



CITY OF PALO ALTO CITY COUNCIL TRANSCRIPT

Special Meeting
April 25, 2016

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:01 P.M.

Present: Berman, Burt, DuBois, Holman arrived at 5:07 P.M., Scharff, Schmid, Wolbach

Absent: Filseth, Kniss

Closed Session

- A. CONFERENCE WITH CITY ATTORNEY—POTENTIAL LITIGATION
Significant Exposure to Litigation Under Section 54956.9(d)(2)
(One Potential Case, as Defendant) – Palo Alto-Stanford Fire Protection Agreement.

Mayor Burt: Our first item is a Conference with the City Attorney regarding potential litigation, significant exposure to litigation, under Section 54956.9(d)(2) with the Palo Alto-Stanford Fire Protection Agreement. I have no speaker cards, and so we'll entertain a motion to go into Closed Session.

Vice Mayor Scharff: So moved.

Council Member Wolbach: Second.

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

Mayor Burt: Motion by Vice Mayor Scharff, seconded by Council Member Wolbach. Please vote on the board. Why don't you raise hands. That passes 6-0 with Council Members Kniss, Holman and Filseth absent. Thank you. We'll now go into Closed Session.

MOTION PASSED: 6-0 Filseth, Holman, Kniss absent

Council went into Closed Session at 5:03 P.M.

Council returned from Closed Session at 6:09 P.M.

TRANSCRIPT

Mayor Burt: ... session item. We have no reportable action.

Study Session

1. Receive and Review the Report on the Mid-Peninsula Bicycle Sharing System Study.

Mayor Burt: We will now move on to a Study Session which is to receive and review the report on the Mid-Peninsula Bicycle Sharing System Study.

James Keene, City Manager: I'll turn it over to Josh Mello. I think you'll find this—I think it's a timely, obviously timely and necessary conversation but pretty interesting.

Mayor Burt: Welcome, Mr. Mello.

Joshuah Mello, Chief Transportation Official: Thank you. Back when I started in September, we had already received notice that the current bike share pilot was coming to an end. I've been in kind of data-gathering mode for the last eight months. There's a lot of moving parts to our existing bike share network as well as what's happening regionally. I'm going to give you a brief overview of kind of where we are today, things that have happened over the last couple of months, and then present a couple of options moving forward for your just consideration. Many of you are probably familiar with what's called a fourth generation bike sharing system. This is different from older bike share systems where bikes were just left leaning against trees. There was no formal membership, and bikes would typically disappear because there was no account set up or any kind of deposit put down. This type of system, the fourth generation bike share system, really took off in Paris, the Velib system, about a decade ago. This is a fleet of kind of automated public bikes that the typical version, the stations themselves have locking mechanisms, and the bikes are locked into the docks. Folks set up memberships where they can check out the bike for a defined period of time. The bikes are highly durable, and they're made to be used and abused by members of the public. They're not typical, off-the shelf bikes that you would own for personal use. These systems have been fairly successful. They have a low rate of loss and damage due to their design. Typically folks have to put a credit card down in order to ensure the bike is returned in time. There's generally two types of fourth generation bike sharing systems that are prevalent in the world today. The first is what's called a smart dock system, and this is what we have in Palo Alto. The two companies that manufacture and operate these systems are Motivate and BCycle. Motivate is the technology that we have with Bay Area Bike Share. The equipment that's used by Motivate is called PBSC, and it was actually invented by the Montreal Parking Authority. The technology is a little bit outdated today.

TRANSCRIPT

I'm going to talk a little bit more about that on the next slide. With this system, the majority of the technology is built into the stations themselves, and the bikes are essentially dumb. They're just bikes that interlock into the docking station. This type of system is used in New York, Boston, Downtown Los Angeles (LA), Chicago, many other American cities. Paris and a lot of the European cities also use this type of system. There's also one third brand called Decobike which is used in San Diego and Miami Beach. All of these generally share the same characteristics that there's a computer interface on the station itself. That's how folks sign up for memberships and check out the bikes. A new type of system that's becoming a lot more common in the United States, especially with cities that are just rolling out bike sharing, is what's called a smart bike system. This is where the stations themselves are just typical bike racks, and there's actually no technology built into the stations themselves. All of the technology is on the bikes. In this photograph, the black box that's above the rear wheel on the bikes is a computer processor that's linked via mobile networks to a central computer. When somebody signs up for a membership, they use a smart phone app that they can download very quickly. They select the network they want to use, and then they are given an account number and a pin number after they enter their credit card information. They can actually reserve a bike using the smart phone app. If you're walking very quickly, you need to get to a meeting, and you see there's a bike available a block away, you can reserve that bike using your smart phone app. When you get to the bike, you walk up to the keypad that's on the back, and you type in your account number and your pin number, and the bike is immediately unlocked. You take the yellow, U-shaped lock out there, and you put it onto a little holder on the bike. One of the other benefits of this system is that you can keep a bike checked out. I actually got to use this system in Phoenix, that's where I got this photo about a month ago. I was able to check out a bike at a hub across from my hotel, and then ride to a coffee shop, temporarily lock that bike up in front of the coffee shop outside of a typical bike share station. It charged me an extra dollar for being outside of a hub, but I didn't mind because, when I came out of the coffee shop, the bike was there, and I could jump back on it and ride it to a designated hub. One of the other neat things about this system—Topeka, Kansas, does this—you can create virtual hubs. In the case of Topeka, Kansas, their entire downtown is designated as a bike share hub. Somebody can jump on one of these bikes anywhere outside of downtown, ride to any normal bike rack downtown, lock their bike up, and it's considered returned to a hub. Other folks can use their smart phone apps and navigate to bikes that could be placed anywhere around downtown. They don't necessarily have to be at a fixed station. You can also create these kind of pseudo hubs like you see in the photograph, that are very identifiable. If you're walking down the street, if you're a visitor, you can easily tell that this is a bike share hub

TRANSCRIPT

even though it's just typical metal racks with a map kiosk at the end. This system is in use in Santa Monica, Portland, Phoenix, Tampa, Florida, as well as Long Beach, California. There's a couple of other manufacturers that emulate this, but Social Bicycles is the largest manufacturer of this type of technology. The other two are Zagster and nextbike. Nextbike rolled out in Pittsburgh last year. Zagster is mainly on college campuses and office parks and business campuses. Just wanted to touch on—sometimes safety comes up when we talk about bike sharing. A study by the Mineta Institute that actually just came out a couple of months ago looked at the history of collisions on bike shares throughout the United States and determined that they're actually safer than personal bicycles. People tend to take extra care when riding a bike-share bike. That's despite a pretty low helmet usage, because people don't typically carry helmets around with them when they're at work and they're visiting, when people would otherwise use a bike share system. As you know, we're part of the Bay Area Bike Share regional pilot. This was a five-city program that was rolled out in 2013 with 700 bicycles and 70 stations. Palo Alto has five of those 70 stations. It was launched with Transportation Fund for Clean Air monies that were distributed by the Bay Area Air Quality Management District. It was always intended to be a pilot. It was generally envisioned to get something on the ground, get bike share out there, see where it works. It was really about getting something on the ground quickly. The main goal of that program was to serve as last-mile connectivity from Caltrain stations. That's why there are a whole host of stations located along the Caltrain corridor in the Peninsula. Our five stations are mostly concentrated in the areas around the Palo Alto Caltrain station and the California Avenue Caltrain station. Our system was originally envisioned to also include stations on the Stanford campus. That did not occur. There were some issues with the technology as well as the aesthetics that led to the Stanford stations being removed from the original pilot. We were left with three stations kind of along the University Avenue Corridor, and then two stations along the Park Boulevard Corridor. By any measure, this is a pretty poorly designed bike share system. You don't have a density of coverage. You're really limited to traveling just a couple of blocks from the Caltrain stations. As you would expect, our usage has been fairly low. These numbers reflect our trip data from September 1st, 2014 to August 31st, 2015, roughly a one year period. As you can see San Francisco has about two and a half trips per bike per day, while Palo Alto only has 0.17 trips per bike per day. The kind of threshold that a lot of systems look to get to is at least one trip per bike per day. We're not even close to that when we look at this data. However, Redwood City has performed a little bit less successfully than we have. Mountain View is a little bit better; Mountain View has a couple of stations over in the Baylands east of 101. I think that's where a lot of their ridership comes from, folks going from Caltrain to the job centers along the Baylands. It is getting a little better. I pulled data

TRANSCRIPT

from February of this year; we're up to about 0.5 trips per day per bike which is pretty good. I think one of the things about bike share is that it takes a little bit of time to attract members and attract the type of usage that we want to see. There also has not been a lot of marketing done of our system. I think whatever we decide to do in the future, we should look at increasing our marketing efforts. One of the interesting things that did come from the data—you'll see this in the attachment to your Staff Report—is there's quite a few folks who have bike share memberships in San Francisco, and they come to Palo Alto and use our system because it's interoperable currently today. That goes to the fact that people are using it as a Caltrain last-mile solution. This is our station data. We have five stations. As you would expect, the Palo Alto Caltrain station has the highest number of trips beginning at that location. That's 99 per month. There's not a lot of trips happening on the weekends. Again, this looks like it's being used by commuters during the week. When you look at the spider map—there's actually a spider map that's released monthly by Metropolitan Transportation Commission (MTC) that shows where the trips are originating and terminating. Our largest trip segment is from the Palo Alto Caltrain station to the bike share station at University and Cowper. That's actually the farthest point you can actually ride from a Caltrain station. I think that's why you see that trip pair. It's a little bit too far to walk quickly. The other stations are generally clustered around the stations. If we were to move forward, I think if we were able to increase the distance folks can travel from Caltrain, I think we'd see higher performance. As you'd expect when you look down at it, it's really about land use and number of stations within the service area. San Francisco has a huge number of stations in a rather small service area. When folks use bike share, they want to know that they're going to have a station relatively close to where they're going. You're probably just going to walk if you have to park your bike share four blocks away from your destination, and then walk four blocks anyway. Back in 2015 as the pilot was about to start tapering off, MTC and Motivate—that's the current operator of the Bay Area Bike Share—entered into an agreement to dramatically expand the Bay Area Bike Share Program to 7,000 bikes which will make it one of the largest systems in the entire United States. That will be entirely privately funded; however, they're only expanding in San Francisco, Berkeley, Oakland and San Jose. The Peninsula cities were kind of left to fend for ourselves. We were given a term sheet, which is included in your packet, basically outlining the costs that we would need to cover in order for the Bay Area Bike Share system, the current five-station system, to continue operating in Palo Alto. Back in October 2015, MTC allocated some funding to SamTrans to do a Peninsula Bike Share Study. They partnered with Palo Alto, Redwood City and Mountain View to look at what the options are for those three Peninsula cities post-June 30th when the Bay Area Bike Share pilot ends. This study is still underway. A lot of

TRANSCRIPT

what's in your Packet is our draft documents from that study. We didn't have time to wait for the study to be finalized, because we have some decisions that we need to make in the coming two months. This Study provided us with a lot of really useful data. They looked at other suburban communities that have bike share, because one of the big questions is can bike share work in suburbia, outside of the urban core. The answer is yes. They looked at Alexandria, Bethesda, Brookline, Rockville, Silver Spring, Maryland, as well as Summerville, Massachusetts. Summerville and Brookline are a little bit denser than Palo Alto, but some of the Maryland and Virginia suburbs are, I think, good peers for us. They basically found that service area is the most important thing. In urban areas, it's really about station density. They found in suburban areas it's actually better to have a larger service area, because destinations are so far out. It's actually better to have a large coverage area, so folks can access a larger number of destinations. Based on the data that they collected in these other suburban communities, they looked at what the characteristics were for the successful stations in those communities. They modeled the densities and the land uses in Palo Alto, Redwood City and Mountain View to determine what the ideal system would look like for each of those cities. I'm going to show you a map of our ideal system, which is a 35-station system generally concentrated west of the U.S. 101 corridor, but covering the majority of the City from north to south and also serving the Stanford Medical Center and the Stanford Research Park. One of the developments in late 2015 was the City of San Mateo approved a 50-bike pilot bike share system. This was back in November. They did an interesting thing. Instead of doing their own procurement process, they just piggy-backed off of an existing contract between the City of Santa Monica and Social Bicycles. They were able to get the price that Social Bicycles offered to the City of Santa Monica for those 50 bikes. Then they found a local nonprofit called Bikes Make Life Better to actually operate the system. Every bike share system requires three ongoing maintenance and operations tasks. The first is repairing the bikes. The bikes will break from time to time; they'll need tires repaired. The second is rebalancing the bikes. A lot of the bikes tend to get clustered in one location. In the morning, everybody would ride to Caltrain, and then there's no bikes left in the outer neighborhoods. The bike share systems typically rebalance the bikes during the day to make sure that there's an equal distribution. Then there's customer service. If somebody calls because their account's not working, somebody has to answer the phone or respond to emails. Those are the three kind of ongoing operations and maintenance costs. City of San Mateo, their 50-bike system is going to cost 85,000 for capital, and then they're going to have about \$90,000 a year in operating costs for their 50-bike system. Back in March of 2016, there was a deadline to apply for Transportation Fund for Clean Air funding. They purposely reduced the threshold needed to apply for bike share funding. I

TRANSCRIPT

think that was done to get Palo Alto and Mountain View and Redwood City to apply for these funds. We indeed did submit an application in March. We were still unsure as to what the future held, so we left it a little bit open. We projected out costs over five years and came up with a cost benefit that worked out for the funding source. We ended up requesting \$171,000 with an assumption that the City would identify \$911,000 in local operating funds over five years. By submitting the application, we did not commit ourselves to doing this project or accepting the funds, but we didn't want to leave that funding on the table because it was purposely structured to enable us to apply to continue the operation of our bike share program. There's also another source of funding that's on the horizon, and that's the MTC Bike Share Capital Program. Early last year, the MTC Board set aside \$4.5 million in capital funding. They're going to make that available over the next two years in probably two phases to communities that are left out of the Bay Area Bike Share expansion. Everybody but San Francisco, Berkeley, Oakland and San Jose will be able to apply for these funds. We don't know how much will be available per community. We don't know how many communities they're going to fund. The total is 4.5 million. To wrap this discussion up, this presentation up, the BABS, Bay Area Bike Share, pilot program is scheduled to end on June 30th. There is an opportunity for us to go to a month-to-month contract where we would just need to give them 30 days notice when we want to end the program. We could also extend it for another year. Either of those options would require us to bring an agreement back to you in a relatively short time for your approval. The City must provide notification to Motivate on what our decision is by May 31st. We need to let them know whether we want to end the program, extend it on a month-to-month basis or extend it for a longer period of time. There's several decisions that we're going to need to make over the next several months to a year, depending on what we do with the Bay Area Bike Share system. We need to decide if we want to continue with a smart dock system that's more expensive on a per-bike basis or do we want to transition over to the smart bike system that's a little more flexible, seems to be the newer technology and is a lot less costly than the smart dock system. We also need to think about how large we want our system to be. Do we want to continue with a very small or small system like we have today or do we want to move towards that ideal system size where we're going to get the kind of ridership that we'd really like to see? Thirdly, we need to think about an operator. Our current operator is Motivate which is a for-profit company that's very wedded to one technology. We could go to a nonprofit model similar to what the City of San Mateo is doing. There's also several other options out there as far as operations. This is a map showing our ideal system. For the application that we submitted in March, we broke it into two phases. The dark gray areas which are generally Downtown and the California Avenue (Cal. Ave.) Business District as well as the Research Park

TRANSCRIPT

and the Medical Center, that's what we called Phase One. Ideally we'd like to get 13 stations in there. For the Transportation Fund for Clean Air (TFCA) grant, we assumed three new publicly funded stations and then five privately funded stations, which would get us up to that 13 number, which we think would work in that dark gray area. The remainder of the area, which is shown in light gray, that would get us to our 35 stations, which is based on the modeling that the consultant did for the Mid-Peninsula study. That's what our ideal system looks like. That's where we're going to get the most benefit for our cost. This is a table that shows the preliminary alternatives and the cost. I want you to take this with a grain salt. This is a little bit "back of the envelope." Until we actually start negotiations, we're not going to have firm numbers. These are based on the term sheet that was provided by Motivate as well as the rate that the City of San Mateo got for Social Bicycles, which is an executed contract. For our very small system, which is five stations, there would be no capital costs for us to continue that, because the stations are already in place. They're owned by Motivate. However, the Motivate term sheet shows that we would need to provide \$101,000 a year to keep operating that system. It would work out to a cost per trip of about \$33 if we had our current ridership, if we did not move the stations and just left it operating the way it is today. If we went to a small system, which would be a little bit larger than ours, that 13-station system that I mentioned, we would have a capital cost of \$415,000, and then an annual operating cost of \$220,000, and a five-year total cost to the City of about \$1.5 million. That's about \$15 per trip if we saw the ridership gains that were modeled by the consultant. The Social Bicycles, same size system, 13 stations, our capital costs would be a little bit lower at 400,000. Keep in mind that would be buying an entirely new fleet of bikes. Even to buy an entirely new fleet of bikes, the Social Bicycles system is still cheaper from a capital perspective than just expanding our existing system. That has an annual operating cost of 175,000 with a total five-year cost to the City of about 1.3 million. The cost per rider goes down a little bit with that one to \$13 per rider. The last two would be the large 35-station system. The capital cost for that using the smart dock Motivate system would be about \$1.8 million; whereas, it would only be about \$1 million if we were to use the Social Bike smart bike system. Our operating costs would be \$335,000 with the Motivate system, 170,000 with Social Bicycles. You can see that the Social Bicycles 35-station system, the total five-year cost to the City is only \$1.9 million; whereas, the Motivate system would be about \$3.5 million. With the Social Bicycles 35-station system, we get the cost per trip down to about three dollars which kind of puts it in line with a typical transit trip. One last point I want to touch on which I don't want it to get lost in the numbers. This is very important, regional integration. One of the benefits of our current system, being part of the Bay Area Bike Share system, is that someone who has a bike share membership in San Jose or San Francisco

TRANSCRIPT

can come to Palo Alto, and they can use our system with their membership. They don't have to sign up for yet another layer of transportation memberships or fares. Regardless of the technology that we select, we need to move towards better integration with transit. There is an initiative on the horizon by MTC to create what's called Clipper 2.0, and that could be a couple of years out. Clipper 2.0 could feasibly integrate bike share into the regional fare payment system. Someone who has a Clipper card that's stocked up with \$20 could just walk up to the bike share system and not have to go through the whole process of signing up for a membership and just easily check out a bike and jump on and use it like they would any other transit system. As currently structured, the Social Bicycles (SoBi) bicycle technology actually offers a little bit better integration with the Clipper system. You can tie your Clipper card to your membership. When you sign up for a SoBi membership, you can take any Radio Frequency Identification (RFID) card and you can enter the number on the back of the RFID card, and your bike share membership will be tied to that card. If you remember I showed you the SoBi bikes. They have the black box on the back of the bike. There's actually an RFID chip reader in that box too. In lieu of entering your account number and a pin, you can just walk up and scan the RFID card that you had already connected to your account previously. However, you cannot use your Clipper card fare balance to pay for bike shares. It won't actually use the backend payment processing that's attached to Clipper. You would still have to have a separate account with SoBi, but you could use the same card. That option doesn't exist at all with the Motivate system. You have to have an entirely different membership. That concludes my presentation. Thank you.

