obviously it's better to have more capacity in the system. What we heard as a Committee was that we are getting the work done. That didn't make a strong argument for why we need a new Code Enforcement person. That's been validated by the City Manager when we asked him—not looking at whether or not it should be a Code Enforcement person or anything—to go find us three positions in the City that would be your top picks if you were not going to fund something or if you were going to cut something existing. He came back with the Code Enforcement person as the number one. That validates it. Obviously if we are not getting to the Code enforcement and we need to get to it, then we should hire someone. That wasn't the impression I got when we talked with Director Gitelman. On that, I would support the memo of the City Manager in terms of which positions we should not go forward with. Even though there was strong support for the Technologist position—that was the more interesting thing at Finance. We liked the idea of the Technologist position. Both Chiefs made a

TRANSCRIPT

good argument for why they should have it, but the City Manager's approach is reasonable, which is let's drill down as to whether we need to add what is an expensive benefited position which will have long-term costs in the future. One of the things we do need to move towards is a more sustainable organization. Right now we're in a boom time. Our costs are going up a lot, but those costs will continue to go up the way they're embedded in the system in the downturns. It's how do we come to something that we don't have what we had in 2009 which was painful for the organization. It was painful for the employees. It was painful for us, when you have a substantial drop in revenues like that, and you have to look at cutting substantial amounts out of the budget. I forget how much we cut, but it was like 13, 14 million. I don't know if you remember, Lalo.

Mr. Perez: Thirteen from the fixed part.

Council Member Scharff: For people that weren't there, our City Manager and Lalo did community workshops explaining where we were, what we needed to cut. A whole bunch of different things were put on the table. You would hope you wouldn't have to go through that much. The other thing, I do want to have that discussion with the single-story overlay. Do you need to walk out of the room or are we going to handle that separately?

Mayor Holman: We'll handle it separately, and we can handle it whenever.

Council Member Scharff: I don't know if other people want to talk, but I'd like to handle that soon. I'd like to give the Finance perspective of what we did and what we were thinking and all of that. If that's all right with you. I don't mind if I do it now or if I do it later, but I want to figure out how to do that.

Mayor Holman: Why don't you make any other questions or comments that you have.

Council Member Scharff: That's my last comment.

Mayor Holman: Council Member Wolbach, Vice Mayor Schmid, there is interest in taking this topic up currently. You need to make your statement.

Council Member Wolbach: I'll be recusing myself from the discussion of the single-story overlay because I live in the Royal Manor area within the Palo Verde neighborhood, which is an area that's considering it.

Vice Mayor Schmid: I live in the Palo Verde neighborhood as well.

TRANSCRIPT

Council Member Scharff: On the single-story overlay, we've been getting emails. We've had speakers at Finance Committee and all of that. The question we were thinking about is what is the best way to take this up. Should we put money in the budget and say, "Go ahead. We're going to waive it on a one-time basis"? Council Member Schmid recused himself. The three of us were fairly firm in that I didn't hear any dissent on it. What we wanted to do was take a thoughtful look at this and say to ourselves, "Maybe we should do away with the fee. Maybe it should be a fixed fee. Maybe we should do nothing. Maybe we should waive the fee once." What we needed was to understand what we should do, have a Staff Report, understand the history. There's been a lot of people that have made claims that no one's paid this fee. If so, why do we have this fee? Why should we waive it on periodic times? Maybe what we should do is get rid of the fee and have a policy on that. What does that look like in terms of our other policies? The concept here was that this would come to Finance in short order, so that it wouldn't be a delayed process. We'd have a Staff Report. We'd understand what's going on. We'd understand what's happened in the past. We'd say to ourselves, "Here are the different options." Members of the community could come and talk about it. They could read the Staff Report. We could vet this and come up with a sound approach and then recommend that to the full Council. That was the recommendation of Finance, that we do that in a deliberate and thoughtful manner, as opposed to saying "Let's put money in the budget to waive it this one time." Why not take a deliberate and thoughtful approach as long as it's in a timely manner? That seemed the best approach. That was Finance's thought on that. We're open to hearing what the rest of the Council thought.

Council Member DuBois: Back in March, I made a Motion to agendize this at a future meeting. Staff came back and said it would probably be most expedient to do it as part of the budget process. I appreciate what you're saying, that you guys took it seriously and you were going to have it come back to Finance. There are a couple of issues we need to talk about. Our Individual Review process isn't working. We're hearing that. It is costly to have all these appeals come to Council, to have Staff time to deal with them. We already have the Ordinance on the books, and it has a very high threshold. I think it's 70 percent and goes down to 60 percent if there are CCRs in place that already had a single story. There are plenty of details in that Ordinance. To me, when you look at it, we're asking our citizens to jump through a bunch of hoops. Because of this idea of cost recovery, the fee has gone up significantly. There are policy issues that we should think about, and that's fair. We're also in a heated real estate market. We can't afford to take a year. People are asking for help now. We've heard that there are groups that are going through all the steps and they're ready to apply. They're asking for help with this barrier of the fee. We need to find a

TRANSCRIPT

way to let those applications move forward while we look longer term at the policy itself. In terms of the budget, we can do it in a way that creates certainty in the budget. There are precedents in that the fee has been waived in the past. I'd like to see us refer the longer-term solution to Policy and Services to look at how we handle zoning changes to protect neighborhoods. This idea of cost recovery breaks down a bit when you're talking about a large group of homes versus an individual project fee or a fee for a class. I'm not at all sure that cost recovery is the right concept when you're talking about 100 or 200 homes. To me, that's almost a fundamental act that the City should be handling. That's the kind of issue we should look at in Policy and Services, whether fees even make sense for this kind of thing. I would like to make a Motion, but I would like to let other people speak first. I'll make the point that I'd like to make a Motion at the right point.

Council Member Kniss: Karen, you want us to speak to this current issue, correct?

Mayor Holman: Yes, please. Just the one matter.

Council Member Kniss: We did take this up in Finance. We also agreed that we take it up as soon as we possibly could. Our next Finance meeting that I'm looking at is the 16th. Am I correct, Lalo?

Mr. Perez: That's correct.

Council Member Kniss: We had agreed that we would attempt to take it up then if at all possible before we go on break. Am I correct?

Mr. Perez: I don't recall, I'm sorry.

Council Member Kniss: Lalo, is there any reason why we can't take it up then, given the urgency that a couple of the Council Members have felt that it has?

Mr. Keene: The Council can take it up whenever you want. At least a complete Staff Report on the implications, the demands, are important. I'm very sympathetic to the motivation for this. Fees don't only exist though as cost recovery. They are also used as a method to ration demand. There's a little bit of that here, saying this is a lot of hurdles you have to go through to get this. There will be still hurdles even if you don't have a fee. Sometimes drawing a district and working with neighbors bit by bit just to be sure we have the due process of the Palo Alto process, that takes some time and costs too. If we had one neighborhood of 50 people and it was 100 percent and that's the only one speaking, that's one issue. We don't know if there's

TRANSCRIPT

two neighborhoods or ultimately when you reduce the thing, suddenly there's ten neighborhoods. If we can't identify our ability to respond and how timely we can be, that generates another problem. I feel like we want to be able to report as we usually do on both speed and the effective engagement and process and at least having some discussion and a thorough Staff Report prior to you adopting it. That's more in keeping with the way we typically do business, make decisions.

Council Member Kniss: My request on this would be that you get us as much information as you can. I understand that the community is certainly feeling a sense of urgency around this. I don't disagree with that. I have no issue with the overlay per se. What has come to us is the waiver. Could I ask Hillary if she would come up? Our Planning Director. We had a brief discussion about this today. One of the things we discussed, perhaps she would be willing to talk about the fact that a waiver was given before and how that was given.

Hillary Gitelman, Planning and Community Environment Director: Thank you, Council Member Kniss. Hillary Gitelman, the Planning Director. First, let me say that the Finance Committee did ask for quite a bit of additional research, all of which we have not been able to do to date including how many neighborhoods might take advantage of this kind of program, what past examples or instances have been. I do know that there has been one recent instance in which we did not charge a fee. I haven't been able to research past single-story overlays. I believe there are nine currently in the City. I think the reason there was no fee charged previously is we treated the proposal as a City-initiated proposal rather than as one where the application had come in from the neighborhoods. Even that, I'm not entirely sure. It predates my time with the City. Also as we discussed at the Finance Committee, it's clearly a policy decision. This is a fee that has been created for cost recovery, to help offset if not totally cover the cost of processing these applications. The Council could decide that they wanted to lower or waive that fee on an ongoing basis. I was talking to the City Manager about the fact that there is a little bit of a difference between this and the typical rezoning application that we get, because there are provisions in the Municipal Code, 18.12.100, that specify exactly the development standards that would apply. The type of standards and the language that would apply to a district that's designated with a single-story overlay has already been resolved. If the Council were to reduce or waive the fee, we would appreciate your explanation and understanding that it's in the intention that the existing Code provisions apply. If anyone were to pursue a district that wanted to modify those, that would be more akin to your typical rezoning and take the level of effort and the fee associated with a more typical rezoning.