Mayor Burt: Thank you. Colleagues, questions and comments? As a Study Session, we'll be taking no initiatives. Vice Mayor Scharff.

Vice Mayor Scharff: Thanks. Thanks for the presentation; it was really great. A couple of things. Do we know at all what Mountain View or Redwood City are going to do?

Mr. Mello: Yes. I actually talked to them this week, my counterparts there. They're kind of in a similar stage we are. They're thinking about their options. I know Redwood City, the City Manager is looking at it. Mountain View, they're going to their Council shortly. They're in a similar place to we are. They haven't seen the performance that they expected out of the Bay Area Bike Share pilot. Redwood City has talked about whether they even want to continue any type of bike share program given their low usage. I think they're both open to pursuing an alternative solution. They're kind of waiting to see what we do as well. What's come out of the planning effort with SamTrans is kind of a mutual agreement that we need something that's

TRANSCRIPT

a little more tailored to the Peninsula cities and that the Motivate system may not be the best fit.

Vice Mayor Scharff: I think what struck me most is how much better than San Jose we do. If you look at our numbers now ...

Mr. Mello: (inaudible)

Vice Mayor Scharff: Yeah, the current ones. We're at 0.52, and we have a terrible system, as you said. I think that really shows that there's huge demand for this, given how much better we frankly do with horrible station placement. When I look at this, I actually am very optimistic that if we did the ideal system, that it would be widely used throughout Palo Alto. When you look at these, it almost seems to me that there'd be very little reason to stay with Motivate. They're much more expensive to operate, hard to grow the system. When you look at that three dollars a bike ride, that seems to make some sense when you start looking at that. I mean, \$33 a bike ride doesn't really seem to feel very economical to us. My thoughts are that I would definitely push for the large system frankly with SoBi. I think that makes the most sense. I mean, I'm not wedded to that obviously, but the Motivate doesn't seem to make a lot of sense given their capital costs and also that frankly they don't really want to do Palo Alto, they don't want to do Redwood City. They've sort of politically been forced to—now they're charging us for it. I understand they don't even really want to do San Jose. They really just wanted to do San Francisco, Berkeley, that area. I definitely think that we should focus on that. How long would it take to—you said we could go month to month. We could go month to month for as long as we want. Is it prorated? Is there any down side? Is it more expensive to go month to month? How quickly can we transition, if we wanted to, to SoBi and then start maybe slightly smaller and then move to a large Phase One and Phase Two as you talked about?

Mr. Mello: If we went month to month, it would be a prorated cost based on the \$101,000 per year.

Vice Mayor Scharff: (inaudible) what is that? 12,000?

Mayor Burt: No, 8,000.

Mr. Mello: \$8,000 a month roughly. That's all inclusive, so we wouldn't have to contribute anything additional. They do all the maintenance and operations. There is an additional cost if we wanted to move the stations to try to get a little better performance out of our existing system. There's an added cost to moving the stations. If we were going to end the Motivate contract eventually, I don't think we'd want to invest in moving the stations.

TRANSCRIPT

Your second question about how long it would take, I think we could move—I think each individual city could move relatively quickly. If we wanted to develop a Peninsula solution with Redwood City and Mountain View, I think there'd be an added time that would be required to negotiate something that

...

Vice Mayor Scharff: What's the advantage to that? Why not just put our own in and then they'll probably follow suit. If they don't, they don't.

Mr. Mello: One of the other strengths of the Social Bicycles, SoBi, system is it's one smart phone app for all of their systems. When I signed up in Phoenix for their system, I could have also signed up for the Tampa system or the Santa Monica system. San Mateo is rolling out a SoBi system, so they'll have the same app in that case. I think if we were to move in that direction, I think we could kind of see some cross-pollination and some integration even if we didn't sit around and wait for a unified system that was all one brand.

Vice Mayor Scharff: I'd be concerned with waiting. I'd like to see us move as quickly as possible and get this done, given the traffic situation in Palo Alto. This seems a relatively inexpensive way, especially with the large system, to get this done. I'd be concerned with getting—I mean, I have doubts that Redwood City is going to really spend the money and move on this frankly. I think if we get out there first and start doing this, I think other people then, if they do come online, will follow that. When you look at these numbers, it seems hard to imagine you'd choose Motivate over SoBi just given the numbers. It seems to me that that's where we should go on this. Thanks.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I guess my understanding is we've basically been on probation for about a year since they basically told us they weren't going to fund it anymore. It doesn't sound like we did much in that last year to really see what we could do. We could have moved the stations, but we didn't do that. I guess my big question is what's it going to take to be successful. I guess the numbers did go up a little bit since that time. You mentioned marketing. Are there other things you think we need to do?

Mr. Mello: I think there's two things that we could do, that we haven't done to date. The first is to increase our marketing and make this a recognizable brand that is promoted by the Transportation Management Association (TMA), by the Research Park Transportation Demand Management (TDM) folks, the Medical Center, all of our larger employers. One of the most successful ways to increase bike share usage is to offer corporate

TRANSCRIPT

memberships at a discount, so that they're just included for every employee. It gives people an incentive to try it out. They may not buy it own their own, but if they get a corporate membership ...

Council Member DuBois: That starts to make a lot of sense to me. I'd definitely want to see that be part of the plan.

Mr. Mello: We could also move to a place where bike share becomes a part of the development discussion. When applicants are looking at different TDM measures, perhaps providing bike-share bikes or bike-share hubs becomes one of the tools in their toolbox for trip reduction.

Council Member DuBois: It looks like we need to get about three times the usage to get to self-funding, which is a pretty significant increase. Would we actually go and have advertising on the bikes to help defer the cost?

Mr. Mello: The operating costs that I showed in the table do not include costs being offset by advertising or sponsorship. If we did secure a sponsor or advertising, that would reduce our operating cost.

Council Member DuBois: Do they change or are they permanent for the life of the bike?

Mr. Mello: The advertising?

Council Member DuBois: The sponsorship, yeah.

Mr. Mello: On the SoBi bikes, they have panels on the racks on the front that are changeable. If you go to the first picture I showed where they have a map panel, you can have the map on one side, and then you could actually have an advertisement on the other. They would be changeable as well. Sponsorship would entail kind of wrapping all the bikes in some kind of brand, the corporate colors. That's a little more difficult to change, but those are usually multiyear contracts.

Council Member DuBois: I'll just echo Council Member Scharff. I mean, Motivate seems very expensive, and they don't seem very interested really in working with us. Have you talked to San Mateo? Are they interested in collaborating, create a different kind of network with SoBi?

Mr. Mello: They are. I can't remember off the top of my head, but they named their system something that's very easily transferrable to ...

Council Member DuBois: It's Bay something.

TRANSCRIPT

Mr. Mello: Yeah. It's a play off Bay Area Bike Share. I think their intention is to—if other cities want to buy into it and become a part, they'd be open to it.

Council Member DuBois: it's pretty, I think, encouraging that—I think there are other forms of integration. We're talking about paying with your phone and Clipper card. I think if we pushed that way, that's very positive as well. Can we get the TFCA funds if we go with SoBi or are those tied with staying with Motivate?

Mr. Mello: The grant was written in an interesting way. It said it must be compatible with Bay Area Bike Share. It didn't say it had to be Bay Area Bike Share. Our intent is if we are successful in our grant request and Council elects to go with a different technology, we would just submit a request to use that funding for a different technology.

Council Member DuBois: I think we need to—the question about smart bikes versus smart docks, I think, is a really important one. Just reading the report—you're more of an expert than I am—it seems like smaller cities, smart bikes make more sense. This idea of kind of virtual docks or having the entire Downtown be a dock just seems to make more sense in a suburban environment. I really think we've got to factor that in as not just a cost issue, but really what technology is best for our City. I wanted to look at the ideal 35-station slide for a second, if you could pull that back up. I went back and looked, and there were some articles from a couple of years ago where even then, I think, the ARB didn't like the station placement. Even bike advocates were saying they didn't think it was going to work. I think getting the placement right is really critical. I know this came out of some recommendations, but just looking at this, if you think about Mountain View, and you said they're getting a lot of bike usage to Bayshore, we've got a lot of offices along Bayshore and also Embarcadero. They're outside of the proposed region. We actually have empty office space out there. I think thinking about bike share from University station out to Bayshore would be useful. I'm also starting to hear a lot with the RPP about businesses along Middlefield Road and University. They're a little bit far to walk from Caltrain. Instead of kind of this dispersion model, we should actually think more about where the employment centers are. There's kind of two issues: where are the employment areas and where are the residential areas. I think the other thing we need to consider here is the RPP program. If we start to put bike share racks just outside where there's still free parking, we're going to have people driving and parking in the neighborhood and picking up a bike. That's probably not the intended behavior we want. I think if you look at this, the ideal map might actually be more of a doughnut with racks along 101 and on the north side of Bayshore and maybe more stuff in the

TRANSCRIPT

Research Park and less stations in the middle of the neighborhoods. If there was a way that those racks in the middle of residential neighborhoods could only be used by residents, I think that would be an interesting use of technology. I would worry about stations in the middle of Old Palo Alto, and you just park there and then ride the bike into Downtown. That's it. Thanks.

Mayor Burt: Council Member Berman.

Council Member Berman: Council Member DuBois brings up an interesting issue that kind of—before I get to that, has anybody—forgive me if this was in here and I missed it—done an analysis of—what is the benefit to the community if we somehow achieve 112,000 annual bike share trips in a year? Has anybody quantified what that means either in terms of fewer parking spaces or reduced congestion or reduced greenhouse gas emissions or anything like that? Is there a way to even do that, to quantify it?

Mr. Mello: Yes. The City of Austin did a survey on its bike share users. They have a pretty popular system. They found that 41 percent of the bike share trips were displacing a single occupant vehicle trip. That's really the only number that I've been able to find as far as trip displacement.

Council Member Berman: The question that I had that I thought I'd answered, but then Council Member DuBois' suggestion might blow a doughnut hole in it, was is there that much demand just from commuting employees or to reach that goal of 112,000, do you need to get significant numbers of inner-city trips from residents taking it to go to the grocery store or go Downtown for dinner or that kind of thing as opposed to just people coming in for work. I don't know how this 112,388 was derived. Can you achieve that high usage just with employees or do you need the benefit of residents using it for trips across town?

Mr. Mello: That number was extrapolated from all of the peer cities that the consultant looked at, which were mostly suburban in nature with a similar land use pattern as Palo Alto. The assumption was that you would have the coverage of the entire service area...

Council Member Berman: For both options essentially.

Mr. Mello: ...to generate that 112,000. If we were to just locate them in a doughnut fashion at employment centers in Downtown, the numbers may look different. We would have to re-model that to see how that would perform.

TRANSCRIPT

Council Member Berman: Based on the success or lack of success we've had, I was fairly skeptical coming in. Seeing the distributed nature of the stations and the fact that you could get residents to use it for inner-city trips, which make up a lot of our congestion and parking usage at certain times, that appeals to me. I definitely see Council Member DuBois' concerns about how people might manipulate the system, though. These are good questions that we have to think through. I like the fact that it's spread out, and that people can use it in the neighborhoods. I think that could be a great way to get people using their cars less. In terms of the inter-city connectivity and possibly partnering with Mountain View and Redwood City, what's Menlo Park doing? They're kind of a big hole in between us and Redwood City.

Mr. Mello: They have not shown an interest in participating in the study to date.

Council Member Berman: Jim.

Mr. Keene: Can I just jump in as an aside? Interestingly enough, I think I mentioned this to the Council before. The Cities and the City Managers of Redwood City, Menlo Park, Palo Alto, Mountain View and senior leadership at Stanford have been working together and actually working towards at least a sort of City Manager agreement to maximize inter-jurisdictional planning on different transportation issues as much as possible. Even this past week, we had a briefing to the City Managers on this topic that included Menlo Park. To date, they haven't been part of this. As you know, they're in the process of adding bike lanes, for example, along El Camino Real where we don't have them. That's been a topic we've said, "Wait a minute. The interconnect between your town and ours are things we've got to be talking about more explicitly." I would imagine that this would extend to Menlo Park also.

Mr. Mello: I think they would be interested to see what we do and maybe want to participate once we get something in the works.

Council Member Berman: I guess just lastly I'd agree with my colleagues that I think the SoBi go big option, if we're going to do this, is the right option. I think there are still questions that need to be answered. The small options aren't generating any sort of benefit, so that doesn't make a lot of sense.

Mayor Burt: Council Member Schmid.

Council Member Schmid: It was good to see the February update. It's important to see that this works in the community over time and builds up a

TRANSCRIPT

cadre. I'm a little surprised that this is being pushed in conjunction with Caltrain. I mean, using it for that last mile certainly would save Caltrain loading up bikes on the train. It sort of condemns the system to be used once a day. When you arrive at Caltrain, you go to your workplace, and you put it there. You reserve the bike at 5:00 PM to catch the commute train coming back. These one-way trips or one bike a day trips don't seem to work. Where it really works is where you have dense neighborhood developments like San Francisco, where you can move from neighborhood to neighborhood to house to visit and so on or in a business park where you have three or four meetings over the course of a day and you can pick up a bike in front of each office, drop it off. The bikes move around; they get used five, ten times a day. Palo Alto is designed sort of to be a more walkable community where you get to your workplace and you can walk to your coffee, your lunch, to your comrades who are working across the street. On your map, when you reach out to the neighborhoods, everybody owns a bike. We're putting our efforts into making it easy with bike boulevards for you to use your bike from home to go to various places. I don't quite see how this would fit in. I guess there's a second issue on the cost and the cost tradeoffs. I'm surprised you don't come tonight saying, "Here's what you get for spending hundreds of thousands of dollars on bike. Here's what you might get by investing that in shuttles, in a Marguerite program that moves from Caltrain to a number of businesses during rush hours, that can deal with the suburban densities." We have talked about not just shuttles but ridesharing components where for \$100,000, \$200,000 a year you can make a big impact on a much wider audience and those who are not just taking that one-mile trip from Caltrain to their job. I would certainly encourage you to look at this in terms of a cost tradeoff with other options. There are places where it makes a lot of sense maybe; the Stanford Research Park jumps out. If you can get a good program running in the Research Park, it might be just the commute and also lunch time and shopping and things like that. You could have a program working back and forth (inaudible). That raises another question of who pays. Why should the General Fund pay if this is primarily work-oriented, how to get people to their workplaces? I notice there are letters in here from Stanford Research Park, from Stanford, from big employers saying, "This is great. Do it." Why aren't they paying the \$100,000 and guaranteeing that they would cover whatever cost the program involves? They benefit; they should contribute. One last comment on the placement, on the map you have. The point was made that you've left off some of the big business districts already. I think immediately of something like the Baylands. A station out there on a weekend would entice people who are not regular bicyclists to be able to enjoy the Bay trail. Maybe there's a way of just moving bikes from a Caltrain station which aren't used on the weekend out to the Baylands on the weekends and developing a whole new cadre of users and riders. I think

TRANSCRIPT

this is a good program, but we're at a decision point. It would be good to be able to compare this to what other ways can we spend money to solve the problems that have been identified here.

Mayor Burt: Council Member Holman.

Council Member Holman: Thank you for coming forward with this. Just one quick point. It was good to see the numbers for February. I thought it was interesting that those numbers were up in February; it was pretty rainy. Kind of interesting those numbers were up.

Mr. Mello: There was one day, February 8th, that was higher than the others.

Council Member Holman: A few things here. I particularly appreciate the comments from Council Members Schmid and DuBois. I share the concerns about some of these stations being in neighborhoods, and people driving to those locations and then riding a bike into the employment centers. It does seem like these ought to be more focused on employment centers. Pun intended here; has there been any interest or any activity to try to peddle this to the hotels? I guess my question—whether it's businesses, whether it's the Research Park, whether it's hotels or whatever, has there been kind of outreach to see if they'd be interested in promoting it, helping sponsor? Has there been any of that kind of outreach that I'm not aware of?

Mr. Mello: For the pilot program, the City of Palo Alto is relatively hands off. It was overseen by MTC and then operated by Motivate. I think if we were to advance a different type of system and take more of an ownership role in that system, I think we would definitely need to build those kind of relationships and do some more focused marketing at our target audiences. I think hotel guests and hotels themselves would be a good place to start.

Council Member Holman: I agree with the comment about—I'd already had in my notes about hotels. I think the Baylands is quite an attraction. It's been written up nationally. I think it'd be a great place to try to get people to take bikes, pickup bikes out there to ride. I also agree with Council Member Schmid's comment about tradeoffs. What do we get for this many compared to what we'd get for money spent on something else like shuttles? That sort of thing. Going back to the polling here just for a moment. What would come first? An investment and then do some polling and outreach or doing the outreach and then coming forward with the program? That's a question.

Mr. Mello: Polling about the system?

TRANSCRIPT

Council Member Holman: Polling or outreach or a combination thereof to see what kind of support we would get from the various entities.

Mr. Mello: I think when we come back to you, we could look a little more closely at setting some goals on advertising, sponsorship, other things that could offset the direct operating cost to the City. To date, we haven't worked on any of that yet, because we don't really have a direction. We don't have a cost. We don't know what the system's going to look like. I think it's totally appropriate for Council to give us some feedback on what the appetite for sponsorship and advertising and other things that could potentially offset the operating cost would be.

Council Member Holman: You touched on what my last comment or question is. It seems like you're looking for direction tonight, but this is a Study Session. I'm hearing comments and questions that sort of lead me to think and your comments also and your presentation seem like you're looking for direction. That's not what we can do in a Study Session. I'm just a little concerned about what you're going to take away from this.

Mr. Keene: I think we wanted to surface the issue. We are interested in comments. Josh kind of gave actually a pretty expansive presentation even though in a lot of ways it's—no pun intended—motivated once again by a short-term decision point that we have about do we want to start expending \$100,000 to keep the Motivate program in. That's a pretty narrow decision point. Partly for us to just tease out from the Council is there value in keeping the Motivate system the way we have it now. That helps us inform the near-term decision. He presented an alternative with SoBi and everything. When Council Member Schmid talks about shuttles versus SoBi, those are helpful but those would be the kind of things we would have to come back to the Council for actual direction. Even the idea of the maps is just one way to have drawn a map. Obviously in Palo Alto, we would never be able to identify where stations ought to be based on the first go on anybody's map. Clearly we would have to come back. In a lot of ways we're trying to get a sense of do we even hang with the existing program or not, just to get your sense, versus is it worthwhile diving deeper into what we might do with an alternative program or is there no interest in that at all. I haven't heard that, for example. For the most part, I would take away, unless somebody says something differently, there doesn't seem much interest to keep hanging on with the program that we have right now, given the cost and what it is. There could be an interest in this other program which you'd want to see more alternatives, comparisons, etc., before a decision would be made. We'd have to come back. We'd be prepared to do that based on tonight.

TRANSCRIPT

Council Member Holman: That's where I am. It's a little misleading when, from my perspective at least, a map is put up there and it says ideal system. It sort of seems like it's almost at proposal stage. I understand that's not what your intention is, but you understand why it leads, at least this Council Member, down that path. I don't think there's much interest, like I said, in keeping the Motivate. It doesn't seem like that's very productive or profitable. I'd need a whole lot more information that you've heard other Council Members mention as well before saying do this, not that.

Mayor Burt: Let me just wade in on a few things. First, I like the concept of having some down in the Baylands for two purposes. One, Council Member DuBois' reason of having a route from the train stations down to those work centers. The second is as a beginning and end station for people who might drive to the Baylands but use them recreationally as a result of the bikes. As far as the stations in the neighborhoods, I am concerned about using it for satellite parking for Downtown. On the other hand, people who live in the neighborhoods, who want to take Caltrain, would take it more if they had a convenient way to get to the station. They typically are not going to want to leave their own bikes there. This does go hand in hand with whether we can provide better bike racks and better security at the Caltrain stations. That may give us a better alternative there. Josh, you mentioned that this could be another TDM measure. I actually think that that's one of the strongest reasons for this, to give us a whole other tool in the TDM toolbox. We could begin to—whether this is a requirement of all those tools that we would place on developments as a default or some toolkit remains to be determined. Also, are all these one-speed bikes? In the SoBi in particular.

Mr. Mello: They range from three to seven speeds depending on the City's preference.

Mayor Burt: Good. In our flats, three are probably fine. If we're talking about serving the Research Park, people are going to maybe want more speeds. As far as the cost effectiveness, I also would like to see that. As I recall, when we've looked at the subsidy per shuttle rider, it's actually considerably higher than this. That's one point of reference; it's not the only one. Higher than, I should say, what we would with the large-scale SoBi. How soon would a SoBi system be able to come online here?

Mr. Mello: I would hazard—optimistically, I would say a year, but realistically a year and a half to two years, I would say. I think we could get a small system in place relatively quickly, but the entire 35-station system would take a little while.

TRANSCRIPT

Mayor Burt: A first phase might—when you say relatively quickly, say the first phase?

Mr. Mello: I think if we were going to continue with our existing system, I'd probably want to do a six-month month to month and then see how quickly we can get a SoBi system in place and see if the other Peninsula cities are interested in coming along.

Mayor Burt: A six-month month to month of our existing, you're saying extend that or a new SoBi on a month to month?

Mr. Mello: I think we'd want to keep something in place while we got the new system set up.

Mayor Burt: That's what I was trying to figure out.

Mr. Mello: I don't think we'd want to have a gap in service. There probably are some folks who depend on this to get to work every day, even though it's not a large number of people.

Mayor Burt: Following on to these TDM measures, we could have individual developments having these requirements. I can certainly see that we could at the outset put as a condition on any new major development including hotels. That's pretty easy. I'd also be interested in looking at our TMAs, such as the Stanford Research Park. Have we had discussions with them about this specifically?

Mr. Mello: Yeah, we've been talking with Jaime and her colleagues over there. They actually submitted a letter of support for the TFCA application that we submitted. They're very open to participating.

Mayor Burt: I don't know whether participating means significant financial participation. When we look at our costs, are they open to being significant financial partners in this?

Mr. Mello: I think that conversation would come as we started to firm up the plans for the system. The letter they submitted was just kind of a general letter of support.

Mayor Burt: I would actually like to see that conversation occur sooner rather than later and just be pretty direct. They're looking for a variety of tools. I would think this would work well. It depends on the location. They have to shuttle folks from the Downtown station to the Research Park, because of the infrequency of our current California Avenue (Cal. Ave.) service on Caltrain. From the lower end of the Research Park to the

TRANSCRIPT

University Avenue station with our bike path and essentially Park Boulevard, that's not a bad ride at all. When we look at that, we may want to think about in a Stage One the lower level of the Research Park, Stage Two an upper level which might be served more from Cal. Ave. Caltrain especially when we have expansion there. Also, I had a discussion with Castilleja recently and asked them whether they had used our current system, because they were saying they now have a lot of students who take Caltrain, but then they have a shuttle that they have on their own from the Caltrain station to Castilleja. A pretty short distance, but they don't have their own bikes there. They weren't even very familiar with our existing system. You don't want to probably sign folks up. One, they said that they were interested in sponsoring a Motivate station at or near Castilleja, because they are a commuter school. The final thing is aside from the comparison to alternatives like expanded shuttle, what's our cost avoidance in terms of the value of a parking space, setting aside for the moment the value of reducing traffic congestion? Just on a parking standpoint, what portion of these—if we have 112,000 annual trips under the large-scale SoBi system, that's about 300 trips per day. What portion of those would we assume or project would avoid demand for a \$60,000 parking spot plus the maintenance of that parking spot? That's a calculus that, I think, is very important, and I'd be real interested in seeing. I think I concur with my colleagues that we're interested in the SoBi system. I think I heard generally on the larger scale. I would be interested in really pursuing financial partners. If we mandate locations for development, then we avoid both capital and a certain amount of the operating cost expenses. If we have large-scale partners through the TMAs, that also is a significant cost sharing. We might see our proportion of this cost drop significantly. If we are to go forward with a local transportation tax this fall—we're going to have a meeting next week to hear our poll results—then we could have funding of our own to be able to expand support of programs like this. Council Member Wolbach.

Mr. Mello: If I could just address one of those points. Most of the bike sharing systems in operation today limit memberships to folks 18 years and older. It could be a challenge for students at Castilleja. That's not saying that there's not an opportunity to have a different age threshold, but most systems in operation today you have to be 18 and older to use the system.

Mayor Burt: Interesting, although I wouldn't be surprised if agreements can be struck between an institution where the institution would provide certain guarantees or whatever. Council Member Wolbach.

Council Member Wolbach: Thank you very much for the presentation. I concur very much with the comments I've heard from my colleagues. I just want to add my voice to a couple of things. One, we've started to give some

TRANSCRIPT

direction to Staff around at least starting to explore some potential pilot programs around housing where you'd have maybe higher density housing near our transit cores decoupled from parking. I think we mentioned it before, but I think now is a good time to mention it again, the idea of perhaps having bike share onsite at residential developments like that or very proximate. As Mayor Burt was just saying, they might even be a funding partner for this. I would lend my voice to that concept as well at least for exploration. I think that this is—as was said before, it's important to recognize all of the potential benefits that come from this and the cost comparisons.

Mayor Burt: We have one public speaker, Colin Roche. You have three minutes to speak. Welcome.

Colin Roche, Swiftmile: Hello, Council Members. My name's Colin Roche. I'm President and Chief Executive Officer (CEO) of a local company called Swiftmile. We're actually developing something that addresses everything you've stated here today, which is an electric bike share system that's solar-powered, can be deployed anywhere, that's quick to set up. One of the elephants in this room that nobody discussed is you're making it seem by placing more bike stations out there, more people are going to bike. You're actually going to attract the bikers that already bike. What about the 99 percent of the different people out there that actually don't get on a bike? There's new options. There's been an explosion in electric bikes within the last two years that give you the ability for pedal-assist or you can bike just pure biking. You get the best of both worlds. These systems are set up to be completely tracked; they're smart; you can locate them with your smart phone. The system, because they're solar, you can place them in many different locations. We're already deployed at Google; we're down at the Santa Clara Valley Transit Authority as a pilot station right outside their front door. We're also engaged with a lot of companies at Stanford Research Park. Council Member Holman, you mentioned the hotels and resorts. That's actually one of our focuses as well. A lot of them, we've talked to every general manager there. They say people Uber in, and in order to get around locally they either have to walk, which might be too far, or they're going to get in another car, maybe another Uber, and get back on the roads to congest the roads. What about having a system where they could just simply walk out their front door and get on one of these bikes? The other part about bike share, which we love by the way. I'm not saying anything bad about it. To attract non-bikers for the work hours, all studies suggest this: people don't want to sweat to get to work. You talk about Stanford Research Park. Half of those companies up there are up on a hill. That's just another factor that a lot of people decide not to bike. That's just the pure truth. I'm just here today to let you know as a local company, I was

TRANSCRIPT

born and raised here. I went to Ohlone, Jordan, Palo Alto High School (Paly). My folks still live here. I know the area well. I would love an opportunity for my company to be considered. I say this with a little tongue in cheek; as compared to two companies that are located on the East Coast. I'm here today to let you know that. Thank you very much.

Mayor Burt: Thank you. I'll just ask Josh. Are you also considering electric bike share programs?

Mr. Mello: Yes. I've been working with Mr. Roche to try to implement kind of a pilot between the Cal. Ave. Caltrain station and the Research Park. It sounds like he's having a great deal of success. There are a couple of bike share systems in the U.S. that are using electric bikes. I think that's kind of the next phase of bike sharing.

Mayor Burt: Thank you. That concludes this item. Thank you, Mr. Mello. That's been an interesting discussion.

Special Orders of the Day

2. Building Safety Month Proclamation.

Mayor Burt: Our next item is a Special Order of the Day, which is the Building Safety Month Proclamation. Council Member Berman is going to read the Proclamation.

Council Member Berman: Thank you, Mayor Burt. This is a Proclamation on Building Safety Month. Council Member Berman read the Proclamation into the record.

Mayor Burt: Mr. Pirnejad, you have some comments.

Peter Pirnejad, Development Services Director: Thank you very much. That was a mouth full. Thank you, Council Member. Mayor Burt, it's a pleasure and delight to be here today. I'm representing the Development Services Department and the many individuals doing their long days in the office and in the field trying to ensure that the buildings we live, work, worship, shop and play in are safe for everybody that inhabits them. We are bringing before you a Proclamation for Building Safety Month in May. I wanted to just focus on a few highlights, if I may. This flyer, which I'll pass out to you, has a few dates that I just wanted to highlight. The first was May 11th, which I'll get into briefly. It's a demo of a new app that we just launched. This was a press release. Hopefully you picked up on it as Palo Alto inspection request app. Contractors have the ease and convenience of scheduling their inspections with their smart phones, Google or iPhone.

TRANSCRIPT

They can also do inspection requests as well as a history of all their permits, get immediate reminders of when those inspections are as well as do multiple inspections at the same time for both fire and building inspections. That's a great innovation that we're offering our applicants. Also, May 16th, we continue our fine work on the Seismic Risk Management Advisory Group. We welcome all those that are interested in looking at our seismic exposure and how we might mitigate that. We welcome them to participate. That's going to be May 16th at Rinconada Park. I'll send this around, if you'd like to take a look. I just wanted to highlight four quick points. The first, as we continue to do the fine work of the Blueprint that was initiated by the Council some years back, we're focused on four real key main areas. The first, not in any particular order, is sustainability. We've brought many initiatives to the Council, our Photovoltaic (PV) Readiness Program, our electric vehicle readiness program. Our green building now exceeds minimum Code. We are a Tier Two city. We exceed the minimum Code requirements identified by the International Code Council (ICC). Energy efficiency is an area that we strive and continue to show leadership in, since 2007. Next week, I'll be bringing before you a Reach Code, which is another way of describing our Energy Reach Code that's going to again exceed both California as well as the nation in energy efficiency. Water efficiency is a focal point as well as indoor air quality and other areas. Lean, predictable, transparent process is a second area of focus for us. The mobile inspection request app is one. We've had improved efficiency using a dashboard that we created some years back. In that dashboard, we've been able to improve transparency within the department to identify how we might improve service to our customers. Keep in mind that the majority of these customers are residents like you and I that are trying to remodel their home, add on to their bathrooms, their kitchens, and make the dream homes that they want to live in and sometimes work in. Our on-time plan checks have improved since 2013. We were on-time 77 percent of the time. I'm pleased to say that as of 2015, we're up to 84 percent of the time. That's a collective average of all the different departments that need to do the reviews. We went from an average of 41 percent of the building permits that came in, the applications, over the counter were being approved. Now over 50 percent of the applications that come to the Development Center as a one-stop shop can be approved the same day. That's a huge benefit for residents that are in a hurry and on a tight time crunch. Transparency and predictability is a big part of what we do. The third item is building safety and resilience. Obviously this is a huge area of focus for us. The International Organization for Standardization (ISO) Class One rating, to give you a sense of perspective, of the 14,000 departments that are rated throughout the nation, there's only nine that have an ISO Class One rating. We are one of them. Of the 297 in California, we're of three others that are rated as a Class One. It's a huge honor plus it provides a benefit of security to our

TRANSCRIPT

residents as well as an insurance benefit for home and commercial business. Finally, the last area is accountable and cost-recoverable department. We pride ourselves in being a fee-based department, to not be a drain on the General Fund. We ensure that development pays its own way by setting fees to be in par with the level of service that we set. With that, I'd also send this. If you have an iPhone that you want to download our app on, feel free. It gives you instructions on how to do that. I look forward to continuing to serve the City and to represent the hardworking individuals behind me and behind the scenes, like our new Assistant Chief Building Official, Evon Ballash, sitting in the stands. Again, it's a pleasure to be here and to serve the City of Palo Alto and its fine residents. I hope to continue to do so.

Mayor Burt: If you'll hold, I'll bring this down to you.

Mr. Pirnejad: Thank you very much.

Agenda Changes, Additions and Deletions

None.