TRANSCRIPT

Council Member Kniss: Thanks very much. We should work hard to make sure that this comes back to the Finance Committee at our next meeting. Is the Vice Mayor still out of the room?

Council Member Scharff: The Vice Mayor's not here. As long as we commit to doing it before break. We're pretty good at getting a special meeting together. We're all pretty flexible.

Council Member Kniss: We could do that as well. I would not be at all opposed to lowering this fee or varying the fee as it is appropriate. I would like some more information before we do that, which is why we had an extended discussion at the Finance Committee about it. I don't know exactly how many overlays exist. The Planning Director has just referenced nine. That is probably true. I remember being involved in one a long time ago. I asked an old Council Member, a former Council Member, today if she recalled the one that Hillary just mentioned, which she did say was then instituted by the City at that point for a variety of reasons. With that understanding that we can bring it back relatively quickly, two of us are here now, I anticipate that Council Member Filseth will be back for that next meeting. Am I correct, City Attorney, will the Vice Mayor, who is also the Chair, have to excuse himself from that discussion on the overlay, because he may be in that particular district?

Ms. Stump: Yes, on the question of the waiver of the fee. That's correct.

Council Member Kniss: He will have to be excused from that meeting. Three of us will make that decision, unless something different happens tonight. That's where I am on the issue. Thank you.

Council Member Burt: It's unfortunate that we don't have any of the history before us on this. Given that this was going to be taken up within the budget, and here we're wrapping up the budget, and we don't have any groundwork at all that we can use for discussion. I've been taxing my memory without going back to my old files and trying to see what records I have on several of these. I don't recall the fees being a significant issue in the past. Does Staff know when changes were made to the cost recovery model that were substantive on this? We don't know that either? Okay. There's also a question on how it impacts the budget. If we look over the last half dozen years, it would have zero impact on the budget, because we haven't had any. Right? We have a number that are potentially lined up and ready to come forward and are in part being held back by the fees. We could go from none to a small avalanche. My recollection is that we had a whole bunch of them in the late '90s and then earlier in the '00 decade. It was because of housing pressure and a big escalation in remodels and

TRANSCRIPT

rebuilt. That's what drove it, just like we're having now. These tend to come in waves, and we're in a wave period probably right now on it. The arguments are good that we're going to have the community more and more concerned with Individual Review and how well that's being done, if they don't have an alternative mechanism to address this. I had a concern. I want to put this out on the table in the context of which Committee is going to review this. I know Council Member DuBois was suggesting Policy and Services Committee. It's not a given that it should go to Finance Committee. When I look at which Committee would likely be able to handle this most expeditiously, given that Finance has just finished the budget and Policy and Services has a big backlog for the next several months, it probably would go forward fastest if it would go to Finance Committee. There was one other thing I was going to say on the history on this. The thought escapes me. The other thing is something that Staff needs to look at and the Committee needs to look at. The last one of these that we had—I would say the last several—I raised concerns that we were getting a drift in terms of a lowering of the supermajority necessary to create it. If there ever was an interest in repealing it, it was going to be not a simple majority, but it was going to be a new supermajority. We have to think this through. There were original criteria, and it started slipping. The bar started getting lower. If we want as a policy basis to lower the bar, it should be done at that level, not on a case-by-case ad hoc basis where it started slipping. We never thought through this question of what happens if a decade from now a neighborhood, say 70 or 80 percent, wanted to enact it today. In a decade or more from now, half say, "We don't want it anymore." It would stay in place under our current rules. Nobody had thought through that aspect, and we need to think it through and make sure that that gets incorporated. I will support referring this to the Finance Committee.

Council Member Berman: For timeliness sake, I'll say that I agree with pretty much all of the comments of Council Member Scharff, Kniss and Burt. This is something that clearly our community is very interested in, but there are a lot of questions that we don't have answers to, a lot of questions I have that have been raised: the history of the single-story overlay, when there were fees, when they were waived, when it was successful, when it wasn't, how many neighborhoods might it apply to, what are the current overlays. I've heard nine, eight and ten. I saw there was an article in *The Palo Alto Weekly* from 2002 that I randomly found Googling earlier today. That doesn't give me nearly the history and substance that a Staff Report would. Council Member Burt brought up a lot of good questions about how a single-story overlay might be rescinded and having that conversation. I'm glad to hear that Finance that might be able to take it up before break. Sounds like our community has been putting in a lot of work, and they

TRANSCRIPT

should get a quick response. We need to make sure that it's a thorough response as well. I don't feel prepared to vote on that tonight.

Mayor Holman: I'll weigh in on this. It is always good to have answers to questions. The one question that we have the answer to is that we have literally hundreds of homeowners who want protection for their neighborhoods. That's a question we have the answer. We know that development pressures are upon us. The economy is hot. My question for the Director of Planning is if this could get on the Finance Committee's June 16 agenda, what are you going to have for a Staff Report? That's a week from tomorrow.

Mr. Keene: We may not have a Staff Report. I heard also a comment "before the break." We may need a special. Even then it's a crunch. There's no doubt about it.

Mayor Holman: Personally, I have no confidence that there can be a Staff Report with very much information in it that could go to Finance before break. This is June 8th. Council's on break the end of June. I don't see how it can happen.

Mr. Keene: Might not happen.

Mayor Holman: Then you're looking at August. I don't want us to fool ourselves or set a goal that's not achievable. That means we're leaving people in limbo for probably three months at least. Individual Review, as Council Member DuBois said, is not satisfying the needs of residents to protect their neighborhood character. Our Comprehensive Plan talks pretty explicitly and fairly frequently about the importance of recognizing individual neighborhoods have individual characteristics. It's incumbent upon the Council to preserve that and support members of the community who want to preserve that. Council Member Burt said he doesn't remember fees being raised previously as an issue. He and I both served on the Planning Commission for several years before being on Council. I don't remember them ever being an issue before either. We do know that there were times when there weren't fees charged. If a neighborhood were to file for a single-story overlay, even if the work weren't completed—I don't know if this is a question for City Attorney or Director Gitelman—if there was an application on file, if somebody was going to buy a house in a neighborhood that had applied, would that need to be disclosed to a potential buyer, so they know there could be a single-story overlay? What I'm asking this for is to understand if an application itself would provide some level of "protection?" It would be cautionary.

TRANSCRIPT

Ms. Stump: We would have to look at those issues. I can't advise on the competing interests and rights without looking at the Ordinance and doing some research on that question.

Mayor Holman: I was thinking when we talked about it this morning that it would have to be disclosed? No? Did I misunderstand? I guess I misunderstood.

Council Member DuBois: I'm going to take a crack at it after listening to all of you guys. I emailed it to David. To make a Motion that we—the Mayor seconded this in March when I brought it up, and I hope she'll second this Motion. We direct Staff to evaluate capping the fee for SSO at \$2,000 from residents per application for Fiscal Year 2016, bringing that to the Finance Committee before the break. Direct Policy and Services to consider a new process and appropriate fee structure to allow neighborhoods to bring forth neighborhood conservation and preservation overlay zoning changes to preserve neighborhood character, which may include zoning overlays that include second stories.

Mayor Holman: I will second that.

MOTION: Council Member DuBois moved, seconded by Mayor Holman to:

1. Direct Staff to evaluate capping the fee for Single-Story Overlays (SSO) at \$2,000 from residents per application for Fiscal Year 2016, bringing that to the Finance Committee before break; and
2. Direct the Policy and Services Committee to consider a new process and appropriate fee structure to allow neighborhoods to bring forth neighborhood conservation and preservation overlay zoning changes to preserve neighborhood character, which may include zoning overlays that include second stories.

Council Member DuBois: The IR process is broken. This isn't just about the fees. If we can address the fees through the Finance Committee, that's great. What I'm hearing from residents is not that the single-story overlay is perfect. Cities like Cupertino allow second stories but in the Eichler style. Looking at this idea of a zoning overlay that would preserve a neighborhood character but perhaps be a bit more flexible than an SSO, that's the second part of the challenge that we should look at. I tried to capture a lot of the comments about going to Finance, directing Staff to evaluate the number. I'm open to tweaking this a bit. I tried to capture the thoughts there.

Mr. Keene: Before we go too far, I had a couple of thoughts. Number one, I look to the City Attorney. The first part of the Motion is dealing specifically

TRANSCRIPT

with a fee that's been in the budget related to the single-story overlay. The second one expands this and understandably. It could be a big discussion about all sorts of conservation and preservation and different zoning changes. One, it could be quite complex. Two, the question is whether it's adequately noticed at this point for this piece of work. Lastly, going back to this time issue, Lalo and I were just talking. Maybe the best thing is to not refer this to a Committee and have it come back to the Council, maybe you're January 29th meeting to give us a little more time.