City Manager Comments

Mayor Burt: Next item is City Manager Comments. Mr. Keene.

James Keene, City Manager: Thank you, Mr. Mayor, Council Members. Silicon Valley at Home is hosting Affordable Housing Week 2016 in Santa Clara County from May 13th to May 20th with a policy breakfast kickoff on Friday, May 13th. There is a full schedule of events including affordable housing tours, workshops and panels on various housing topics. Scheduled events include a Palo Alto affordable housing tour on May 15th and a film screening and discussion featuring a documentary about the Buena Vista Mobile Home Park on May 17th at the Aquarius Theatre in Downtown Palo Alto. A full schedule of events is available at the website siliconvalleyathome.org, and you can look it up under events in Affordable Housing Week on that website. Did want to share that permit applications and parking occupancies in Downtown garages have increased due to the Downtown Residential Preferential Parking (RPP) Phase Two implementation. In particular, the number of commuters using parking at the Cowper-Webster garage, finally, have dramatically increased. Staff has had recent reports from the Police Department and permit holders that indicates all permit spaces are now filled on a daily basis. Given this, we are working with the Valet Assist Program Coordinator, SV Plus, to develop an implementation plan for a valet program at the Cowper-Webster garage similar to programs operating at the High Street and the Bryant Street

TRANSCRIPT

garages. The new Council, you may recall, approved expansion of the Valet Assist Program to Cowper-Webster in June 2015. We're going to meet with the contractor this week, and Planning will coordinate with City departments with a goal to initiate the program in the next four to six weeks. Prior to its beginning, we will contact all permit holders at Cowper-Webster to notify them of the program and how to use the service and will post notices at the garage. We did want to, one last time, invite the Council and members of the public to join Mayor Burt and City Staff at the Great Race for Saving Water this Saturday, April 30th. The City is teaming up with Tuolumne River Trust, the Palo Alto Weekly, Project Anybody, KEEN and other partners to host this Earth Day Festival and fun run and 5K run/walk. Community Services, Utilities, Office of Emergency Services, Police, Fire, Public Works and local youth and community organizations at the scenic Baylands for some outdoor recreation, please join them. Again, as I mentioned before, the chance to actually catch the running toilet, free bike repairs and tune-ups will be offered by Repair Café for those who cycle the event. Hope to see some of you there. We'll start at the Baylands Activity Center at 9:00 A.M., and you can register at the cityofpaloalto.org/great-race. I do recall, I think, that there is race day registration. I also just wanted to call attention to—I think we have an at-places memo from me to the Council about next week's meeting, May 2nd, that Agenda Item Number Two, which is the receipt of the first poll results on a possible local transportation funding tax measure and direction to Staff. We're just getting the results from the pollster. We're going to talk to them tomorrow. I would expect we will have a Late Packet distribution on this item in your Thursday, April 28th, packet in advance of that meeting. While we are on the meeting for May 2nd, Item Number 12 on the Agenda is the last item scheduled on the Agenda; that's a Colleagues Memo on Evergreen Parking Permit Program. We received some comments. Since there's just a very short time that that is scheduled for discussion, given the fact that you also have the actual petition related to Evergreen Park and Southgate on the following week's Agenda, I discussed with the Mayor this morning the idea of moving that to the first item on the Council Agenda on the 2nd. That should be placed at around the 6:20 P.M. timeframe, before you take up the public hearing again on the Royal Manor single story occupancy. Given that that will be a very short item in comparison to the other, we would put that first on the action schedule. Lastly, we want to acknowledge, as you all heard, on Friday afternoon a young woman in Palo Alto was killed when she was struck by the train at the Palo Alto crossing near Menlo Park. She was a 2014 graduate of Gunn High School. We've been in close touch with the School District and the Project Safety Net collaborative in support of our community. It's a sad time for our community, and our thoughts go out to the young woman's family and friends. Thank you.

TRANSCRIPT

Mayor Burt: Thank you.

Oral Communications

Mayor Burt: Our next item is Oral Communications. We have one individual speaker, and then five speakers who have elected to speak with one representative for up to 10 minutes. Our first speaker is Stephanie Munoz. There we are. Our next speaker will be Christian Pease.

Stephanie Muñoz: Good evening, Mayor and Council Members. I've been out of town for a little while. I noticed in the paper that you are going to permit Stanford to raze, that is, tear down, demolish, the living units for about 400 people for a very good purpose, so that they can put in denser housing. Unfortunately—not unfortunately. Stanford has more land in Santa Clara County and San Mateo Counties than all the cities put together have public lands. There's no reason that they cannot build their 2,400 acres, 400 units—housing for that number of people—someplace else on the Stanford lands. We've been telling you for some time, years, not just me but other people have been telling you that if you have jobs and you invite people to move to your community, you have to have a place for them to live. It's gotten worse and worse and worse. A few weeks ago, a month or so ago, there was a case in which a woman didn't want to have any more children; she wanted a tubal ligation. The law said that this hospital where her doctor was performing the operation, which is the beginning of a Caesarean section, didn't have to allow her to have this operation because of one reason or another. I submit that if we are going to live in a society in which people have to have babies, that you have to have a place for them to live. I think you could by eminent domain, if Stanford was unwilling, claim those apartments. It's been done before, not by Palo Alto and not with Stanford, but it is quite common for cities to take what is absolutely necessary for the welfare of the City. I recommend you give it very serious consideration. When we moved the electrical substation so that the single room occupancy housing could be put in, it went over to Stanford. It wasn't done by eminent domain because Stanford didn't want it that way, and that's fine. Stanford can also make an arrangement where it retains control of those apartments. I love Stanford, but—thank you.

Mayor Burt: Thank you. Our next speaker is Christian Pease. You have up to 10 minutes to speak. To be followed by our final speaker, Neilson Buchanan.

Christian Pease, speaking for five people: Good evening. I'm here tonight representing the Evergreen Parking Permit Committee regarding Planning and Transportation Commission's Staff Report Number 6787. As you know,

TRANSCRIPT

this report makes recommendations concerning four requests for Residential Preferential Parking Programs or RPPs. Those are from Crescent Park, Edgewood Plaza and Southgate as well as Evergreen Park. Beginning with our own request, as you know, Evergreen Park is now overwhelmed by private car commuting parking. It's also bounded to the east by the Caltrain rail line, to the west by College Terrace and Stanford, both of which have restricted parking, and to the south by California Avenue, where parking is also restricted, and to the north is Southgate. It's similarly bounded to the east and west, and then hard-stopped by the Palo Alto High School campus, which has now reduced its own limited, restricted parking. Now Southgate is al inundated with commuter parking. Both of our little communities remain fully open and cost free to any commuter parker who can find a space. Last month, Evergreen requested annexation into the existing College Terrace Parking Program, as it was originally intended to be. At first we did the hard work, the parking counts, the mapping, and so on. Our submission was designed to finally align us with what is already in place for California Avenue, College Terrace, Stanford University as well as the nearby Caltrain station and to do so in the least expensive and least complex manner possible. But not so, according to the view of Staff Report 6787. According to its unsubstantiated estimates, our request is the most expensive and complex of the four, with Southgate being second in that regard. We asked how can this be. One line item, Staff costs, at \$100,000 for the Evergreen proposal by itself seems to explain it. That's 13-plus times the cost of Crescent Park, ten times more than Edgewood, and four times more than the runner up, Southgate, our immediate neighbor. Again, we asked how could this be. A quick look at the item, called potential implications, seems to answer this question: "While annexation into an existing program would be a simplified approach from a Planning perspective, a shareholder process and community outreach process is recommended to develop a program that provides for residents and employees and could include permits for on-street parking as well as parking management strategies for California Avenue lots and garages to increase supply or evaluation of public/private parking partnerships." Think about what this implies. It's as if little Evergreen is a driving force behind the congestion now entangling the commercial core of the California business district. To us, this seems to be putting the donkey before the cart, to put it mildly. On the contrary, we are just so much collateral damage from the decisions made by you and your predecessors with respect to the development of that business district. That said, we heartily endorse the notion of a comprehensive and competently implemented transportation plan and programs for California Avenue. That seems to be a no-brainer to us, but no such initiative exists or is even contemplated at least as far as we know, which itself seems somewhat astonishing. Nonetheless, it makes no sense to imply that Evergreen's request is an inappropriate vehicle to address that purpose. The sad fact is

TRANSCRIPT

each and every commuter who parks on an Evergreen street in route to Stanford or the Caltrain station is now counted in the traffic mitigation win column and duly and erroneously reported as a non-car commuter. If this is not ironic enough, how about this? In the framework of Report 6787, every new commuter who makes a habit of parking on an Evergreen street becomes yet another stakeholder in the adjudication of our request. They get free, unrestricted parking for the duration and a place at the table and a say in the outcome of our request, assuming of course that our request is actually chosen to proceed. Which brings us to the question of scarcity and, by that, we mean not just with respect to parking but to the very processes suggested in this report for each of the requests encompassed by it. Our City Manager Keene and his senior Staff have now blandly informed us that there is only enough money and Staff resources available to deal with one of our requests, and the other three will just have to wait. If what is outlined in Report 6787 comes to stand, two clear and critical messages will be sent to the residents of the City of Palo Alto. The first goes to Palo Alto neighborhoods contemplating an RPP request. You must compete first with your own neighbors. For your trouble and the inevitable acrimony that will ensue, you will still have to wait two years or more for a result. The second is that, the City Council, the City Manager Keene and the senior Staff, despite all the utterances to the contrary, don't actually seem to take this problem very seriously, that all this talk is just so much empty rhetoric. The process is nothing more than window dressing. We asked you when we came here in February to do the right thing for Evergreen Park. Now we're asking you to do the right thing for all of the requesters, for Crescent Park, for Edgewood Plaza, for Southgate, and for Evergreen Park, to make sure all of our submissions are promptly acted upon and judged on their merits. Tonight we ask you to do something else. For you to actually walk your own talk and to prove that our concerns as I have expressed tonight are misplaced. I hope they are. Thank you.

Mayor Burt: Thank you. Our final speaker is Neilson Buchanan.

Neilson Buchanan: Neilson Buchanan, Bryant Street, Palo Alto. I'm here tonight also to preempt the Planning Commission meeting later on Wednesday for a couple of reasons. One, I physically can't be there. Second, I've come to the conclusion that it's a waste of my time to make these comments to the Planning Commission when the comments really belong to the stewardship of the City Council. April 1st was the opening bell on a new horse race. Four different neighborhoods submitted applications for parking permits. I predict next year open season more neighborhoods will submit applications. I'm here to make an appeal for a better process on how we're going to address the neighborhood quality issues that are inevitably going to arise. Wednesday night, the Planning Commission has a

TRANSCRIPT

very imperfect process to handicap four horses. Which horses are they going to pick first, second, win, place, show? I talked to a few Commissioners today, and I don't think anybody has a concept of what criteria is the Planning Commission going to have due diligence on handicapping the horses. It's just one more testimony that the process to take care of neighborhood quality is not perfect. In fact, it's very imperfect. Council stewardship is needed now. The Planning Commission will submit its findings to you. I think you need to direct that the Finance Committee also take a look at how they're going to fund these projects, the permit programs. The Staff Report is silent about where money would be coming from, if it exists at all. I'm going to close and remind you that one of the enormous values of permit parking programs in neighborhood is the catalyst to fund all the mitigation issues. This is an endless circle loop that we've been in on how you're going to solve parking and traffic. One way to stop it is to eliminate the free parking in the neighborhoods. That'll bring everybody to the table for Transportation Management Association funding for free parking studies and all the other litany of things that the Planning Department has presented as a multipronged approach. The truth of the matter is none of the multipronged approaches are even funded. They're pipedreams. How are you going to stop that cycle of (inaudible)? I brought my can, the kicking can award. I didn't bring it up to the podium this time, but next time I'll probably have to bring four cans to know which of the four applications have been kicked down the road or not. In all seriousness, this is a time to grab the issue. City Staff is floundering on how to solve this problem. They don't have the resources. It's really follow the money time. Thank you.

Mayor Burt: Thank you. That concludes our Oral Communications.

Minutes Approval

3. Approval of Action Minutes for the April 11, 2016 Council Meeting.

Mayor Burt: Our next item is Approval of Minutes from the April 11th, 2016 meeting. Do we have a motion to approve?

Council Member Schmid: So moved.

Council Member Berman: Second.

MOTION: Council Member Schmid moved, seconded by Council Member Berman to approve the Action Minutes for the April 11, 2016 Council Meeting.

TRANSCRIPT

Mayor Burt: Motion to approve by Council Member Schmid, seconded by Council Member Berman. Please vote on the board. That passes unanimously with Council Members Kniss and Filseth absent.

MOTION PASSED: 7-0 Filseth, Kniss absent

Consent Calendar

Mayor Burt: Our next item is the Consent Calendar.

Vice Mayor Scharff: Move approval.

Council Member Berman: Second.

MOTION: Vice Mayor Scharff moved, seconded by Council Member Berman to approve Agenda Item Numbers 4-6.

4. Approval of an Amendment to Contract Number C1415788 With Finite Matters to Increase the Contract Term by Three Years and \$142,225 for a Total Amount Not-to-Exceed of \$363,555 for Budget Publishing Software Services and Support.
5. Approval of Amendment Number 4 to Contract Number C13148075 in the Amount of \$117,000 With West Coast Arborists Inc., for Tree Pruning and Removal Services for a Total Contract Compensation Not-to-Exceed \$1,349,410.
6. Request for Authorization to Amend two Legal Services Agreements With the Law Firm of Rankin Stock & Heaberlin: (1) for Litigation Defense in the Matter of Harney v. City of Palo Alto Police Department, Increase Compensation by \$60,000 for a Total Contract Not-To-Exceed Amount of \$90,000; and (2) for Litigation Defense in Multiple General Litigation Matters, Increase Compensation by \$60,000 for a Total Not-To-Exceed Amount of \$190,000.

Mayor Burt: Motion to approve by Vice Mayor Scharff, seconded by Council Member Berman. We have no comments. Please vote on the board. That passes unanimously with Council Members Filseth and Kniss absent. We are back on schedule.

MOTION PASSED: 7-0 Filseth, Kniss absent

TRANSCRIPT

Action Items

7. Fiscal Year 2017 Proposed Budget Overview.

Mayor Burt: Our next item is the Fiscal Year 2017 Proposed Budget Overview. Welcome, Director Perez.

James Keene, City Manager: While we're waiting and before I kind of kick this off, I thought that I'd let Lalo introduce his Staff here.

Mayor Burt: I see we have two Scouts here, who I'm guessing are here for citizenship merit badges. Is that correct?

Male: Yeah.

Mayor Burt: Welcome.

Lalo Perez, Administrative Services Director/Chief Financial Officer: Thank you, Mr. Mayor. Lalo Perez, Chief Financial Officer. Tonight I have with me Kiely Nose, Budget Manager, and Tarun Narayan, Senior Management Analyst. We are going to have the City Manager give you an overview of what's in the proposed budget, have some slides, and then open up the floor. Thank you.