Mayor Holman: I think you mean June 29th, right?

Mr. Keene: June 29th, excuse me. Is one way that the whole Council gets to be engaged and you have the potential to take action rather than sequencing stuff anyway to a Committee and then having to get it back to the Council. Just a thought.

Council Member DuBois: That's a good idea. Can I amend my own Motion? Instead of bring it back to Finance, bring it back to Council. Was it June 29th?

Mayor Holman: June 29.

Council Member DuBois: If the description on the second part is overly broad, I would be open to proposed language to narrow that.

Ms. Stump: This is a sound approach to simply direct Staff to place an item back on your agenda, so that it can be noticed. No policy discussion on this question has been noticed for this evening, so it is appropriate to focus on the fee issue which is a part of your budget. You can take action on that tonight. To bring back the topic, noticed broadly enough to allow a policy discussion and then various ideas can be explored by the Council with proper notice to the public at that point.

Council Member DuBois: Does it have to be noticed to come to Council first to get referred to Policy and Services?

Ms. Stump: It would be fine for you as a Council to refer it to Policy and Services as a topic. I would encourage not a lot of direction about the substantive content. Again no policy discussion's been noticed for this evening.

Council Member DuBois: Yes, that's what I'm suggesting. Could this be narrowed to say "direct Policy and Services to evaluate the SSO Ordinance?"

Council Member Burt: That's different.

TRANSCRIPT

Council Member DuBois: Does that allow us to discuss modifying an SSO?

Mayor Holman: City Attorney, when this comes back, when this returns, when the single-story overlay item comes to us on June 29, at that time could this be noticed—I think that's what you're trying to get at—as a part of that? To have a discussion about the broader applications of overlays.

Ms. Stump: Yes, you could direct Staff this evening to bring back an item at the end of June that's very broad. You could discuss all policy aspects of single-story overlay or other types of neighborhood protection zoning ideas. As long as the Staff understands that that's what the Council wishes to do, we can craft an agenda item that's broad enough to do that and that would allow you to take action yourself, refer items to your Planning Commission, refer items to various Committees.

Mayor Holman: Council Member DuBois, would you accept that? The last sentence that you have here would be replaced by language "to direct Staff to place on the June 29 agenda an Action Item that would consider ...

Ms. Stump: Policy matters related to single-story overlay and neighborhood protection.

Mayor Holman: And other overlay matters related to neighborhood protection. "Other neighborhood overlays that could provide neighborhood protections." That's agreeable to you, Council Member DuBois?

Council Member DuBois: Yep. Thank you.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to replace in the Motion Part 1, "bringing that to the Finance Committee before break" with "to return to City Council on June 29, 2015 for further discussion."

Mayor Holman: I haven't spoken to the main Motion. I spoke to it mostly previously. This is for a finite amount of time. I'm hoping that when this comes back on June 29th—I don't know how much information is going to be provided by Staff. It's still a short timeline. I'm hoping that we will be supportive of this.

Council Member Scharff: I will not be supporting the Motion. First of all, it's too prescriptive to say \$2,000 from residents per application. It would be good for the Finance Committee to look at that. There may be a point in waiving the fee. That may be \$2,500. It may be \$1,500. It could be that we don't do that at all. It's just pulling it out of the air. I don't think there's

TRANSCRIPT

any reason to be prescriptive on that. Finance should have the discussion about these issues and move forward expeditiously to do it.

Council Member Burt: The specific dollar amount in here is too prescriptive, and I would like to propose that it be amended to simply capping the fee for single-story overlay and omit "at \$2,000." It could be less, it could be more that we decide on.

Council Member DuBois: That'd be fine. I would like to have the conversation.

Mayor Holman: I'll accept that.

Council Member Burt: Just a brief comment that this second action to begin this process of other neighborhood protections is needed, but I don't want folks to think this is going to be simple. When we had the R-1 review that was created, we had a committee that met for—two years? Yes—to come up with a grand compromise on this. I'm not saying it's going to take that long, but this is not a simple task. There are going to be competing interests that we'll hear from as we go forward. I want people to be aware of that. I would like to encourage Staff to engage with the former co-chairs of the Future of R-1 Neighborhoods Committee, Annette Glanckopf, John Northway and Carol Harrington, and get a debrief on the history of that.

Council Member Kniss: You almost had me, Tom. "Policy matters that relate to single-story overlays and other neighborhood overlays that could provide neighborhood protection" is going so far afield on June 29th, that I'm uncomfortable with it. What I could support is to evaluate capping the fee. I could certainly consider that coming back to the Council on June 29th. The other item on June 29th, when we're just ready for our break, means that we're probably going to go all night until my plane leaves the next morning, to be quite honest. That's a bit overboard. Unless you can alter that part of the Motion, I'm not going to be able to support it. Secondly, we have already indicated as a Finance Committee that this was coming back to Finance. Unless this is a group that wants to say no, Finance cannot take up something it already agreed to take up, I'm finding that rather awkward. Given that we had said this had some urgency, it would come back to us for Finance. I had suggested it come back before the end of June. I'm not comfortable with that and, therefore, having trouble supporting this.

Council Member Berman: The first sentence is a good compromise to get a quick solution to the concerns that have been raised by the community. They want as quick a reply as possible. I support the first sentence. Similar to Council Member Kniss, I don't support the second sentence just because it is too broad of a topic. There's not enough time for Staff to do a good job of

TRANSCRIPT

writing a Staff Report on that broad of a topic. It would probably be a four-hour item at Council. I'd encourage my Colleagues to stick with the first sentence, which addresses the concerns that have been raised by the community. Let's go a little slower on the second part, and maybe bring that back after break.

Mayor Holman: Two things. Regarding the second sentence, I realize it is in error in one way, from intention I believe. "Direct Staff to place on the June 29 agenda as an action item that will consider referral of policy matters," I think that's what was intended there.

Council Member DuBois: Yeah, that was the intent. Not that we would have a substantial discussion on the 29th, that we would start the process. It would take a long time as Council Member Burt is suggesting. It was not to rush to action at the end of June, just to start.

Mayor Holman: That was the intention. Just to throw it out there, to a comment that Council Member Burt made, and appropriately so, that this could be a long process. When it comes to Eichler neighborhoods, it won't be a long process, because there are all kinds of model ordinances out there, all kinds of model overlays. Because Eichlers are unique, a lot of these neighborhoods have CCRs from which neighborhood characteristics can be pulled. It's not like we're trying to address the world of development.

Council Member DuBois: We should officially alter the Motion. I don't know if you made the Amendment to consider referral, but I agree to that Amendment. It was amended.

Mayor Holman: Shall we vote on the board?

Council Member Kniss: I do want to comment. We have a new Motion that I'd like to comment on and make sure that we have clarity on it. As far as capping the fee, that is heading in a good direction, especially rather than being absolute in the amount. Secondly, directing Staff to put on the June 29th agenda an action item that would consider referral, I want to ask you a little more on this one, Council Member DuBois. Referral of policy matters, there could be a hundred policy matters that refer to neighborhood protections. I'm concerned about the amount of time it's going to take on that very last date. We're going to need at least a couple of hours for this.

Council Member DuBois: What I understood was—again, not that we would have much of a substantial discussion on the 29th—that we are agendaizing the referral so that the public can be noticed that we're going to begin this discussion.

TRANSCRIPT

Council Member Kniss: It's fine if we agendaize the referral. I'm saying on record now that I don't see that as a protracted discussion. I know Council Member Burt is absent that night. There may be others absent that night. You're on the verge of break. My recollection is there are at least two members absent that night.

Mayor Holman: Council Member Burt will be here that night as it turns out.

Council Member DuBois: Just trying to respond. I wasn't anticipating that we'd be referring specific policy suggestions. If you want to limit it so that that does not occur, I'd be open to that.

Mayor Holman: Council Members, can I try to move this along? We've still got other budget matters to undertake. All this is saying—just to make sure Staff's on the same page of this and the maker of the Motion as well—we are not going to discuss the various policies on the 29th. We're going to refer the policy matters that relate to this to one of the Committees on that night. We won't be able to even conjure up all the policies. This is getting something agendaized so we can refer to a Committee, which we cannot do tonight.

Mr. Keene: That's helpful, if that's a clarification. Certainly, we have a lot of concerns. One about our ability as Staff to support an expansion of this topic. The same Staff is doing the retail overlay, doing the Downtown Development Cap, trying to get the RPP. The list goes on and on and on. To not get the community expectations so built up that there would be decisions on the second portion of this thing taking place on the 29th, other than brainstorming some issues and referring it to a Committee. At that Committee, we're going to have to deal with the implications of what it would take to do these things.