Mr. Keene: Again, just for the newer Council Members, I think you're pretty much grounded in how we do this. One of my obligations as the City Manager is to put forward a proposed budget to the Council each year, which we're doing. At this meeting, you might wonder why you didn't get the budget in advance of the meeting. You didn't get it because it wasn't done from the printer until 1:00 P.M. this afternoon. We're getting here about just as soon as you can. I will give an intro and some overview. Then there's the opportunity, whether Lalo and the Staff will orient you to the document at all or just take questions and comments. I know that in talking with the Mayor and Vice Mayor at times there's an interest in some opportunity for Council Members who are not on the Finance Committee, who next week will be diving deep into the budget, to be able to offer comments and that sort of thing. We recognize that you're a little bit handicapped in that you haven't seen the budget document itself. I know my Council really pretty well. You guys actually really prefer to dive deep into the information and the data rather than just winging it and telling us off the top of your head what your thoughts are. We apologize for that. Hopefully we'll give you enough of a sense of the budget here and can talk with the Mayor and Vice Mayor about the upcoming Agendas, if there's any desire to have any ways for other Council Members to give us some feedback. The process we're going to use tonight with the Council is a

TRANSCRIPT

reflection of the state of our City. I am going to sort of freelance in the presentation here today. Hopefully we have the slides matched up with the things that I was going to say. We have not had the opportunity to review and prepare for this. I think we were—of course, Kiely as the Budget Manager lives here full time. I was here with her four or five hours on Friday afternoon going just over the transmittal letter. There is a 15-or-so page transmittal letter in the budget. I'll just identify some excerpts from that and hit the highpoints with some slides, and then I'll make a few concluding remarks. Kiely, if you want to put up the first slide. I'll leave that for a second, but give you a little bit of introduction. As you know, in advance of preparing the budget, the Staff presented the Long Range Financial Forecast to the Council and certainly to the Finance Committee. That Forecast does help inform the preparation of the base budget in the upcoming budget cycle. It determines potential fiscal challenges the City may face in the future and project the impact of salary and benefit increases, new programs and changing economic conditions. The Forecast showed emerging challenges for Fiscal Years 2017 and 2018 as well as borderline outcomes in the following three years, when increasing salary and pension contributions are taken into account. The City will have to be prudent as we consider responding to an ambitious community policy agenda and maintenance of our high quality services and the need to attract and retain a well-qualified workforce to provide these services. Understandably, our community has been reluctant to support any significant reductions in scope of what we do as a local government. In fact, the demands and conflicts emerging from our vibrant economy have heightened the intensity of the Palo Alto process with new analyses and data generation demands and deep dives into complex problem-solving with an engaged public process across a wide range of issues. Let's just kind of look at the numbers here. First of all, you see the City-wide expenditure budget up there. The proposed budget is \$626 million. That's the all fund budget. That represents an 11 percent increase from the Fiscal Year 2016 Budget of 563 million or roughly \$62, \$63 million. There are three main areas that were driving that. The Capital Improvement Program (CIP), first of all, increased \$43 million or 38 percent for a total 2017 CIP Capital Budget for the upcoming year of \$170 million. A lot of that has carryover money from 2016 and that sort of thing. Again, it's a reflection of something we'll talk about as we move through this whole budget about this very active and vibrant infrastructure and capital investment program. Secondly, utility commodity costs increased \$7.3 million to a total of almost \$144 million over the Operating Budget. Salary and benefits costs increased at \$7 million, about a 4.3-percent increase, beginning to adjust salaries for our employees. If we look at the General Fund, go to that chart. The overall General Fund revenues are \$193 million plus \$4.9 million from the BSR, the Budget Stabilization Reserve. We'll talk about that more. There is an increase of \$9.2 million. The largest increase

TRANSCRIPT

is in the Transient Occupancy Tax (TOT). I'm sorry, I got the numbers wrong earlier today when I was talking about them. This number is right. A 23 percent increase in the TOT over Fiscal Year '16, a \$4.3 million increase. The property tax has a 7.9 percent increase. The sales tax revenues at a 3.8 percent increase, and operating transfers in from other funds a 7.8 percent increase. I think it's worth pointing out—as you can see from this chart which you've seen many times, property taxes still remain the largest funding source in our General Fund. Really, unlike so many other local governments in California, we really have pretty diversified revenue sources. Unlike a lot of places, we're not depending on just one or two or even three revenue sources. The General Fund expenditure budget itself is \$198 million. Most of that, of course, 60 percent almost, is in the form of salaries and benefits. The next largest number is 12 percent in the transfer to infrastructure and in a variety of other items. Again, we look at these kind of cost drivers that we have in our budget in general. These large utility and commodity costs, the costs for the employees, obviously, we have—they're providing the services that help the City run—and then these investments in capital and in infrastructure as key issues. Some of the recommendations included on the—I'll come back to that later—capital side. The next item really points to again a concern of the Council and ours. That is the size of the workforce that we have. This budget, even though I'm sure the Council would like to see no new positions added, does recommend an addition of ten positions over last year. That's over all of the various funds. That's just under one percent increase in our staffing. In my view, that's a very conservative recommendation, given the number of requests that I received during the budget process. There are really a net increase in the General Fund, the tax-supported portion, of 3.23 positions. The other positions are two and a half positions in the Enterprise Funds, and 4.25 positions in other funds which include the Internal Service Funds and the Capital Fund. The position changes are two and a half positions in Planning. One Building Technician to cover the front counter at the Development Center. One Program Assistant II to support transportation systems and programs. About a third of that position is funded out of the General Fund, and the rest in other funds. The addition of a half-time Coordinator, transportation system management, to assist with the bicycle capital improvements programs. We combined that with the current half-time Coordinator position to make that a full-time position, so two and a half positions there. There are four positions proposed in Public Works. Three of them are related to the Water Quality Control Plant, funded with the Enterprise Fund there. One is a Senior Engineer for the \$200 million renovation at the Regional Water Quality Control Plant, which our partners will pay their fair share. A Senior Engineer for the recycled water program to meet City and State goals for the use of potable water. A Management Analyst in the Environmental Services Division for analytical support related to refuse and wastewater treatment.

TRANSCRIPT

Lastly, one Full Time Equivalent (FTE) Street Maintenance Assistant for post-closure maintenance of the landfill. That will be offset by a reduction of almost the same amount in hourly positions, 0.86. Lastly, there is one Program Assistant, one for the Bryant Street Garage Teen Program. That will be offset by a reduction of 0.71 FTE hourly positions. That will be in Community Services. In Libraries, there's the addition of a half-time Senior Librarian, and an increase basically generating on top of another position, a full-time Senior Librarian. We'll be offsetting that with the elimination of an equivalent of the same number, one FTE, of hourly position reductions in Library. There is a proposal for a Senior Human Resources Administrator to manage City-wide workers' compensation activities. When we get into the budget in detail with Finance, we'll talk about why we expect that to be a cost-recovery item. One Desktop Technician to support Help Desk requests Citywide, also offset by a reduction of one FTE hourly position. A net in that area of 10 positions overall. Again, a little over three of them in the General Fund. On the utility rate side, I think we've shared some of these numbers with the Council already before. This is one of the first years that we've actually had an increase of all of our utility rates. I think since I've been here, this is the first time that we have had that. The combinations you can see up there. The yield is a proposed increase in the average residential bill in total of \$22.42 a month. My recollection is the Electric Fund, which is the largest here, of 11 percent, of course, very much connected with the drought and the hydro situation and other factors. We have not had an increase in the Electric Fund since 2009, as I recall. If we look at Citywide budget proposals, just trying to pull out some highlights within this budget beyond just these numbers about the revenue and expenditure level changes and the staffing positions we have. One is at this moment the budget includes \$1 million in General Fund dollars to continue expenditures for Project Safety Net into Fiscal Year 2017. That will include both the operational costs for the Project Safety Net Executive Director and that support and the potential ongoing costs for maintaining means restriction through 2017. We expect to have some conversations with the Council about alternatives in that area going forward. As of right now, that \$1 million is funded in the General Fund. Secondly, there is a \$2.3 million hit for the first time on the General Fund. That is a result of the transferring the cost for our street light and traffic signal program from the Electric Fund to the General Fund. Not something that I would say is from the good news department. It's driven by requirements associated with Proposition 26, which was passed—what? Three, four years ago, that actually would direct the reallocation of these charges when there is a change in the rates in the utility. We have not been in this situation up until now. With the increases we have in the Electric Fund, it's driving this \$2.3 million which would be an ongoing cost we're going to have to deal with. I mentioned earlier that we have a large Capital Improvement Program. I think as the Committee gets

TRANSCRIPT

into it, you'll see that there's a lot to it. There are a lot of projects in the Capital Budget in '17 and '18. I could make the case that it would be unlikely that we could expend the amount of money we have planned or budgeted in any particular year. We will ultimately spend it, but whether we will do so in that year. It was pretty difficult for us given the policy directives and the pressure from the community for advancing on a lot of different fronts, whether it's related to transportation, parking, road improvement, and your own Capital Improvement Program. It was pretty unavoidable for me to not propose a large Capital Improvement Budget. You can see the next line really speaks specifically to the Infrastructure Management Plan. That's the term we're using for the program that the Council specifically adopted to redress a range of issues that the City's been facing for years and coming out of the Infrastructure Blue Ribbon Committee (IBRC). Those include a new Public Safety Building, the Bike/Pedestrian Plan, a new Downtown parking garage, a new California Avenue parking garage, replacement of Fire Station Four, Fire Station Three, the Charleston-Arastradero corridor improvements, the Byxbee Park completion, the Highway 101 Bike and Pedestrian Bridge, and in addition a plan to establish a \$30 million reserve in this fund, taking it from \$128 to \$158 million for anticipated cost increases. Again, those would be matters we'd have to discuss through Finance and with the Council. \$6.9 million in all funds for the salary and benefit increased costs in Fiscal Year 2017. Those will continue, and they will grow. A reserve—at least a one-time reserve for now—we're calling a Budget Uncertainty Reserve. This is due to the fact that there are a number of Capital and Operating Budgets still in flux at this time that could require additional funding during the fiscal year. I'm proposing it for 2017 to provide the flexibility to respond during the year to those items. Next slide please. In order to get this year's budget to balance, we had to, for reasons such as the items that I mentioned including things like the street lighting transfer and other things—a series of one-time budget balancing strategies to bridge the gap. I'm not happy with doing this, but we are tapping \$4.9 million out of the Budget Stabilization Reserve, which would reduce it to 18 percent level. You've got a target of 18.5 percent but a range of 15-20 percent in your existing policies. We also propose the use of savings from Internal Services Funds such as general benefits, workers' comp, etc., through a one-time reduction in allocated charges; \$3.1 million in the General Fund and some other matters. The next slide. This is just a grab-bag of costs or revenues in 2017 and some of them beyond, some of which could carry on in an ongoing way. Others which are not active in the proposed budget, but they are issues that are out there and that we're facing. One obviously, transportation costs to mitigate traffic issues. As we work through the budget, you'll see that there are a number of funding proposals, whether it's on the staffing side or support for capital implementation in traffic and parking issues, to be able to work on the wide

TRANSCRIPT

range of issues that you're facing. Of course, you just heard an example of some comments from the public about are we doing enough, fast enough, etc. We have the need to establish a new fire services contract with Stanford University that we're in the process of working through. Longer term, of course, there could be future changes to the pension plan assumptions by the Public Employee Retirement System (PERS). We have not included obviously yet, because hotels are not approved or in existence, but there is a potential for two new hotels. The TOT associated with that is not included in this budget. We have the potential acquisition of the Downtown Post Office that is not included in the CIP itself. We have some issues to work out in the next few years related to the expansion of the Junior Museum and Zoo and, in particular, as it relates to what the operating agreement and the long-term operating costs of the Junior Museum and Zoo are. We've got the Cubberley Center Master Plan, so we both have some near-term issues related to potential loss of rental revenue when Foothills moves out and who we backfill to move back in. We have the question of using some of the existing funding we now have from the change in the Covenant Not to Develop being taken out of the lease and put into a sinking fund for capital investments. We'll be discussing with Finance a few small investments in that area. We have the much larger question as we work through over the next few years with the School District, what is the Master Plan itself for Cubberley and what are the implications for expanded community center facilities and services at that location. The unfunded actuarial liability at this time of \$439 million for pension for retiree healthcare trust, \$293 million of which is in the General Fund. We have a number of projects in the Capital Improvement Program (CIP) related to parks improvements. Some are in the, like the Byxbee Park improvement, Infrastructure Management Plan. Others are improvements that Community Services Department (CSD) has provided to us. A number of those I've moved out to the outer years of the five year capital plan itself. That's all in advance of even having the completed Parks and Recreation Master Plan. Sometime, once that's completed, Council's going to be having discussions about what to do in that area. We have a number of requests related to City-owned assets operated by not-for-profit organizations, whether that's Avenidas or whoever. I think we've postponed now until 2020 the unknown but potential impacts related to the Cadillac healthcare Federal excise tax. Looking forward, some general comments. One, we've got to manage the expectations of the City Council. I don't mean the Staff doing that, but we do have a role in that too, but the community and the Staff. We have a challenge of ensuring we're a competitive employer of choice. That's just not a cute idea. What we're able to do is dependent upon the workforce that we have, whether it's the routine day-to-day services or doing the analytical work or the community engagement work with neighborhoods and everything on the kind of change efforts that the community and the Council

TRANSCRIPT

want to see. The proposed budget does leave us, if it were to be adopted as proposed, with a structural imbalance for Fiscal Year 2018 that we've got to acknowledge that we're going to have to double down on some way and solve and address. Then these other longer-term issues. Just sort of before that, I just wanted to try to put this in perspective, the cost issues, the demand for services, this incredible rebuilding of the City that we've been undertaking with infrastructure, and the Staff environment that we have. This is a can-do budget; it's also a little bit of a "can do everything" budget. In many ways, we are burning the candle at both ends to deliver on this. The question is there. Any budget, we have to make ends meet. Is it sustainable? Is the proposed budget we have sustainable? I can tell you right now it's not even sustainable to 2018. We've got to come back and make some adjustments. An hour and a half ago, I wrote down just a bunch of scribbles here of the kind of things our small City is doing. Kiely said to me when she plopped these budgets down—how many pages are they? 1,300 pages. She came from San Jose. She said, "I've never seen a City this small with this much documentation." This is the truth. Everything we do is like, in many ways, the largest, most sophisticated city with more engagement per capita, I'd argue, than anybody. I've been everywhere, and we're the most hands-on, invested community that I've ever been, which is a great thing. If you just think of big issues we're working on in the area of the environment, directly or indirectly, how we try to finalize the Creek Joint Powers Authority (JPA); all of the work at the Regional Water Quality Control Plant in looking at reclaimed and recycled and purified water; the rising of the dewatering issue as a crisis; the whole Sustainability and Climate Action Plan (S/CAP) itself; Building Codes and electrification; the Urban Forest Master Plan; in mobility, Transportation Demand Management (TDM), Transportation Management Association (TMA), RPP; capital projects; Caltrain; High Speed Rail; grade separations; the Santa Clara County Valley Transportation Authority (VTA) tax; a local business transportation tax; new garages; wayfinding; automatic parking control; paid parking; mobility as a service; shuttles; bike/pedestrian plan; 101 pedestrian bridge; in Planning, the Comp Plan, single story overlay, the development cap, Edgewater Plaza, housing policies, accessory dwelling units, what to do with Airbnb, office density, deep dive on—I can't even read my writing here—development application Code cleanup, Single-Family Individual Review (IR); the Parks and Recreation (Rec) Master Plan; Cubberley Master Plan; fiber; and all the things I mentioned on infrastructure and healthy city; Project Safety Net; airplane noise. On the staffing side, in many ways we have an emerging crisis in staffing. The challenges of our community naturally are playing itself out in our ability to recruit and retain people, housing costs, traffic and commute, and the demands of our environment. The people who work on all of these things have to work harder on more complex issues with more public scrutiny than most of their peers. Right now, we're trying to find a

TRANSCRIPT

Utility Director. We just lost our Economic Development Manager. Planning has a number of positions. A Transportation Official left; a Comp Plan Planner left; a young assistant in our office left; OMB, Office of Management and Budget, lost the OMB Director. It's lost the original Budget Manager. It's losing two out of the four OMB Staff. May 6th, as we're going into the budget discussions, we're going to have a couple of Staff people to work on the budget. There's not one single factor that you can point to. There's a combination and different ones for different people. I think we need to realize this is a big budget with big demands. We're going to have holes during the course of the year in our ability to respond to them. I proposed the budget that is designed to be responsive to, as best as we can see, all of the demands from the community and our highly responsive Council to that community to do the very best that we can. This budget gives me no pleasure in presenting to the Council. I'm concerned about what we're going to have to do through this process or next year, in particular. This is in an environment where we're saying revenues are growing. I just think about what happens a few years from now. It's not satisfying to me professionally to not be able to resolve and tie up in a nice package this budget. It's got a lot of choices and some contradictions in it. For that I apologize, but I think it's representative of where we are right now. I do want to thank our folks here so much. Kiely, I have to say this here publicly, you have so risen to the occasion. I can't tell you where we would be without you. When did you come here?

Kiely Nose, Budget Manager: November.

Mr. Keene: November. Sort of feel like the military or something. Anyway, you've done a tremendous job, and you cannot leave. Thank you.

Mr. Perez: I think a couple of quick reference points that we want to give you. As Jim mentioned, the documents came in pretty late. Staff had been working pretty long hours. There's six and a half people in OMB. From a year ago, there's only one left of that group. Outside of Planning, it's probably one of the most challenging areas in the organization to produce the documents that we have. We'll apologize in advance if we have errors; we will fix them. Hopefully there's nothing big. We tried to go over it as best as we could. A couple of points of reference that, I think, are important for our Council and our community to understand. As you know, I've been here quite some time. I think we're doing progressively a lot of wonderful things and a lot of new things from, let's say, 2003. In 2003, we had 1,122 employees Citywide to comparison now of 1,052. That's 70 positions less. We're doing a lot more now than what we were doing then—I'm pretty sure of that—in terms of a lot of the innovation and things. Because we have more diversified revenues, we have opportunities to do more things,

TRANSCRIPT

obviously. There's a lot of things to do. Comparing it a little bit closer to 2009. We had 1,075.60 or 23 1/2 positions more in 2009 than we do now. It's addressing the point that Mr. Keene said. Obviously we're very concerned about the pension and healthcare obligations associated with any increase. In order to address the workload issues, we felt it was necessary. One of the things that you'll read in Mr. Keene's message to you and the community is our goal is to try to have these one-time items just be for this year, because we want to have the time to structure a plan that fixes this structurally, with the target being to come back to 18 1/2 in our reserves and to have informed decisions so we don't jeopardize the services to the community abruptly. We've been through that. As you may recall, in 2009 and '10 we started freezing positions. Some of those positions were not necessarily positions we would have frozen under normal conditions. Because of the severity of the downturn, we had to make those difficult choices. With this proposal, it gives us a bit of flexibility to make informed decisions, buy us a little bit of time. With that, we'll turn it back to you.