Mayor Holman: I note that Council Member DuBois nor I as maker and seconder have put a timeline in this. It's to get something started. It's not to make policy decisions before the end of June on that second item. It is something that has been resonating in the community for a good while. Some community members haven't known that there was that possibility. This is just to get something started. It's not to put a timeline to it at this point in time.

Council Member Scharff: I'm unclear what other neighborhood overlays we would be thinking about. I might be comfortable with this if we were talking about an SSO.

Mayor Holman: Council Member Scharff, it's an education. I'm trying to hurry us along here, so pardon me for interrupting. There are all manner of

TRANSCRIPT

neighborhood overlays, conservation overlays, conservation districts, preservation overlays, preservation districts. They're basically the same thing; it has many names applied to it. They exist. We're not recreating the wheel here. That's what we're referring and what we'll make more reference to and more discrete reference to when this comes to us on the 29th.

Council Member Burt: Can I offer an example that may help?

Mayor Holman: Sure.

Council Member Burt: If I might offer an example that may help. For instance, an Eichler neighborhood may elect to not institute a single-story overlay, but might institute a design overlay that requires any second stories be both compatible in design—this is what some other cities have done—in an Eichler neighborhood and respect the privacy elements of an Eichler neighborhood. That's an example.

Mayor Holman: It's a term of art, so to speak.

Mr. Keene: I just want to put it out there. The 2015 work plan is completely full. If it's a discussion, it's one thing. If it's coming up with a variety of design guidelines for residential neighborhoods on top of everything else being done by not only the same Staff but the same Council, we need to ...

Mayor Holman: We've been pretty clear that there's no timeline associated with this. We want to get it out there on our agenda. Whenever it comes up, it's a matter of prioritizing. We understand that Staff's stretched pretty thin.

Council Member Scharff: I haven't heard any things in the community. I haven't gotten a single email on this issue. I would make an Amendment to it that we direct Staff to place on the June 29, 2015 agenda an action item that would consider referral of policy matters that relate to SSO neighborhoods.

Mayor Holman: I wouldn't accept that.

Council Member Kniss: I'd be more comfortable with that.

Council Member Scharff: You'll second it?

Council Member Kniss: I will second it.

Mayor Holman: What I'm tempted to do here is split the question and vote on the first part.

TRANSCRIPT

Council Member Kniss: Why don't you do that.

Mayor Holman: Split the question, vote on the first part, and then we'll hash out hopefully quickly the second part.

Mayor Holman: We are currently voting on to direct Staff to evaluate capping the fee for single-story overlays, SSO, from residents per application for Fiscal Year 2016 and refer this to the City Council on June 29th, 2015. Vote on the board please. That passes unanimously with Council Member Filseth absent, Vice Mayor Schmid and Council Member Wolbach not participating.

MOTION PASSED: 6-0, Schmid, Wolbach not participating, Filseth absent

Mayor Holman: The second part of this. Council Member Scharff you had offered an Amendment. Could you repeat it please?

Council Member Scharff: I'll offer a Substitute Motion that we direct Staff to place on the June 29th, 2015 agenda an action item that would consider referral of policy matters that relate to SSO neighborhood overlays.

Council Member Berman: Second.

Mayor Holman: I'm not hearing a second.

Council Member Kniss: I haven't seen the Motion yet.

Council Member Scharff: This would limit the discussion to single-story overlays.

Council Member Kniss: At this point ...

Council Member Scharff: Did I get a second? If I get a second, I want to speak to it.

Mayor Holman: Council Member Kniss, are you seconding that?

Council Member Berman: I'll second it.

SUBSTITUTE MOTION: Council Member Scharff moved, seconded by Council Member Berman to direct Staff to place on the June 29, 2015 agenda an Action item that would consider referral of policy matters that relate to SSO.

Mayor Holman: Council Member Berman's seconding.

TRANSCRIPT

Council Member Scharff: The reason I'd like to do this is that, as Staff said, their plate's full. If we start going down these paths of all these other possible options, we're going to spend a lot of Staff time on it. The issue that we're getting a lot of emails on and a lot of thoughts on are single-story overlays. That's the issue that we should focus on.

Council Member Berman: That's right. Not to say that these aren't interesting issues, but we can only do so much. We've probably already bitten off more than we can chew as a Council, as a Staff. I'm starting to become very sympathetic to the fact that if we don't prioritize anything, we're not going to get anything done.

Council Member DuBois: I'm not sure what this accomplishes. We already have a single-story overlay. It's a pretty detailed Ordinance. It seems like a waste of time to limit this to just talking about single-story overlays, which we already have. I was comfortable with putting something about neighborhood overlays, even if it doesn't come up until next year. Our Committee agendas are pretty full. It gets to the real issue which is that the residential review process is broken. It's much more appealing to consider second stories. The way I read this, we would only be able to talk about single stories. I don't think it accomplishes much.

Council Member Kniss: I surprisingly agree with Tom on this. I don't know where this takes us. The most important thing we're doing tonight is we've been asked by the neighborhoods—I've gotten any number of emails saying could we waive the fee. That's very clear this is waiving—I'm going back to the Motion that we already passed. That is exactly what we were asked to do, would we waive the fee. That's what we took up at Finance. We're talking about evaluating capping the fee, which very much addresses the waive the fee. Within our Comp Plan, we're going to be taking up all the other issues that deal with neighborhood protection. A single-story overlay is a major protection. Whether we have eight, nine or ten, those areas are all protected. Greenmeadow in this community has been protected since it was built in the late '50s or early '60s with an entire number of Eichlers that have CCRs protecting them. This absolutely is a possibility. We have gotten far afield from where we were at the beginning of the night, which is would we waive the fee. Council Member DuBois, you've addressed it very well. You're talking about you're going to waive the fee.

Mayor Holman: I'll just make one statement, which is I'll be supporting the original Motion, because I don't think this accomplishes much of anything.

Council Member Scharff: I wanted to respond. The reason it makes taking up these single-story overlays, a lot of what Council Member Burt said

TRANSCRIPT

earlier about the issues of if the neighborhood wanted to undo it, what does that look like. If we're going to waive the fee, how do we want to make this work well? To Council Member Kniss' point, I agree with her 100 percent of what she said, which was that we're going to take up the more broad thing possibly at the Comp Plan which we could. There's no reason to have Policy and Services take a look at this issue now outside of the Comp Plan. Council Member Kniss is correct on that. To broaden this will distract from the other issues and from getting this issue done and focused on. That's why I'm voting yes for the Substitute Motion and no on the other part of the Motion.

Mayor Holman: I will again be voting for the original Motion. The single-story overlay and the rescinding of that would also be addressed in the original Motion. I'll be supporting the original Motion. Vote on the board please for the Substitute Motion which is to direct Staff to place on the June 29, 2015 agenda an Action Item that would consider referral of policy matters that relate to single-story overlay. All those in favor, vote on the board please. That fails on a 2-4 vote. Council Members Berman and Scharff voting yea, Council Member Filseth absent, Vice Mayor Schmid not participating, Council Member Wolbach not participating. Mayor Holman, Council Members Burt, DuBois and Kniss voting nay.

SUBSTITUTE MOTION FAILED: 2-4 Berman, Scharff yes, Schmid, Wolbach not participating, Filseth absent

Mayor Holman: We return now to the main Motion which is to direct Staff to place on the June 29, 2015 agenda an Action Item that will consider referral of policy matters that relate to single-story overlays and other neighborhood overlays that could provide neighborhood protections. Vote on the board please. That passes on a 5-1 vote with Council Member Filseth absent, Vice Mayor Schmid and Council Member Wolbach not participating, Council Member Kniss voting no.

MOTION PART 2 PASSED: 5-1 Kniss no, Schmid, Wolbach not participating, Filseth absent

Mr. Keene: I want to clarify that the Council, even though it wasn't in the Motion, identified that there could be an extended timeline in the actual ... Good. Your 2015 work plan's already filled up.

Mayor Holman: I'll state it again. There's no dates specified in the Motion. Council Members, we return now to the rest of the budget discussion. Council Member DuBois will get the Vice Mayor and Council Member Wolbach.

TRANSCRIPT

Council Member Kniss: Mayor Holman, could we do five minutes of stretching?

Mayor Holman: If we will commit to being more efficient than we were on that last item. We have another item to take up yet this evening plus a Closed Session. How about a five-minute stretch?

Council took a break at 9:37 P.M. and returned at 9:45 P.M.

Vice Mayor Schmid and Council Members Wolbach returned to the meeting at 9:45 P.M.

Mayor Holman: Council Members, we are returning to the broader budget discussion.

Council Member Kniss: Who made a Motion?

Mayor Holman: We don't have a Motion yet. I'm not entreating you to try to bring up something.