Mayor Burt: Thank you, and thank you for all the hard work that's gone into this. We will now be receiving our books, I take it. We can open it up to Council Members for questions and brief comments. The bulk of the work in the review of the budget is obviously done by the Finance Committee. This evening, we want to give particular opportunity for members of the Council who aren't on the Finance Committee to ask questions and to give any input to the Finance Committee or Staff going forward. If members of the Finance Committee have certain considerations that they want to bring before the Council, this is the opportunity at the preliminary stage to do that. As the City Manager stated, because we are only just now getting the draft budgets before us, we may very well have some follow-up questions or input to the Finance Committee that is subsequent to this meeting. If, at the end of this discussion, we find that Council Members want to have some additional time to provide comments, we can try to schedule that in the next week or two. We do have tight Council meetings, but that's something that we can bring up at the very end of this conversation and see where we need to go. Who would like to go first? I'll kick it off. First a question. This percentage of our budget in absolute dollars that are in the Capital Improvement Program for 2017 strikes me as all-time records on both a percentage basis and absolute dollars. Now this pie graph on page two of the PowerPoint is for the Citywide programs. That's Utilities, Enterprise Funds and regular General Fund. Can you give us some framework? Lalo, I think you sort of alluded to some of this. Compared to, say, 2009 or '10, how much more are we spending on capital improvements versus that timeframe? I'll toss this out knowing that you might need to thumb through things to be able to give an answer to that later in the conversation. If you need time, I can just toss

TRANSCRIPT

that out. If you've got a ballpark now, that's fine too. I'm not looking for exact numbers.

Mr. Perez: While Kiely looks it up, let me give you some high level areas that we know about. As you are all well aware, you have your \$128 million Infrastructure Plan that did not exist in 2009. That's a significant change. What you'll read in the documentation that you'll see, as you start reading through it, is that we're going to transfer \$8 million in dedicated money from the hotel tax. This is generated from the two percent from '12 to '14 and the new hotels alone that are going to feed our infrastructure and allow us to finance our infrastructure projects and be able to move much quicker than we have ever been able to do in the past. I can tell you that back in the late '90s to early 2000, we came up with a \$100 million Infrastructure Plan for the General Fund. It gives a magnitude of what we were looking at 15, 16 years ago in comparison to now. One of the things that is influencing the numbers a little bit is a change that we made, that I think was requested by the Council and the community, to now include all the projects in our numbers. In other words, we reappropriate everything every year. It carries over the number, and it shows the projects. That's why you see so many pages. That's another factor in there. The Enterprise Funds, we've gone back to our plan; we took a little bit of a hiatus there in a couple of the funds due to some staffing and some other work that needed to be done. I think those are the major influences. We'll try to get the actual dollars.

Mayor Burt: Kiely, did you have a number or a ballpark?

Ms. Nose: Yeah. Comparatively to your 2008-2009 adopted budget, your Capital Improvement Program was about \$80 million. Your actual adopted was \$85 million. Eight-five versus ...

Mr. Keene: That's the budget for the year. That's the Capital Budget for 2009, right?

Ms. Nose: It would be the equivalent in terms of the dollars by category that you're looking at. The one thing to keep in mind in this dollars by category sheet for the Capital Improvement Program are those are the hard costs for the Capital Program. There are also salaries and benefits. When you compare that 158 to your capital CIP, which is about \$170 million, that variance is because you have salaries and benefits as part of delivering your capital projects, which are in the table that you're looking at, part of the salary and benefits line item.

Mayor Burt: Apples to apples, say, compared to 2009 or '10 to today, what are the ...

TRANSCRIPT

Ms. Nose: It's 85 versus 158.

Mr. Keene: Twice as much.

Mayor Burt: Eight-five versus 158.

Ms. Nose: Correct.

Mayor Burt: That's a massive investment. I think the City should be proud and the community proud that we're doing investments in our capital program and our infrastructure that really were discussed for decades as a under-investment for many decades. In recent years, we have increased and increased that investment to this point. That's a great achievement. I would also just note that if you look on the income side on the hotel tax, the Transient Occupancy Tax, we went down to a low point after Hyatt Rickey's closed of somewhere around five million in total. We're now pushing \$24 million and rising. Without that additional funding, we really wouldn't be able to do a good portion of this increase in the infrastructure investment. I just wanted to also ask on the Utilities side. We've gone a number of years with very low or in some of the utilities no increases. Now we have all of them going up in one year. Two of them are very impacted by the drought. It was really a three year drought. We, I think, last year kind of deferred an increase on some of these. There's somewhat of a lag, I understand, between the impact of the drought and it catching up on us having to increase these rates on water and electricity. We now have a year in which we are pretty much a normal snow pack. I should say these utility rate increases were computed before we had any confidence that we had a normal year. It doesn't mean we'll have a normal year of snow pack next year. Is there any consideration as to whether, now that we have visibility on our water supply, do we still need the same increases? I appreciate that at least in the case of electricity we basically need to catch up to having drawn down our reserve, as I recall.

Mr. Perez: Thank you. Good question. As I understand it in the discussions we've had at Finance, it is necessary at these levels, because we drew down the reserves over the years. For example in electric, as you heard City Manager Keene mention, we hadn't had an increase since 2009. Believe it or not, water also influenced the gas. I hadn't thought about it until Staff told me. Because we were conserving water, you weren't using gas to heat up your—your showers were shorter, you were finding ways to conserve. It also impacted the Gas Fund. Obviously, it's something that they monitor very closely. We talked about, with the Finance Committee, whether the State was going to loosen up the restrictions. That's not definitive yet. The northern part of the state is doing better than the southern part, as you

TRANSCRIPT

might have heard. To the best of my knowledge and I'm sure we'll get into the deep details with the Finance Committee, it has been taken into consideration.

Mayor Burt: I'll just say I hope we have one more opportunity to do a relook at the rates based upon latest information. I appreciate when these rates started percolating through the Utilities Advisory Commission, we really didn't have the visibility that we have right now on this. As far as positions, I guess I do have one comment. I understand you mentioned that a couple of the positions had to do with our wastewater treatment plant. I support the necessity of moving forward with the engineering positions in that we've really heard for a decade that we had a long series of steps that would result in pretty much a full rebuild of our wastewater treatment plant and modernization of it that will occur over this coming decade approximately. If anything, I think we've been slow to really up that investment. This is the first step in doing that. It's badly needed; that's such a vital function for not only ourselves but our five member partners who will share the cost of that.

Mr. Perez: Mr. Mayor?

Mayor Burt: Yes.

Mr. Perez: If I may add, that share cost is 64 percent.

Mayor Burt: We pay 36 percent of whatever the cost is.

Mr. Perez: We're looking at financing the project at rates below two percent from State revolving loans.

Mayor Burt: The one position that caught my eye was on the Development Center. This is another accomplishment that we've had over the last half dozen years or so which is to greatly improve the performance of our Development Center as we heard last night. It's sort of akin to what we've done in an investment in our streets. We went from what we'll call mediocre streets and a mediocre Development Center to really a high-performing Development Center and the best scoring streets in Santa Clara County. My question is what's driving the need to add more Staff and is it to try to perform even higher? On the commercial side, we see on the horizon not really an increase and maybe a decrease in projects. On the residential side, is that what's driving it? Is there some other performance-based initiative that's driving that one increase that was mentioned there?

Mr. Keene: Are you able to answer to that?

TRANSCRIPT

Ms. Nose: I think you're talking about when Jim was mentioning the Building Planning Technician.

Mayor Burt: Yes.

Ms. Nose: What that position is actually doing is trying to make the Planners more efficient. It's actually front desk support. Right now what actually happens is all of the Planners will physically move their desks from their Planning office down to the front desk to staff the front desk. It's about—I don't know—10 percent of their time throughout a given year. What this position is going to do is allow the Planners to actually be Planners and do planning and put that clerical position at that front desk and alleviate that movement of them, so that they can actually focus on true planning activities.

Mayor Burt: I hear that, and I'll look for the Finance Committee to scrutinize that one in particular. Finally, we have the issue of the unfunded pension liability which, for all of the great things that we have done over the last years in reforming not only what was an unsustainable financial horizon for the City, but we did that and we have now addressed this incredible backlog in unfunded and reduced our backlog in infrastructure in a really major way. The remaining real great challenge for us is this unfunded pension liability. In this year's budget, refresh me where we stand. The Council gave direction. Refresh for me where we stand and we are in the coming budget.

Mr. Perez: We have action from the Finance Committee that needs to come forward to the Council. From the 2015 Fiscal Year close excess funds, we set aside \$1.3 million. The Finance Committee is making a recommendation to you, the Council, to start what we call a Section 115 Trust. It's similar to what we did with the retiree medical, as you may recall. We set up a trust, and we put the funds aside. They're irrevocable. The direction is that 1.3 of the General Fund side is for us to look for options or recommendations on how the other funds can also contribute towards their unfunded portion. We have that broken down. We can issue a Request for Proposal (RFP) and have a provider manage the trust and invest the funds for us. Then, the other to do is to look for ways to continue funding that. Obviously we're challenged in '17, so there's not a specific recommendation. There is a desire by the Finance Committee as part of their recommendation that we explore options in '17 as well and to look for a recommendation and funding policy. A quick example I can give you, just so it gives you a flavor of what we're looking at. Anything over the 18 and a half threshold right now in the Budget Stabilization Reserve, the City Manager can send a recommendation to you that it be sent to fund the infrastructure projects. There could be a

TRANSCRIPT

split of that, that some of it goes to the unfunded liabilities and some other proportion goes to the infrastructure.

Mayor Burt: I would support that direction that the Finance Committee has been discussing. I think it's crucially important that we continue to allocate funds toward this unfunded liability as we're setting up the new program. I would want to see it not less than one million for this fiscal year budget. If it has to come even from one million less toward the infrastructure or one million less in our Budget Stabilization Reserve, whatever it takes, I think we have to have that commitment and continue with it. It's the remaining element in having our finances long term to be sustainable. We've got a debt that we've got to be paying down. Council Member DuBois.

Council Member DuBois: Thank you for all the hard work. My bedtime reading for a month now. I had a question about drawing down the BSR. Have we done that in an up economy before?

Mr. Perez: We have. Back in the great recession, temporarily we drew down on the reserve ...

Mr. Keene: He said in an up time.

Mr. Perez: I'm sorry.

Council Member DuBois: Specifically when times are good or do we usually do it in a recession?

Mr. Perez: In good times, not below the target that I can recall.

Council Member DuBois: Hearing the City Manager's comments about a sustainable budget, it's a little bit worrisome. If this isn't it, I think it'd be good to maybe see some scenarios with some hard choices just to see what that means to get to something that feels more comfortable, maybe just to kind of understand the risk involved. I appreciate that it's ambitious, and we're trying to do everything. If you don't believe it, I think maybe some alternate scenarios would be good. In terms of the new FTEs, that's above all kind of open and unfilled positions that exist today? The Public Works FTEs, are those all long-term positions or are they tied to this capital infrastructure plan?

Mr. Perez: Not all of them are tied to the—one is specifically tied to the project. I'd imagine that this is going to take us quite some time to complete. We can reassess at the end of that process where we're at.

Council Member DuBois: It's like four or five years at least.

TRANSCRIPT

Mr. Perez: I would be guessing, but intuitively I would think so.

Council Member DuBois: Last year, I think I asked to get an idea of kind of consultant usage and how that's been changing. When you talk about kind of our head count versus 2009, the piece that's really missing is how much of our work has shifted to consultants. I'll make the request again this year. It'd be great to start to track it, so maybe next year we could see how much are we really kind of outsourcing or shifting or doing with kind of non-Staff workers.

Mr. Perez: I think one of the challenges we had was the way we capture our data. It's like most companies; capturing the data is not a problem. It's how you pull it out and make it useful. We're working on a project right now to have those analytics come out of our system to be able to tell. What I can tell you is that we have moved some of our services from in-house to contracting, which may be part of what you were mentioning maybe. We've done that for the golf course, parks, custodial, street sweeping, to name a few. There's been a shift, and that impacts those numbers as you're mentioning.

Mr. Keene: We've got an upcoming issue with the fleet.

Mr. Perez: We have a couple of items coming through the Finance Committee in May on how we administer our supplies for the fleet management. We're looking at a different model that has ...

Mr. Keene: Contracting with a private vendor for just-in-time delivery rather than us managing inventory, that sort of thing.

Mr. Perez: We're looking at our swim program as well.

Council Member DuBois: Again, I totally believe that we are doing a lot with and stretching people thin. I think it'd be good to recognize we've also shifted and we're leveraging some outsourced work as well. In terms of those unfilled positions, are there positions that have been open for a year or more?

Mr. Perez: We purposely have held some positions in the Fire Department as a result of the ongoing discussions with Stanford. Those come to mind. In terms of difficult recruitment, I think we've been having some challenges in some of the utilities, but I can't think of anything that's taken a year, off the top of my head.

Council Member DuBois: Shifting away from people, I guess. It'd be great to have ideas for new revenue sources. I think we're talking about parking

TRANSCRIPT

revenue potential. I don't know how big it could be. I was talking to Jim the other day of some cities are offering lit fiber services instead of dark fiber; those have been highly profitable. We have this question about business revenue and potential business tax. I think it'd be good to see some of the trends of business revenue versus residential revenue over time to see if we're keeping up. Just to echo the comments about the unfunded liability. I would support trying to find a way to pay into a fund for that. The other part of that that would be really useful is if we just start to report it and track it in a more transparent way. If we had the ability when we're making decisions to know what the long-term cost impacts would be, I think it would keep it more present in the minds of Council. We would be really considering the full cost of decisions we're making. Again, that's not really saying we would necessarily pay it differently. I think just making it more visible would be useful. Just let me check my notes real quick. Just a real quick clarification. The Capital Improvement Budget and the Capital Infrastructure Plan, is one a subset of the other? They're not additive, right?

Mr. Perez: That's correct. I think that's a good point to just remind the Council and the community that we segregated the projects and the funding for the infrastructure master plan, which started at \$126 million when it was adopted by the Council. As part of a way to report the progress, we call it out.

Council Member DuBois: The last point is really back to getting comfortable with the budget. If there are places for cost savings or efficiency projects, using technology to get more efficient, projects that pay for themselves in terms of cost savings, we're a complicated City trying to do a lot. I really think we need to kind of focus on—we're looking at a new ERP system, for instance. Are there ways that we can create efficiencies that actually save us money? Thanks.

Mr. Perez: Thank you for the support. We agree.

Mayor Burt: Thank you. Council Member Holman.

Council Member Holman: I'll be brief since I'm on Finance. I just wanted to give you a heads up. When you come to Finance—I've mentioned this before, but it seems to not happen. I think it'd be really helpful when we get the budget—it's a static document basically. When you come to Finance and following up with the Council, come with information and be able to demonstrate with open data or open gov—I've forgotten what it's called—how we're comparing to prior years. It's just a quick, easy shift from one screen to another. I think that can really help us. The other thing—help us know where we are and help us benchmark ourselves. The other thing is

TRANSCRIPT

with some indication of where we've made improvements, where we've gotten efficiencies. I don't know why the one that comes to mind is what we're going to be gaining by charging a percentage for our subcontracting services, which we haven't done before, some improvements along the lines of cost recovery plus. Thanks.

Mr. Keene: Before Lalo jumps in, we will do our best. I would respectfully just say also that we're hardly going to have any OMB Staff at the Finance Committee meetings. If the Council would just keep that in mind, that we're down whatever it is, 50 percent of the Staff. We're going to have to triage in the Finance Committee too to be sure we're working on what's most important. If we can do these other things, we will.

Mayor Burt: Vice Mayor Scharff.

Vice Mayor Scharff: Thanks. Thanks for the excellent presentation. First of all, in general I think I agree with the City Manager's approach to this budget. I agree that next year it has to be a sustainable budget. I think Council Member DuBois was correct, but the big part he left out was the possibility of the new hotel revenue, which is the most likely realistic source as opposed to finding efficiencies somewhere. I'm thinking maybe you could look at that and get a sense of what that would look like in different, reasonable and how that would basically give us confidence that there should be enough revenue plus what we'd normally expect to see if we have sales tax increase. Also, our property taxes usually go up. This year they went up—what? Eight percent. What did they go up the year before, do you know?

Mr. Perez: Let us look it up. Tarun has it.

Vice Mayor Scharff: What I'm saying is that it doesn't really matter that much. It's more maybe you could give a sense so people get comfortable that this approach is a stop-gap measure for this year. Next year, given where that's going to be, this should play itself out and work out barring having a sudden recession or something like that. My gut sense tells me that it would actually work out, and it will make this work for a sustainable budget for next year, which then gives me comfort for your approach for this year. How many Public Works people are you hiring? Was it ...

Mr. Perez: Four.

Mr. Keene: I think there's some shedding of some part-time people in the mix. Obviously (crosstalk) cost ...

Vice Mayor Scharff: What are they going to do—what are the positions?

TRANSCRIPT

Ms. Nose: Two of them are Senior Engineers, and those are the ones for the Regional Water Control Plant and the recycled water program.

Vice Mayor Scharff: That will deal with the improvements we're doing. Will that also help with the improvements and manage the improvements to the Water Quality Plant or not?

Ms. Nose: Correct.

Mr. Keene: We both have the overall planning for the investment design and the retiring ultimately of the incinerator and all that stuff. Then we have the very specific acceleration on the reclaimed/recycled water, even ultimately purified water, discussion to be sure we've got enough staffing to help support that.