Council Member Burt: Since others were silent ...

Mr. Rossmann: I would like to respond to a question that Council Member Burt requested and speak to the cost of the AEDs which have been discussed by the Council this evening. Let me take the easier response first. Twenty-five AEDs cost about \$40,000. That's what we would have to budget for the purchase, and those are the 25 AEDs as proposed by the community members here tonight. Responding to Council Member Burt's question. He asked what's the difference in the Fiscal Year 2015 Adopted Budget for Capital Improvement Fund versus the 2016 Proposed Budget. Before I respond exactly with the numbers, I would like to outline the way we build our five-year CIP. In Fiscal Year 2015, the '16 plan year is used as the baseline for the next year's five-year CIP. In comparison to Fiscal Year 2016, the planned one from last year versus the budgeted one for this year, changes in dollar amount are hardly \$1 million. It hasn't changed much. The main purpose for the increase is the reappropriations. It accounts for about 50 percent of the increase. The reappropriation projects which we are appropriating is the golf course, Lucie Stern Community Center. These are large projects which we're carrying the funds forward. In response to your question.

Mayor Holman: We will put on the five-minute timer to try to keep us on pace at least.

TRANSCRIPT

Council Member Burt: I had a question or two, but I also am willing to make a Motion on the AEDs. If I do that, does that mean I can't ask a question?

Mayor Holman: We have been through a round, and I haven't heard any other new issues raised. I have one new issue to raise. Would you allow me to raise the two budget questions about dollars, and then get those on the floor?

Council Member Burt: First, a quick comment. There was a discussion about consultants. We need to make a distinction between consultants which are hired for special expertise and contract employees. Those get conflated often in the press. I was hearing us tonight speak as if they're one and the same. They have different definitions, and it's important for us to distinguish them. Otherwise, the public thinks we're hiring all these people as consultants. Many or most are actually contract employees for given periods. That's one of the comments. I do want to follow-up on Council Member DuBois' concern over whether we have adequate encroachment fees for construction projects that partly or wholly shut off streets. It's become a big pattern, in the Downtown areas in particular. I don't think we can come up with tonight what those ought to be. What I would like to do is move that we refer to the Finance Committee consideration of stronger encroachment fees for construction projects that shut off portions or all of City streets and sidewalks.

MOTION: Council Member Burt moved, seconded by Mayor Holman to refer to the Finance Committee consideration of stronger encroachment fees for construction projects that impact portions or all of a city street or sidewalk.

Mayor Holman: I would second that. I was waiting for Council Member DuBois to, but I'll second it.

Council Member Burt: It's an impact on the community that doesn't seem to be captured in the fees.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to replace in the Motion, "or all of City streets and sidewalks" with "or all of a city street or sidewalk."

Mayor Holman: I would agree, speaking to the second. That's why I support it. I wonder if it's any clearer to say "or all of a City street or sidewalk." It's maybe just a nit.

Council Member Kniss: One comment to this. I don't think it's only for those that shut off portions; it's that affect portions. There are streets near

TRANSCRIPT

me that frequently at least half the street is impacted. It's severely impacted, but it doesn't shut off the portion. It simply damages it.

Council Member Burt: I will change it. Instead of "shut off," to "affect" or "impact."

Mayor Holman: That's fine with me. Looks like we're ready to vote on this. That passes on a unanimous vote with Council Member Filseth absent.

MOTION AS AMENDED PASSED: 8-0 Filseth

Council Member Burt: Another one was on revisiting the issue of Code Enforcement Officers. One of the things that I heard—this was framed at the Finance Committee around whether we have existing complaints that are not being met. I'm not sure that that's the right way to look at it. My recollection is that historically Code Enforcement Officers were not just reactive, but they were proactive. They identified issues and responded to them. We heard a speaker earlier tonight on, for instance, our leaf blower Ordinance. That's a good example. It's unenforced because Code Enforcement does not have the bandwidth to do so. Only if they receive complaints do they respond. They can go down any day of the week in any neighborhood and find violators within minutes. It's widespread. That's just one example. I've heard a lot of issues. If we were to go back over the last two years, many complaints in the community over what we'll call quality of life issues are not about the need for new Codes. They're about lack of enforcement of existing Codes. It doesn't mean those same people who are complaining before us at Council and have raised those things are going through the City process to register a complaint. Maybe they should be encouraged to do so, but this was not the correct consideration. I don't know that we can resolve this tonight. This was not vetted adequately or in the way that I would have preferred it at Finance Committee. I'm open to considerations on either putting this position back in the budget or having a future discussion on it.

Council Member Kniss: I would consider putting this back in the budget. I did not agree with this at Finance. Let me make a Motion first of all, that we put this Code Enforcement Officer back into the budget. I'll speak to it if there's a second.

Council Member Burt: Second.

MOTION: Council Member Kniss moved, seconded by Council Member Burt to keep the Code Enforcement-Lead position in the FY 2016 budget; and direct the City Manager to propose an alternate position be removed from the FY 2016 budget if required to maintain a budget surplus.

TRANSCRIPT

Council Member Kniss: Over the past year, I have had any number of comments, particularly from neighbors, particularly from others, regarding our Code Enforcement. They've been really troubled by it. It's one of the areas where our PR is not good, if we're not using Code Enforcement. Because we're not, this should be proactive. There are a number of areas in town where you can see buildings that are half done, where there are lots that are left open, a whole variety of issues. It's up to us to be sure that we're keeping an eye on what's happening in our community. There's almost, literally, not a day that goes by that someone doesn't stop me and say, "What about the house that's on so-and-so" or "What about recently the house that's burned" or whatever that may be. At least let somebody be out there and indicating what's going on. That's a position we shouldn't have eliminated.

Council Member Burt: To give another set of analogies. We have essentially Codes around speeding and parking and fire compliance and innumerable things. None of those are based upon complaint. We don't go after speeders only if someone dials 911, nor do parking enforcement folks only operate on a complaint basis or fire inspections if somebody complains about a fire risk. That's a group of things that we say, "No. We want our appropriate City Staff, whether they're Police Officers or parking or otherwise, to be looking at compliance." This notion that it's only on a complaint basis is inconsistent with other elements of our Codes that we treat on a non-complaint basis.

Mayor Holman: Question for Staff. I have heard sometimes that Code Enforcement is on complaint basis. That's been oftentimes corrected by City Staff, saying it's not complaint basis.

Ms. Gitelman: Thank you, Mayor Holman. Hillary Gitelman, the Planning Director. Let me start by thanking the Council. We did have a discussion of this at Finance and provided some additional written materials to the Committee as well. We currently have two Code Enforcement Officers who work very hard to keep up with complaints. The vast majority of our program is following up on complaints that we receive from members of the public. The addition of another Code Enforcement Officer would allow us to be more proactive as Council Member Burt suggests. One of the reasons we identified this as a position we'd like to add in the budget is we consistently rank around 60 percent in terms of the Citizens Survey confidence or appreciation of our Code Enforcement Program. It's an area where we think the Planning and Transportation Department can do better. With the additional resource, I think we can give more attention to planned community districts, to conditions of approval that are applied at the time of project approvals and continue to respond to complaints that come in, in the

TRANSCRIPT

way that our great two people have been doing over the years. I'd be happy to answer any other questions.

Council Member Wolbach: I will be supporting this. It's a good Motion. I understand and respect the efforts of the Finance Committee to be budget hawks and to be very careful about our budget. This is an investment worth making.

Council Member DuBois: I'm struggling with this one. I do respect the work of the Finance Committee. I'd like to see us leave tonight with some surplus remaining. It's very easy to add things back. I would support this, and I'd like to propose an Amendment that the City Manager propose an alternate position to cut.

Council Member Kniss: I would support that. That probably was almost inherent in this suggestion. We did ask to have three positions cut.

Council Member DuBois: What I'm struggling with is he comes back with another position and we really like that position too. I'm going to make that proposal. Thank you for accepting that.

Council Member Burt: I haven't accepted it. I would accept an Amendment that said "the City Manager return with an alternate position to be cut if required to retain a budget surplus."

Council Member DuBois: Of \$1?

Council Member Burt: We'll hear what he says when he comes back. It gives that framing that we're not saying that—if your concern is a surplus. If I did the math in my head, we're not yet in jeopardy of coming close to a lack of ...

Mayor Holman: Council Member DuBois, do you accept the Amendment?

Council Member DuBois: Yeah, I'll accept it.

Mayor Holman: Council Member Kniss, you're good with that?

Council Member Kniss: I accepted it, yes.

Mayor Holman: I'm going to support this, because Director Gitelman spoke very well to this, about how we do lag. She listed some of the things that we do not score well on the Citizens Survey. She may have gotten Vice Mayor Schmid's vote on that. It is something we hear complaints about a good deal. Vote on the board please.

TRANSCRIPT

Council Member Scharff: The first question is on leaf blowers. The Code Enforcement person, is that their job to go around and do leaf blowers?

Mr. Keene: Yeah, they certainly could, yes.

Council Member Scharff: Do they do that currently or not?

Mr. Keene: It's a grab bag of things. It is a supply and demand issue. There are some things that we have not forayed into, because we feel limited in the Staff. I definitely agree that having the cops isn't the effective way.

Council Member Scharff: We used to have the cops do it, right? People used to call, and the cops would go out and cite people.

Mr. Keene: Yeah. We haven't had the effort or the way to do it. We've talked about should we license folks, the gardeners, to make it easier to have some real teeth to this in some ways.

Mr. Perez: We had a Community Service Officer, part-time, do it. It wasn't technically an officer.

Council Member Scharff: I thought it was a Police Officer, not a Code Enforcement person. I remember that distinctly in the budget. If this Code Enforcement person will deal with leaf blowers, I could support this as well. I was completely with Council Member Burt when he said if there is stuff that we aren't getting out and doing in terms of proactive stuff that needs to be done, I'm not convinced that we got that information that yes—in fact I know we didn't—we need to do the following proactive stuff and that there are all these violations going unheard. In fact, before Council Member Burt and Kniss made this Motion, I was going to suggest that we come back to Council with a look at what exactly is the shortfall in this. Once you add a position like this, it goes on forever. If we need it, we need it. If we don't, we don't. I don't think the case was properly made at Finance. Given the notion that we could use this for leaf blowers, I am hearing that we will get some leaf blowers with this. City Manager, am I getting the sense that we will get some leaf blower enforcement with this?

Mr. Keene: Yes. We may have to devise some method to do it. On the actual ticket writing, it may involve the police. As the speaker said, there was this idea of much more engagement, warnings, those sorts of things. They are mostly commercial gardeners with folks working there. It's as much an education effort. We probably have a good way to mail in something on the enforcement side if we need to. Clearly, the leaf blower

TRANSCRIPT

issue is an issue in the community. With extra capacity, we would devote some of it to leaf blowing enforcement.

Vice Mayor Schmid: Just a technical question. Budget surplus, does it include outstanding issues?

Mr. Rossmann: No. The outstanding issues we referred to today are funding from other funds. That's the Stanford Development Fund for Track Watch, etc. Right here in front of you on the screen, we're showing for you the Motions as they will be made today by the Council, so we can track and see how we're doing with the budget surplus.

Vice Mayor Schmid: The Fire Services contract, the golf course closure are not ...

Mr. Rossmann: Those issues are concerns we have for the budget for next year. However, we don't know the outcome yet.

Mayor Holman: I don't know when I'll have a chance to say this. Can we make sure that our Code Enforcement Officers also have noise measuring devices? I've heard I can't tell you how many complaints from people who say they call in a noise complaint. Staff will come out and say, "I don't have any way to measure it." I've heard that numerous times. With that, we'll be voting to put the Code Enforcement Lead position in the Fiscal Year 2016 Budget, that the City Manager propose an alternate position to remove from the Fiscal Year 2016 Budget if required to maintain a budget surplus. Vote on the board please. That passes unanimously with Council Member Filseth not present.

MOTION AS AMENDED PASSED: 8-0 Filseth absent

Council Member Kniss: This is not going to be a Motion. It's really direction instead, because we are still in the tentative part of the budget. I want to speak to Project Safety Net and also involve City Manager Keene at the same time. This is the first year I have been this involved in Project Safety Net. I have been very concerned about where we're going with it, what resources we're putting into it and so forth. Right now we have a two-part solution. Part of that is Project Safety Net, however that may be defined. It seems to not be defined as well as perhaps it was in '09, '10 and '11. I wasn't here at that time, but I'm sure that whomever was originally involved in it was very clear on what the outcome would be. The second part of this particular aspect, which was on the board before, is whatever the amount is that's going into Track Watch. For me, Track Watch is going to be about prevention at the source without any question. It's a very hands-on thing. You've all seen everyone waiting at Track Watch, the personnel who are in

TRANSCRIPT

the orange jackets that I'm now seeing almost all day long. I want to ask some more about that. Also, Jim, you and I earlier discussed Project Safety Net and where you see it going at this point. I'd like us to have this brief discussion, so we all know where that's going to be. It will go before Policy and Services tomorrow night.

Mr. Keene: Rob is here if you need more discussion. The members of Project Safety Net and affiliated individuals around the community have been doing a lot of work this spring in particular. Deepening work about what the form and the roles and the funding and the best practices are for going forward. They have developed some alternative recommendations about how to put Project Safety Net on a clearer and more sustainable footing. I can be honest with you. I've been skeptical about some of the ideas, but it's partly because grasping some of the concepts in these collaboratives is pretty difficult. You're dealing with a complex human systems, health issue that involves a whole range of people across so many different organizations, the whole drill.

Council Member Kniss: If I could jump in there, if you don't mind. What is inherent here is the person that we hire as the coordinator. That's going to be not only important, but I hope that person will have some type of mental health background, is used to working in that field and pulling this group together. This is about the kids in our community. I know it certainly must have begun with exactly that in mind. How a community that's clearly stressful in many ways and is talked about now, including the *New York Times* over the weekend. We have become such a spotlight. This is one of those areas where we could make a difference. You advanced the amount that could be used for this tonight. I was delighted to see that. As I said, I don't think we need any Motion on this, but we need at least some sense that, as a group, we're going to support that. That pretty much doubles it from what we looked at in both areas, both the coordinator and in the Track Watch.

Mr. Keene: Two things. As far as the coordinator, we're almost doubling. You're correct. Walter does have a correction on their numbers for the Track Watch number. \$168,000 closes the gap for the full year, not another \$315,000. Still we're talking about \$0.5 million just on the Track Watch portion and \$200,000 for this position and some supporting costs. Again, it begs the question of the larger issues about how do the other key participants in the collaborative contribute and also what is a sustainable revenue stream, because we don't have a sustainable revenue stream.

Council Member Kniss: That would be my last comment. This is a community issue. This isn't simply one that rests with the City Council, but

TRANSCRIPT

with the School Board and with a whole variety. There should be some long-term sustenance of how we fund this. I hope we will be heading in that direction.

Council Member Scharff: I wanted to understand where we were. I'd like to see this wrapped up. Are we going to make a Motion to approve the budget tentatively? Is that the time to do that?

Mayor Holman: A tentative Motion.

Council Member Scharff: Is that the time to make the tentative Motion?

Mayor Holman: You may.

Council Member Scharff: Let me ask a question first before I make it. In your memorandum, you had two other changes. You had the Technology person and the parking person. If I make a Motion to approve the budget as set forth on Page 1, starting with "A," a Budget Amendment Ordinance which includes. That's the Motion you're looking for, right?

Mr. Keene: That includes these cost savings.

Council Member Scharff: That includes them. I will make the Motion that we approve the Budget Amendment Ordinance as set forth on packet Page 191.

Council Member Kniss: I would second it.

Council Member Scharff: Do I need to include all of the Amendments we made? Is that how we do it?

Mr. Keene: All of the Amendments that have been made so far?

Council Member Scharff: Yeah. Do I say that or it's not necessary? We just know that it's in there. I wasn't sure if you need it all in there or not.

Mayor Holman: Just say "as Amended."

Mr. Perez: Yes. The only question I have—and maybe me, not the rest of the table—I'm not sure we got to the AEDs.

Mayor Holman: What Council Member Scharff is doing is the main Motion. We can still amend it and add Amendments to it.

Mr. Perez: Yeah.

TRANSCRIPT

Mayor Holman: We're not closing that off.

Mr. Keene: Why don't you say "as Amended this evening." If you do a couple others, it would include this.

Council Member Scharff: I'll say "as Amended this evening and including \$50,000 for the AEDs."

Mr. Rossmann: 50,000 is fine.

Council Member Kniss: It is tentative?

Council Member Scharff: Yeah.

Mayor Holman: It is tentative. Council Member Kniss, do you accept that as amended with the AEDs?

Council Member Kniss: Yes.