Vice Mayor Scharff: That's two of the people?

Mr. Keene: That's two of them. There's one in refuse and ...

Ms. Nose: One of them is a Management Analyst. With Public Works, the multiple divisions, each division has a Management Analyst that helps them with all their analytics and what not.

Vice Mayor Scharff: That person goes to refuse or not?

Ms. Nose: This person is—yes, for refuse and wastewater treatment. They'll help with both of them, with the oversight of the administrative side of things, hiring, budget, contracts, all of that. The last position is street maintenance assistance to help with the post-closure maintenance of the landfill.

Vice Mayor Scharff: I look at this Capital Improvement Fund, and we are doing so much capital improvements next year. \$10 million for the Golf Course. We're starting the Public Safety Building. If you just go through it, you see it. There's multiple line items where we're over one million dollars, 1.4 million, 1.5 million and some really big items including some for Rinconada Park improvements and stuff, three million dollars. My concern is that we don't actually have the Staff to do that. I actually think if that's true, you should look at putting more Staff there. I don't want us to get to the end of the year, and you've done a third or a half of what you said you were going to do. I guess I want assurance that—I don't know where Jim went. I want assurance from Jim. Jim. Now we can talk about cutting the City Manager's salary to pay for that. Is that the right time?

TRANSCRIPT

Mr. Perez: Those are excellent points. We've actually had those discussions. We pushed back when Public Works—is the timing ready for these positions to be added? Are you at the point where you're actually going to need these positions full-time? The answer was yes. To your second point, the way that Mike Sartor, the Public Works Director, has recommended to the City Manager—you'll see something coming up soon here in your Agenda—is to hire project managers and not to add Staff.

Vice Mayor Scharff: You think he might outsource this and do it that way?

Mr. Perez: Yes. There's going to be a request to do it multiyear. You're absolutely right we have a lot of dollars and a lot of projects. My concern is that we've got to get this Public Safety Building going so we can finance it at the low rates that we have right now. We are pushing for many reasons. You'll see something coming up soon with a proposal for that.

Vice Mayor Scharff: I think there's a lot of that. With the low rates, we actually should try and get as much of this stuff going as possible.

Mr. Perez: Just to remind the Council, once you borrow, you have three years to build. That's why we can't start until we know that we have a time window.

Vice Mayor Scharff: That makes sense. We've obviously got to get the planning and stuff done so we can get it done. The other thing I wanted to highlight that's important to me is the golf course. We're losing money. I don't remember—how much are we losing a year on the golf course right now?

Mr. Perez: They're going to come and update you, and it's in the 800,000 range a year that we're probably going to be losing. It looks like we're making progress towards the permit.

Vice Mayor Scharff: We don't actually have all the permits yet. I thought we did.

Mr. Perez: We have the Fish and Wildlife permit. I haven't had a chance to talk to Staff last week, so I don't know exactly where we're at with the other. My understanding was that we were given some verbal assurances that once we have the Fish and Wildlife, then our chances were going to be better to actually get the next permit. We're updating right now, as we speak, the business model. I've been speaking to the consultant with those discussions with Community Services. The Staff has asked the golf architect to update the projected cost for the project. We're going to come in June—Community Services is—to give you an update and full details on all of that.

TRANSCRIPT

Vice Mayor Scharff: Spending the whole \$10,291,000 in 2017 sounds optimistic.

Mr. Perez: What we would do for this one is we would finance it. You're right; we would not spend all of that. My understanding right now is that it would be a 16-month project. They'll give you an update on specific starts and all of that.

Vice Mayor Scharff: When we finance something, we put the whole \$10 million in one fiscal year? Is that how that works?

Mr. Perez: That number's got a couple of components in it. There's three million that is coming from the JPA for San Francisquito JPA. We have about one million that we collected for accepting dirt at the golf course. That gets knocked down from that 10 million, but the costs have obviously gone up. We're going to update you on all of that. We would issue the ...

Vice Mayor Scharff: My question actually was more on timing. The way I read the budget and I read the Capital Improvement Fund, if the money's in 2017, I expect we'll spend it. There's nothing in 2018, which implied to me that we finished the project in 2017.

Mr. Perez: No. What we need to do ...

Vice Mayor Scharff: Did I read this wrong?

Mr. Perez: What we need to do is award the contract. In order to award the contract, we have to have the budget.

Vice Mayor Scharff: When I see these numbers, it's awarding the contracts (crosstalk).

Mr. Perez: That's correct.

Vice Mayor Scharff: That was my major points. I had one minor thing that just caught my eye. I apologize for going down so deep into the weeds. Why is there a number of 88,000 for the temporary Main Library? We have like a very little amount of money in 2016. I thought we had the libraries built; now we have 88,000 for a temporary Main Library. I was just confused what that could possibly be.

Mr. Perez: Where are you looking now?

Vice Mayor Scharff: If you look on Page 88 of the Capital Improvement Fund, that says temporary Main Library. It shows that in 2016 we spent

TRANSCRIPT

\$60,000 roughly, 2016 \$8,900. For 2017, we have \$88,000 budgeted. I couldn't resist asking.

Mr. Perez: It was probably to close it down. We'll have to look.

Vice Mayor Scharff: You can get back to me on it. I was just curious as to what that was for. Thanks.

Mayor Burt: I don't see any other lights. We'll thank the Staff and the Finance Committee in advance for a month of hard work ahead. I know the Staff's been—their hard work on this doesn't start tonight. Maybe the next month is actually easier than the last few months. You have a lot of meetings coming up. Thank you all for this hard work in this coming month. On that note, we will conclude this item.

NO ACTION TAKEN

8. Colleagues Memo: Developing City Policy on Acquisition, Use, and Safeguards for Surveillance and Information-Gathering Technologies.

Mayor Burt: We'll move on to our final item tonight, which is a Colleagues Memo regarding developing City policies on acquisition, use and safeguards for surveillance and information gathering technologies. Since this is a Colleagues Memo, Council Member Wolbach, are you wanting to take the lead on introducing this? Go right ahead.

Council Member Wolbach: I just had a few comments to make about this, just as a matter of process. Should I make those now or should we go to the public, if there's any public comment, first?

Mayor Burt: We normally have authors of the Colleagues Memo offer introductory comments on the Memo, and then we can hear from members of the public and then return to the Council for discussion. We currently have five speaker cards.

Council Member Wolbach: Also when there's an opportunity to make a Motion, I'd appreciate it if I could do that. This Colleagues Memo is really about beginning the process of establishing a proactive policy to ensure transparency in City government when it comes to technology with surveillance or privacy concerns and about protecting Personally Identifiable Information, PII. This is in the context of rapidly evolving technology, which enables unprecedented opportunities but also potential risks. This is in the context of controversies at the national, state and local level, which Palo Alto should aim to avoid. This is not about regulating private uses of technology, only uses by the City or our contractors or partners. I'd say this is also not

TRANSCRIPT

just about our Public Safety Departments but the City as a whole. For example, our Planning Department might have even more cameras than our Police and Emergency Services Department. This is not about a false dichotomy of safety versus privacy. This is about protecting both safety and privacy. As a quick example, if a city were to collect lots of information about residents and not carefully safeguard it against either internal abuse or leaking, then the privacy and the safety of a resident might be jeopardized. Automatic license plate reader, as one example, can provide detailed information about a person's movement and habits, which could be embarrassing if made public. It could be used for blackmail, if obtained by a hacker. Also dangerous physically if a stalker or other nefarious actor obtained it. As highlighted in Attachment C, other communities have seen what happens when surveillance technology is adopted without a good process. It sows distrust in government. Law enforcement, of course, depends on a healthy relationship and the trust of the community, as does every City department. In particular with Public Safety, I think we're blessed to have outstanding professionals in our Public Safety Departments, both rank and file and management, who understand this. Attachment B, the suggestions from the International Association of the Chiefs of Police was actually provided to us by Police Chief Dennis Burns for consideration and offers excellent examples of how to think about this complex question. I want to thank all of the Staff and community members who offered their thoughts prior to us drafting this Memo, and Staff for providing improvements which increased the quality of the language of the Memo. The community really deserves to know that we value their privacy, especially here in the heart of Silicon Valley, that we recognize the complex questions raised by recent and rapidly evolving technology. City Staff deserves to know that the City Council supports their efforts, rather than trying to guess how Council or the community will feel about something they do. The buck stops with the Council, and we should be responsible for authorizing any potentially controversial technology applications by the City. We could try to respond ad hoc to each new technology as it arises. As the coauthors of this Memo, we are of the opinion that we should be proactive. We envision a high-level policy, a standard operating procedure, a checklist for Staff to follow when considering adopting a new technology. Such a checklist would call for standard components, which could be flexibly applied depending on the technology and the need. As a high-level policy, it would not dictate the outcome of the details of future technology adoption or deployment in Palo Alto. It would merely establish a clear, consistent and transparent process by which we would make decisions about technology deployment. Particularly important are collection of data, retention of data and dissemination of data. Along with that, analysis of data and Council authorization. I expect Staff and the Policy and Services Committee will closely study at least three sources of suggestions. First, the American Civil

TRANSCRIPT

Liberties Union (ACLU) recommendations in Attachment A. Second, the International Association of Chiefs of Police recommendations that I mentioned before in Attachment B. Also worth noting is—we didn't include as an attachment—the draft ordinance currently being considered by the Santa Clara County Board of Supervisors which is working in parallel to this. I'll watch with interest when it unfolds at the Policy and Services Committee and look forward to recommendations coming back to full Council once there's been considered and thoughtful input from Staff and the community.

Mayor Burt: Thank you. Unless anybody has a burning question, we'll go ahead and let members of the public speak. Our first speaker is Adam Schwartz, to be followed by Brian Hofer. Each speaker has up to three minutes to speak. Thank you.

Adam Schwartz: Good evening. I'm Adam Schwartz. I'm a resident of Palo Alto; I've got two kids going to Jordan Middle School. I'm also a lawyer at the Electronic Frontier Foundation (EFF). The EFF is a nonprofit group that tries to ensure civil liberties in the new digital frontier. The technologies that are changing our lives, obviously they can do a lot of good. They can make our government more accountable; they can make it more efficient. Sometimes these technologies can diminish our privacy and our civil liberties and even chill our free speech. Every time one of these technologies comes up, these new, powerful surveillance technologies, there is a thicket of complicated questions, including what are their costs and benefits and should they even be adopted and, if so, who will the targets be, and what are the privacy rules going to be. It's the view of the EFF that these are decisions that ought to be made at the top. These are decisions that should be made in consultation or with an opportunity for input from the general public. We think we get better decisions when all of the stakeholders have an opportunity to be heard. The idea here really builds upon two statutes that were enacted this past year in Sacramento, that apply to all police agencies in the entire state, which say that if police want to adopt automatic license plate readers or stingrays, when doing so they need to first get approval from elected officials. They need to at the front end adopt a set of privacy and usage rules that all members of the community will have an opportunity to observe and comment on before they're adopted. What the idea, I think, here says in this bill is that it shouldn't just be these two particular technologies, the stingrays and the license plate readers. There ought to be an across-the-board approach that says all of these new emerging technologies should go through the same kind of process. Without trust between community and police, there can't be public safety. We think that this kind of policy will do a great deal to advance trust. Finally, EFF, ACLU, other groups that are here tonight would be very happy to meet with City officials to assist in this process of crafting appropriate legislation in the

TRANSCRIPT

coming months. I really appreciate the opportunity to be heard this evening. Thank you very much.

Mayor Burt: Thank you. Our next speaker is Brian Hofer to be followed by Paul George. Welcome.

Brian Hofer: Mayor, Honorable Council Members, my name is Brian Hofer. I'm a member of the Oakland Privacy Working Group, and I chaired a Citizens Privacy Advisory Committee at Oakland City Hall, which has now crafted two privacy policies for surveillance equipment. I've also worked with the Alameda County Board and a District Attorney on what I believe is the nation's strongest stingray use policy in the country. I've worked with Supervisor Simitian and the Santa Clara Staff on their current ordinance. I encourage you to go down this path. Everything that I've read in this Colleagues Memo is directly on point. Santa Clara has actually leapfrogged us a little bit. If you're going to look at a model, I do encourage you to look at Supervisor Simitian's draft. They spent over ten months receiving feedback from the Public Defender, District Attorney, Sheriff and others; it's been vetted very well. I want to talk—as we heard from the budget Staff just earlier, one of the obstacles you might face or concerns that you're going to face is Staff time. As someone that's been through the process, I just want to share a little bit of what we went through. For one, if you use Supervisor Simitian's ordinance, the ordinance is drafted. Secondly, while Oakland's annual compliance reports are premature, I can't share those with you. Menlo Park has been doing it on a quarterly basis with their license plate readers. Those reports are two pages long. It's not too much of a burden to produce those. Secondly, what about the underlying use policies themselves if you do get the overarching global ordinance? You're going to be writing individual use policies for equipment that you've approved the use of. Oakland created a very robust policy and procedures. We took a long time with that. Once we created our second policy, it took one hour. We sat down with the helicopter team; it was a thermal imaging camera that the helicopter used. We quizzed them, how do you intend to use this, what do you need it for, what sort of data sharing might you be doing, how long do you need to retain the data. Then, we modified the template that we already have. You're going to face some of these concerns. I assure you that once you clear that initial burden, that burden is lessened quite a bit. I don't want to make it sound so casual that you're just approving surveillance equipment and policies. The burden really will disappear. It's good government; it leads to transparency. It's not to exclude the Palo Alto Police Department from having a voice, but it allows others to also have input into the self-determination of what is appropriate in Palo Alto. I encourage you to keep doing this. Thanks.

TRANSCRIPT

Mayor Burt: Thank you. Our next speaker is Paul George, to be followed by Winter Dellenbach. Welcome.

Paul George: Good evening, Council. My name is Paul George. I'm Director of Peninsula Peace and Justice Center, which has been based here in Palo Alto for 34 years. I strongly urge you to support the Colleagues Memo that's before you. Surveillance is on the rise in our society. Unfortunately, transparency with the public is not. We need to find the proper balance between the use of technology—the technology is to keep us safe—and levels of transparency that will assure the public that those same technologies are not being abused, and that our personal data is kept secure. Holding full public hearings and setting the operating and security policies before any such technology is acquired is an absolutely must, I think, in a democratic society. Without those elements, there will be no balance between security and public transparency. As the previous speaker noted, the Colleagues Memo does cite the possibility of significant Staff time required to administer the various reporting programs, etc. I would respond that's the price, a small price actually, an open, free and democratic society must pay to remain free and open. I also applaud Supervisor Joe Simitian for the very strong ordinance he proposed for the County. It has rightfully garnered national and international attention. I came across an article about Joe Simitian in the London Guardian. It was great. Palo Alto should use it as a model to its own ordinance and set the gold standard for cities. Please support the Memo. Thank you very much.

Mayor Burt: Thank you. Winter Dellenbach to be followed by our final speaker, Jerry Schwartz.

Winter Dellenbach: I hope you refer this to Policy and Services. It's really badly needed. If you're hesitant I suspect it's more a matter of your needing more information rather than it being an unworthy or mistakenly timed, consuming subject, given all the good work that you have to rely on that's come before us. I really hope that this is not an encouragement of "let's just get some policies in place," and then we have all of these toys. I'm hoping that any policies would reflect we only have this technology when there is no other alternative, when we can absolutely justify it, whether we can show that there is an absolute need for it in the town of Palo Alto. It grieves me that we have data, big data mining businesses in Downtown Palo Alto. It grieves me, but we can't do anything about that. We can do, as a town, something about this. We can once again be a leader in trying to put in place something sensible. I want to take the rest of my time to just get personal for a minute. I was the victim of surveillance for five or six years, from 1967 to 1972. It became 24/7, constant surveillance using all technology possible back then. Almost all of it was illegal. It included

TRANSCRIPT

burglaries, wire-tapping, video filming, cameras, provocateurs, confidential informants, a whole range of things. I was the founder of the Los Angeles Resistance; I worked with David Harris, former student body president of Stanford University and Joan Baez who founded the Institute for the Study of Nonviolence. We were totally non-violent in urging young men to refuse induction into the army and our opposition to an immoral, illegal war. For that, I was nearly imprisoned twice with planted evidence. I'm about to get 8,000 pages of Federal Bureau of Investigation (FBI) records and Los Angeles Police Department records from a Freedom of Information Act (FOIA) request that has taken years and years. This surveillance business is no messing around. It ruins people. I hope each and every one of you take this really seriously, and let's get on with this and be our best civic self. Thank you.

Mayor Burt: Thank you. Our final speaker is Jerry Schwartz. Welcome.