MOTION: Council Member Scharff moved, seconded by Council Member Kniss to tentatively approve the budget including \$50,000 for Automated External Defibrillators (AED), and amendments as discussed:

A. Budget Amendment Ordinance which includes:

1. City Manager's Fiscal Year 2016 Proposed Operating and Capital Budget; and
2. Amendments to the City Manager's Fiscal Year 2016 Proposed Operating and Capital Budget; and
3. Revised City Table of Organization; and
4. Fiscal Year 2016 Proposed Municipal Fee Changes; and

B. Resolution Adopting a Dark Fiber Rate Increase of 2.7 Percent and Amending Utility Rate Schedules EDF-1 and EDF-2; and

C. Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase Storm Drain Rates by 2.7 Percent Per Month Per Equivalent Residential Unit for Fiscal Year 2015; and

D. Resolution Adopting a Wastewater Collection Rate Increase of 9.0 Percent and Amending Utility Rate Schedules S-1, S-2, S-6 and S-7; and

TRANSCRIPT

- E. Resolution Adopting a Refuse Rate Increase of 9.0 Percent and Amending Utility Rate Schedule R-1; and
- F. Resolution Amending Salary Schedules for the Management, Professional, and Confidential Unit, the Utilities Managers of Palo Alto Professional Association, and the Service Employees International Union:
 - 1. Amended Salary Schedule for the Management, Professional, and Confidential Unit; and
 - 2. Amended Salary Schedule for the Utilities Managers of Palo Alto Professional Association; and
 - 3. Amended Salary Schedule for the Service Employees International Union; and
- G. Refer to the Finance Committee a discussion of changes to the Public Art Ordinance to simplify the calculation of the Public Art Fee and a discussion of usage and replacement of pool vehicles.

Mayor Holman: We can vote on that, and then we can amend it as we go along. That passes unanimously with Council Member Filseth absent.

MOTION PASSED: 8-0 Filseth absent

Mr. Rossmann: Mayor Holman, may I speak to one issue regarding the AEDs, which we forgot to mention before? The proposal by the community group brought forward proposes to add AEDs into utility trucks. We may have to work with our employee groups to see whether there's any issues regarding them being required to deploy AEDs when they get a call.

Mayor Holman: I think we understand that.

Mr. Keene: You understand this, yeah.

Council Member DuBois: I'd like to make a Motion to direct Staff and the Finance Committee to come back to Council in six months with an update on the Animal Shelter to evaluate progress to determine if additional alternatives are required.

MOTION: Council Member DuBois moved, seconded by Council Member Scharff to direct Staff and the Finance Committee to return in six months with an update on the Animal Shelter.

Council Member Scharff: I'll accept that.

TRANSCRIPT

Council Member DuBois: Are you accepting it or seconding it? Are we back to Amendments?

Council Member Scharff: Accepting it. Council Member Kniss would have to accept.

Council Member Kniss: Yes. I think we had semi-agreed on that in Finance.

Mayor Holman: These can act as Amendments or Motions. It was put forth as a Motion, so that would need a second. It doesn't matter how we deal with these. Just to keep it cleaner, let's make it as a Motion. I changed my mind. Let's do it as an Amendment. That way it might go faster.

Vice Mayor Schmid: As I recall during the Finance Committee discussion of Animal Services, wasn't there a request to come back with a monthly report?

Council Member Kniss: Yes.

Mr. Perez: Correct. We will provide that to the full Council as well.

Vice Mayor Schmid: This says return in six months, but we will have monthly ...

Mayor Holman: The clarification that may be needed is a report is going to Finance monthly. This Motion is to bring that also to the Council at the end of six months.

Mr. Perez: Right.

Mayor Holman: Correct, Council Member DuBois? Okay. That was accepted by the maker of the original Motion and seconder. Vote on the board please. That passes unanimously with Council Member Filseth absent.

MOTION PASSED: 8-0 Filseth absent

Council Member Kniss: They're official?

Mayor Holman: Yes, that was part of the main Motion.

Council Member DuBois: One more. I'd like to direct Staff to evaluate and update the Business Registry late fee to escalate per month for for-profit companies. The late fee for non-profits will remain as is. I'm concerned about the amount of time it's taking to get the Business Registry up.

Council Member Burt: You need a second. Second.

TRANSCRIPT

MOTION: Council Member DuBois moved, seconded by Council Member Burt to direct Staff to investigate increasing the Business Registry late fee monthly for for-profit organizations and remain the same for non-profit organizations.

Council Member DuBois: I understand we're taking steps to do outreach to companies. I'm concerned that the Registry fee is \$50. The maximum late fee is \$50. I'm concerned it's going to take too long unless we escalate the fee.

Vice Mayor Schmid: Second.

Mayor Holman: There's already a second.

Council Member Burt: I support Council Member DuBois' statements.

Council Member Kniss: No problem supporting this. I don't want to add this to the Motion, but inherent in that should be why are we having such a hard time with this Business Registry. It's been talked about for a long time. Are we missing something in the amount of the late fee and so forth? As we look at it, we should analyze why it's not yet very successful.

Council Member Scharff: I agree with the intent. I'm not sure it's not too prescriptive, and I'm not sure why we're okay with for-profit organizations not signing up and nonprofits don't have to sign up. We should have Staff come back to us with an approach. First of all, what is the uptake at the moment? I don't think we've really had ...

Mr. Keene: I gave one last week. I can't remember what it was. It was approaching 1,500. We haven't gotten above, say, the 30 percent threshold. That's for sure. We need to look at things. Part of the discussion on the fee or fine itself still may not be the whole issue. We have to talk about the enforcement capacity, what that takes. There might still be some folks who say, "I'll pay a fee. I don't feel like whatever. I'm Libertarian", or whatever it is. What you want to know is what's keeping us from hitting our numbers.

Council Member Scharff: I'd make a Substitute Motion that we direct Staff to investigate increasing Business Registry registration up to and including increasing late fees.

Council Member Berman: Second. Was that a Substitute Motion?

TRANSCRIPT

SUBSTITUTE MOTION: Council Member Scharff moved, seconded by Council Member Berman to direct Staff to investigate increasing Business Registry participation, up to and including increasing late fees.

Council Member Scharff: Yeah, it was a Substitute Motion.

Council Member Berman: I'll second it.

Council Member Scharff: This is an important issue, and I'm glad Council Member DuBois raised it. I don't think we have a lot of information at this late hour. To be prescriptive and to say, without much thought, "Let's do it on a monthly basis." You want Staff to give it some thought like they normally do, vet it and come back to us with how do we solve this issue. It may very well be increasing monthly fees. There may be other things that need to be done as well. It's a mistake late at night to use the budget process to be prescriptive without vetting the process. There's a lot of things we could do that's in the budget. We're unhappy with leaf blowers, for instance. Let's do similar things. We need to think this through and solve the issue, but give Staff latitude to come up with what they think is the right approach.

Council Member Berman: I agree. It's definitely a problem that we haven't had the uptake that we wanted or anticipated. We did anticipate that it would take some time, but clearly results haven't been what we were looking for. We might find, we probably will find that there are a lot broader problems than just the size of the late fee. This allows us to accomplish the concern that Council Member DuBois raised, that the late fee might not be large enough, but it allows us to also take a look at other possible solutions to increasing the sign-up rate for the Business Registry. At the end of the day, that's the goal.

Council Member Burt: I don't disagree with that. The only thing the Council needs to act is directing a fee increase. Staff on their own, I would assume, is looking at a variety of measures to improve the uptake, but we would have to authorize a fee increase. I'm seeing the City Manager nod his head. You're not sitting on your hands as a Staff and doing nothing or thinking of nothing about how to improve the uptake on the Business Registry. Is that correct?

Mr. Keene: Yes, that's correct. However it comes to us, a discussion with Council is obviously nearing. Do you know what I mean? We're going to have some ...

TRANSCRIPT

Council Member Burt: I'm okay with either one. The only thing that is incumbent on the Council is the fee increase. They can't do that on their own. They could and presumably are addressing the other aspects.

Mayor Holman: We're ready to vote on directing Staff to investigate increasing Business Registry participation up to and including increasing late fees. Vote on the board please. That passes unanimously with Council Member Filseth absent.

SUBSTITUTE MOTION PASSED: 8-0 Filseth absent

Mayor Holman: Council Members, it is 10:23. We usually do our check-in a little bit earlier than this. We have another Action Item and a Closed Session. The other item is the Fry's site. I want to see if we are wanting to take that up yet this evening.

Mr. Rossmann: Sorry to interrupt you, Mayor Holman. There's one more budget item. Council Member Scharff was nodding when the City Manager asked to refund the two vehicles again in the CIP for our Vehicle Fund.

Mayor Holman: I wasn't shutting that off.

Mr. Rossmann: Wonderful. Thank you.

Mayor Holman: I was trying to get a decision from Council if we were going to take up the next item or not.

Mr. Keene: I would remind the Council, your rules right now say every effort to end by 11:00 and not take up new items after 10:30, but you make a decision. You would be making a decision to take up two items tonight, if you're asking about taking up the Fry's item.

Council Member Scharff: I would move that ...

Ms. Stump: If I may. The Fry's item, the Planning Director is indicating is not time sensitive. The Closed Session is. There's an action that Council would need to take tonight potentially. We have outside counsel here as well.

Mayor Holman: We have room on maybe the—coming upon summer break. Do we have room on the 15th or 22nd to take up the Fry's site up? I'm sorry I don't have those agendas with me.

Beth Minor, City Clerk: On the 15th, at this time we have five items, all public hearings, with a potential time of getting out at 11:00 P.M.

TRANSCRIPT

Mayor Holman: And the 22nd?

Mr. Keene: The 22nd's better.

Mayor Holman: Could I get a Motion then please to continue—I lost my agenda.

Mr. Keene: The 22nd, you have the weed abatement public hearing and the Policy and Services Committee recommendations regarding the fall legislative program and a Colleague's Memo regarding clear-cutting.

Council Member Scharff: Did you want a time certain?

Mayor Holman: I think we should.

Council Member Wolbach: If this is not time sensitive, does that mean it could wait until after the break?

Mayor Holman: We've been waiting for years for this.

Mr. Keene: Hillary is saying if we want the grant, we need it before the break.

Council Member Wolbach: It is time sensitive, but it doesn't have to be tonight. Got it.

Mayor Holman: Council Member Scharff, to answer your question. If we could continue this to a date certain of June 22nd.

Council Member Scharff: I'll move that.

Council Member Kniss: Second.

MOTION: Council Member Scharff moved, seconded by Council Member Kniss to continue Agenda Item Number 7- Review of a Draft Scope of Work for the Fry's Master Plan and Adoption of a Resolution Regarding the Use of Regional Transportation Funding to June 22, 2015.

Mayor Holman: Will you vote on the board please. That passes on a 7-1 vote with Council Member Filseth absent, Council Member Wolbach voting no.

MOTION PASSED: 7-1 Wolbach no, Filseth absent

TRANSCRIPT

Mayor Holman: We return now to the budget discussion. I have one comment, two actually. One is to add the traffic circle improvement Capital Improvement Project funding.

Council Member Burt: Second.

Mr. Rossmann: I believe, Mayor Holman, the Council approved this with the Motion from Council Member Scharff to approve the at-places memo. The capital funding was included in that at-places memo.

Mayor Holman: The positions were specified, but this wasn't. I didn't catch that that was included.

Mr. Rossmann: That's how I read the Motion. That's how I understood it. He said all Amendments brought forward by Staff.

Mayor Holman: I didn't look at these as Staff Amendments. It's additional information. Are we all clear?

Mr. Rossmann: It's all clear.

Mayor Holman: That was your intention?

Council Member Scharff: It was my intention too.

Mayor Holman: The second one is a question about something that I thought was going to come up during the Finance Committee discussions. That was having Police Officers on their feet in the commercial areas, Downtown and California Avenue specifically. I didn't find that that was a topic of discussion. If City Manager can address that and also why it would be a budget item as opposed to reassignment. I bring this up because I don't see Police Officers in the area. Twice in the last—I'd say three, maybe four weeks, I've seen three police cars on this block, in their cars addressing an enforcement situation. I don't understand why we're having Police Officers in their cars right here, instead of on their feet and as a presence.

Mr. Keene: We have Staff and the Police Department here. We'll carry that message back to the Chief. Since we'll be back here before Council next week, be prepared to give a heads up and bring that up. We'll have Staff here.

Ian Hagerman, Senior Management Analyst: Good evening, Mayor Holman, Members of the Council. Ian Hagerman, Senior Management Analyst with the Police Department. When we originally heard your question about enforcement in Cal. Ave. specifically, we went back and looked at the data around Cal. Ave. and the other Downtown areas. We do have a special

TRANSCRIPT

enforcement team that addresses special issues as they arrive in Downtown and other crime trends. The data tells us that the Downtown area has probably a four-fold increase in crime on numbers-to-numbers compared to Cal. Avenue. We have a limited number of resources, six to ten officers on the street at any given time throughout the day. They can only be in so many places at once. Regarding why they're doing enforcement activities nearby the police station or in their cars, some of it is having quick access to their vehicles. We do have a small number of folks who are on bikes in Downtown, a special enforcement detail. We send them out to the southeastern beat in the City occasionally on their bikes. You could understand that if there was an incident that required them to quickly get out of an area and they're on foot, that would be somewhat challenging for them. What our command staff would probably say and how we design how we're patrolling the streets is that you have to look at the totality of the circumstances and allocate the resources that we have, that are somewhat limited, in the highest concentration areas, which right now is that Downtown core, University Avenue which makes up easily 40-50 percent of our call volume. It's pretty substantial.

Mayor Holman: When this comes back, I would like to have a better understanding of, as it seems to me, having a physical presence on the street might not be a deterrent. If there is an issue, a police unit could be called. City Manager and I have been talking about this. Since then, I've gotten comments from members of the public saying this and this and this happened, why wasn't a Police Officer there when this was happening so it didn't continue to happen. When this comes back, I'd like a fuller explanation of that.

Vice Mayor Schmid: Just a comment. I was struck by the 50 percent of calls are in the Downtown. That certainly would argue for more intense. As general interest, police response time to a school incident is critically important. I can see being near a vehicle would allow them quick response to schools spread through the City. That would be certainly a concern with me.

Council Member DuBois: I want to make a quick comment. I want to thank the City Clerk for including, or whoever did, the verbatim minutes of Finance. If we had had action minutes, they would have been completely useless. It's something we should monitor. Over half this book is minutes. We may want to consider whether sense minutes make more sense.

Council Member Kniss: Could I add onto that? I would say I hope nobody does read them, because they're in such great detail. They're great bedtime reading; you'll probably fall asleep very quickly. It is stunning when you see

TRANSCRIPT

how much we actually say that before has been condensed into sense minutes. It's quite different. I would recommend what Tom did. Read this whole thing, and decide if you still think we want verbatim minutes.

Mayor Holman: With that, we will be continuing this discussion next Monday, as all of these Motions are tentative. They'll all be returning to the Council next Monday as we continue this discussion.

- ~~7. Review of a Draft Scope of Work for the Fry's Master Plan and Adoption of a Resolution Regarding the Use of Regional Transportation Funding.~~

Inter-Governmental Legislative Affairs

None.

Council Member Questions, Comments and Announcements

Council Member Kniss: I'm sure many of you may also have thought of going, but I did go to our representatives event that was held last Friday night out at Moffett Field, where Anna Eshoo announced her selections for the Air Force Academy, for Annapolis and for the Naval Academy, for West Point, I'm sorry. I'm just distracted a bit. Included in the group, which was fascinating, were four women of eleven. It was so interesting to see it. The women were not unusual in size at all. They've all been selected. It's probably the thrill of a lifetime, to get into one of the military colleges. It was a pleasure to be there.

Council Member Scharff: I did want to point out to everyone about Congressman Anna Eshoo and Rich Gordon's public meeting on the Santa Clara County sea level rise challenges and opportunities. I would encourage everyone to go on Friday, June 19th, from 1:45 to 5:30 P.M. I'll be moderating one of the panels, which should be fun.

Mayor Holman: There was a meeting last Friday in Mayor Sam Liccardo's office with Governor Brown, talking about the drought. There's nothing significant to report from that meeting, except following onto Council Member Kniss' comment. Of the 14 people at the table with Governor Brown, only three were women. Just an observation. The other thing that I wanted to mention is the reason I was late this evening is because I was at an event at SurveyMonkey, promoting an open house, if you will, for an enterprise called New Company or NewCo. If you Google NewCo and then go to schedule and buy tickets or get tickets, it will tell you not only about the company, but how many of these events are happening in Palo Alto and Silicon Valley. About 40-50 percent of all the events in Silicon Valley are

TRANSCRIPT

happening in Palo Alto. Rather than like an art studio open house, this is like open houses at the various businesses here that they're trying to encourage. They are looking at building community. This isn't just tech companies; it's also places like Deborah's Palm and Piazza's. It's quite impressive, what their endeavor is. I encourage you to go Google NewCo and see what open houses you might attend.

Closed Session

Vice Mayor Schmid: So moved.

Council Member Wolbach: Second.

MOTION: Vice Mayor Schmid moved, seconded by Council Member Wolbach to go into Closed Session.

Mayor Holman: We'll vote on the board please. That passes unanimously with Council Member Filseth absent.

MOTION PASSED: 8-0 Filseth absent

Council went into Closed Session at 10:38 P.M.

8. CONFERENCE WITH CITY ATTORNEY- EXISTING LITIGATION
Clear Light Ventures, Inc., et al. v. City of Palo Alto, et al. (Verizon Wireless; Little League Baseball of Palo Alto, Inc.), Santa Clara Superior Court Case No. 1-15-CV-278025.

Council returned from Closed Session at 10:45 P.M.

Mayor Holman announced that the City Council authorized the filing of an immediate appeal in the case of Clear Light Ventures v. City of Palo Alto, Santa Clara Superior Court Case No. 1-15-CV-278025 (8-0, Filseth absent).

Adjournment: The meeting was adjourned 10:45 P.M.