Jerry Schwarz: Thank you. I am a Palo Alto resident and the Chair of the Mid-Peninsula Chapter of the ACLU. The proposal before you is a practical, pragmatic way to deal with the matter of great and increasing concern in today's society. The current surveillance technologies are—you know what they are sort of. You know how concerned people are about them. What's coming in the future with artificial intelligence and all kinds of stuff nobody has even thought of yet is even more concerning. The ACLU is not opposed to any particular technology. Our position is that any technology must be adopted with public review, the decision makers must have full information about it, and they must make informed decisions. There needs to be something like what is proposed here so that there are general procedures in place to reach those informed decisions wisely. Finally, two more or less personal notes. One is as a resident of Palo Alto, I am very glad that Palo Alto is again leading the way on something that is of great public interest, at least on the Peninsula. The other is I've heard in the previous remark and from my friends in Oakland that Oakland—I'm sorry, not Oakland. Alameda has the best policy with regard to stingrays. Ain't so. Santa Clara County has the best policy which they will not acquire a stingray. We can thank Joe Simitian for that. He fought very hard for it. Thank you.

Mayor Burt: Thank you. We can now return to the Council for discussion and prospective motions. When we go to a motion point, I know that Council Member Wolbach asked if he could have the floor. Council Member Berman.

Council Member Berman: Thank you very much to the members of the public for coming to speak today. I spent far too much time reviewing Electronic Frontier Foundation (EFF) white papers when I was writing my law

TRANSCRIPT

review note 10 years ago and know the quality of the work that you guys do. Needless to say, that note was not published. More recently, I've been doing some research on kind of best practices for adoption of technology and local public safety. One of the things that I read by a sheriff's association actually was the best process is to have a policy in place before you have a problem. Drafting these processes after there has been some public incident often leads to rushed policies and bad results. I think we have an opportunity now to do our best to put the process in place as we adopt—for technology that we currently have, but also as we adopt new technology as it becomes available. I think that it's important to have that community dialog and community conversation and bring together community stakeholders ahead of time to get everybody's input in a kind of logical, thoughtful process before something goes wrong. I want to commend Council Member Wolbach for all the work he did. I've been a part of a lot of Colleagues Memos, and I think this was one that probably took the longest to actually bring to Council. Council Member Wolbach did a diligent job of getting input and reaching out to Staff ahead of time and providing a lot of data that, I think, was helpful for tonight's conversation and will be helpful when this goes to Policy and Services. Good job. I don't know if this was your first Colleagues Memo that you took point on. No. Then you're a pro at this. It's just important. I'll support kicking this to Policy and Services, so we can have a longer conversation about it there. Thanks.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I just wanted to say thank you to the members of the public for clarifying the issue. When I originally read this Memo, my initial reaction was the City's already doing a lot of these things. I was thinking about it more generally. Like our Chief Executive Officer (CEO) has come before us and talked about our PII security procedures. The City deals with credit cards, Social Security numbers, a lot of personally identifiable information. We already have a lot of policies in place around that. We can discuss those policies more broadly. In a lot of ways, I think the security around the data is similar. I think we also recently passed a data retention policy, and it was reviewed, I think, by the Legal Staff and the City Staff. I guess you guys really just underlined this is really about surveillance technologies and dissemination policies. If that's the intent, I'm supportive. I think we have some existing policies we can build on. I'd like to keep the focus just narrow on surveillance. When I initially read this, I was thinking it was much more broad. Thanks.

Mayor Burt: Now I do see other lights. Council Member Holman.

TRANSCRIPT

Council Member Holman: I have one question. I support this going to Policy and Services, but I have one question. There are things that might be deployed as safety or even fire prevention here, there and in the Foothills, that sort of thing, but might be construed to some as surveillance as well. I'm hoping that that will be a part of the conversation when this goes to Policy and Services. When it's appropriate, appropriate use, not appropriate use, and what can be used and what can't be used, I'm hoping that will be a part of the discussion there.

James Keene, City Manager: I would just say that I think the report even acknowledges a little bit the existing directive at the Staff level to identify any camera technology or anything that we have in the City and to report on that. It's something that I asked for last year, for us to make sure that we know the base that we have. I think the nice thing about this policy is this idea of having a more detailed framework in advance. As you know, any time we've had an issue, we've actually been publicly discussing it with the Council. If we've got a bike count at a particular location, we've gone in to talk about the actual technology, the fact that it doesn't show photos, all of those kinds of things. I would say this. Our culture right now is on the upfront part of any decision point to discuss this publicly with where we are. I would say for the most part what we have done has forestalled any deployments from anybody coming in and basically saying, "This is Palo Alto. We wouldn't deploy something like this." You may recall some of the Council Members a number of years ago with license plate readers, we were talking about how we might do enforcement. We pretty much had a big discussion about some of the problems with that. We haven't deployed some of those things. Particularly now in a lot of the emergent smart city sensor information, I think pretty much everyone knows. While there could be a lot of interest in how we could collect useful information, not so much surveillance but capturing just data, we really need to have policies in place before we can jump into that. I do want to let you know that on the way to this policy, the Staff mindset is, I think, very attuned to the intentions of the Council and the community in this discussion.

Council Member Holman: If there needs to be clarification, my one reference, just as an example, was for instance about drones. We basically don't allow drones to be flown anywhere in Palo Alto. They could be useful perhaps in fire prevention and detection.

Mr. Keene: Clearly, I would hope we wouldn't say that there would be no good deployments of technologies that we may not even know exists right now. Again, this process for assessing and vetting and sharing. That is what we hear this is about.

TRANSCRIPT

Mayor Burt: Vice Mayor Scharff.

Vice Mayor Scharff: I wanted to basically follow up on what the City Manager just said. My view of this is there's lots of great technology that will make Palo Alto a Smart City, that will provide convenience, will give us great data of how to plan. We want all that data. I thought your point about bike counts was really good, but it's not just bike counts. It's car counts. I think we're going to see a lot more of that, and we should see a lot more of that. I actually do want to see a lot more of that. I want people to have confidence that their personally identifiable—when we count bikes, we count cars, we're not counting their license plates. We're not seeing where they move. There's nowhere you can follow them around, but we get the patterns of the big data. That's really what we want. Then, we can do our planning as a City Council and as a community based on good data. I think the more of that we have—I'm actually hoping that what we do is we put policies in place that allow us as a City and a City Staff to feel more comfortable. Every time you put a bike counter up somewhere, the citizens don't have to be concerned because they know we have a strong policy that says it's not personally identifiable. You can with confidence say, "Yes, let's put a bike counter. Let's put car counters." There's all the utilities stuff. As we become a Smart City, all that utility information we're going to have to safeguard. I don't think it would be appropriate for people to know how much water a particular citizen used without having a discussion about things like that or how much electricity they used. I think those raise huge issues of privacy. I think you want to have personally identifiable information to be very safeguarded. The best way to do this is to have a policy beforehand. I think it's not just surveillance. A lot of the smart city stuff—I think it's all about personally identifiable information. I think we should limit Policy and Services to some extent to be looking at personally identifiable information. For drones, there's a lot of uses of drones in utilities. They fly along the lines to make sure there's not a problem with them. They may want to fly along our lines as part of coming in from Northern California Power Agency (NCPA) or something like that. There may be small drones or something that actually go through the sewer pipes or something like that. I think we just want to—there's tons of this kind of technology. We just want to make sure that we're not invading someone's privacy and collecting personally identifiable information. That's my view of it.

Mayor Burt: A couple of questions that I have. At a higher level, given that this is potentially a lot of policy elements to look through, without attempting to answer this question tonight, a question I would have is whether we would want to consider breaking this up into categories of either those aspects that are least complicated or least contentious or most

TRANSCRIPT

important. Is there a group of them that should be considered and brought back to the Council first, and a second group maybe be in a Phase Two? I don't know the answer to that, but I think it may be a way that we want to look at this, so that we can move forward sooner on the things that are either more important or less contentious. Maybe there aren't things in either of those categories. I was encouraged by hearing more information on what we have going from Santa Clara County and their draft proposal and the consideration that's gone into it and also the reference to the International Association of Chiefs of Police and their policy framework. I wondered, Chief Burns, if you might be able to shed any light on whether you've had a chance to look at this Memo in the context of the International Association of Chiefs of Police (IACP) technology policy framework. Are they roughly aligned? Do you see areas that are different or are they moving in the same direction generally?

Dennis Burns, Police Chief: Good evening, Mayor, members of the Council. It's been a while since I read that. Generally, I believe that what you're proposing, Council Member Wolbach's Memo, is consistent. I think the idea of having the conversation in advance, establishing the values of the community and setting standards is very prudent. I encourage you all in considering this, and I hope this moves forward to Policy and Services.

Mayor Burt: Thank you. Just had a couple of smaller questions. This may be just verbiage precision. It says the recommendation is to refer this to the Policy and Services Committee to discuss. Ordinarily, it would be to consider and make recommendations. When this comes in the form of a motion, I'd want to see the clarification on what is the intended role of the Policy and Services Committee. Under Item Four, listed under the areas for Policy and Services Committee (P&S) to discuss, there's a reference that the Committee should survey the existing field of regulations. I didn't know whether the intention was the Committee would do that research or the Committee would rely on the Staff research and review it. Of course, Council Members will often do their own supplemental research. What's the primary thrust of that is and the intent? Item Number Five under that, I wasn't really clear about the relationship between what was intended here between the community interest in smart city initiatives, which we've kind of had some discussion about, and security of persons and property. It was a pretty convoluted sentence that didn't link two halves of that. I inferred that there was an intention to reconcile those two directions, but I couldn't gather that from the sentence. I don't need to wordsmith it. I just want to know what's the intent there. When this comes back for a motion, maybe that clarification could come as well. I think that covers the bulk of my questions. I will be interested in understanding how much of this focus is around personally identifiable information and whether that needs to be the

TRANSCRIPT

principal focus and to clarify that more. Council Member Wolbach, did you want to bring forward a motion?

Council Member Wolbach: Would you like me to respond to some of the questions you just raised before I do that?

Mayor Burt: Sure, you're welcome to do that before the motion.

Council Member Wolbach: Actually I think a couple of your quibbles—I hate to put you on the spot, Jim. I think they actually came from some of the recommendations that came from Staff to change the Memo somewhat (crosstalk).

Mayor Burt: Here's the—just a moment. The Staff makes suggestions to the authors of Colleagues Memos, and then the authors own the Memo.

Council Member Wolbach: That is correct. I just wanted to open an opportunity for Staff to weigh in, if they'd like to. Otherwise, I'll (crosstalk).

Mr. Keene: We might be missing a couple of words in here for clarity. I think it's handled well enough by a request when we're at the Committee to kind of clarify that in words.

Council Member Wolbach: That was my sense as well. On the question of—actually I'll just go forward with the motion. In speaking to the motion, I'll provide it. I'd move that we refer this Colleagues Memo to the Policy and Services Committee to discuss and potentially craft such an ordinance as described in the Memo.

Vice Mayor Scharff: I'll second that. Could I suggest a revision?

Council Member Wolbach: Sure.

Vice Mayor Scharff: I'd suggest that "to discuss and potentially make recommendations to Council regarding this subject."

Council Member Wolbach: That's amenable to me.

MOTION: Council Member Wolbach moved, seconded by Vice Mayor Scharff to refer this Colleagues Memo to the Policy and Services Committee to discuss and potentially make recommendations to Council.

Council Member Wolbach: First, I wanted to address—besides the comments I've already made, I just wanted to provide a couple of clarifications based on questions and things I heard raised. A few members of the public referred to stingrays, but I'm not sure if we had clarification of

TRANSCRIPT

what those are. They're essentially cell phone tower emulators. They allow you to gather a substantial amount of information from somebody's cell phone usage. On the question of whether this can be broken up into things that are less controversial and simpler at first versus more controversial and more complex later, I'd like to leave that question open to Policy and Services as they dig into it. I don't have an easy answer, but I'm certainly comfortable with Policy and Services Committee having the discretion to bring forth some recommendations at one point and others at another point, as they see appropriate. If there are minor errors or items that lack clarity, I'd be happy to provide that if it's necessary at this point. Otherwise, I ...

Mr. Keene: The Mayor's comment about Committee review, just clarifying. I think that would be something that the Staff would do. I think ...

Mayor Burt: The research (crosstalk).

Mr. Keene: Research, survey.

Council Member Wolbach: Yeah. I think that is correct. Any research beyond what's all provided in the attachments to the Memo, Staff could provide to the Committee Members.

Mayor Burt: Vice Mayor Scharff, speaking to your second.

Vice Mayor Scharff: Thanks to Cory for putting this together. He did all the heavy lifting on this. I think he deserves a lot of the credit for that. I'm pleased we're doing this for the comments I made earlier. I think it's important to set these policies. I do think, as we start with Policy and Services though, we should make it clear that the charge of Policy and Services and focus is on those technologies that create personally identifiable information. I actually do think in hindsight the Colleagues Memo was a little broader than that. I think that's, at least, what the focus should be to start with. I think that would make the charge for Staff a lot easier when they come up with stuff to us and help us out on this. I don't know if you feel comfortable doing that.

Council Wolbach: I think that's kind of assumed. I don't know if it's necessary to incorporate it into the motion. Again, giving the discretion to the Policy and Services Committee to bring forward recommendations in the order and manner that they see fit, I think that would be allowable within that scope.

Vice Mayor Scharff: I often think in these things oftentimes it takes them a while to get it to Policy and Services. These things go on. You could have several new Council Members next year, who haven't had this discussion.

TRANSCRIPT

When you look at the Colleagues Memo—actually Council Member Burt was the one who really pointed this out to me. I do think it's broader than that. I think it would be good to start there. At least if we have new Council Members, it's clear on that.

Council Member Wolbach: If we wanted to add something saying starting with technologies which collect potentially personally identifiable information, I'd be fine with (crosstalk) that.

Vice Mayor Scharff: I think we should say that Policy and Services Committee should focus on technology that creates personally identifiable information.

Council Member Wolbach: That's fine with me.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "with a focus on technology that collects personally identifiable information."

Mayor Burt: Council Member Schmid.

Council Member Schmid: I support the Motion in general. I think the issue has been clearly stated that technologies are proliferating. The concern about security is showing up at every level of government, starting with constitutional issues, but at the Federal level, the State level, the County level, the City level. It's showing up in business, how they conduct themselves. One of the things that I've heard from the Public Safety over the years is whenever there is an issue and a meeting, the first statement of Public Safety is we need trust and support from the residents, from the people. The first step in building that trust and confidence, the sharing of information is the fact that people are confident in the way information is gathered and used appropriately. I think of all those levels of government that are dealing with this issue, the cities are the most critical because there is the place where enforcement takes place, there is the place where the concern of citizens is best met. I guess I like the City policy on video that's on Packet Page 250. It's a good example of the City looking at the details of how to gather information, what information is gathered, what controls on it, what the process is and procedures are investigating. What we're adding here is an element that review by people in a public setting about the security and safety of that information. I'm happy to support the motion.

Mayor Burt: Council Member Holman. Council Member Wolbach, did you have some—go ahead?

TRANSCRIPT

Council Member Wolbach: I just wanted to add something. I was remiss in not being very clear about this earlier. As the City Manager pointed out, the City of Palo Alto has already taken great steps, and I think does have a very strong culture in this regard. The idea here is really just to institutionalize what's already been a strong culture. Again, my thanks to the City Manager, the City Attorney, and also our Public Safety Staff for their support for this.

MOTION RESTATED: Council Member Wolbach moved, seconded by Vice Mayor Scharff to refer this Colleagues Memo to the Policy and Services Committee to discuss and potentially make recommendations to Council, with a focus on technology that collects personally identifiable information.

Mayor Burt: Please vote on the board. That passes unanimously with Council Members Filseth and Kniss absent. Thank you to members of the public and to our Staff for participating.

MOTION AS AMENDED PASSED: 7-0 Filseth, Kniss absent

Inter-Governmental Legislative Affairs

Mayor Burt: We have our wrap-up items. Intergovernmental Legislative Affairs, nothing to report.

Council Member Questions, Comments and Announcements

Mayor Burt: Council Member Questions, Comments and Announcements. Council Member Wolbach.

Council Member Wolbach: A couple of things to report on. First, last Thursday I attended the Association of Bay Area Governments (ABAG) General Assembly in Oakland on behalf of the City. This was on April 21st. It was interesting to note that during the breakout session with Council Members representing mid to large cities from the Bay, there was essentially one topic for discussion, which was housing, housing costs, housing supply, housing displacement. Lots of people from other parts of the larger Bay Area region, even as far as away as Marin County or eastward, talked about how people who work in Silicon Valley cities like Palo Alto but can't afford to live here find housing in their neighborhoods, causing displacement there, causing further growth pressures and consternation there. Just further evidence that if we don't pull our own weight addressing the regional housing crisis, the problem doesn't just go away. By refusing to address the challenge here, it means that other communities really have to deal with it. I heard that from a number of other cities. On April 20th, last Wednesday, Joe Simitian—a separate issue—sponsored a County Town Hall in the City of Los Altos Hills on short-term bike and pedestrian improvements to Page Mill

TRANSCRIPT

Road and Highway 280 that I wanted to let you all know about. The options they were considering were very limited. Signalization in the nearer term at Page Mill and 280 was not proposed by County Staff. They said that the budget they were working with for the short term wouldn't accommodate it. Most of the attendees seemed very supportive of adding some kind of signalization, especially if it would only stop car traffic when a pedestrian or biker pressed a button. Also, of course, slowing Page Mill Road speeds would help with safety there. County Roads and Airport Staff—I think the same Staff member who presented to us last year—told me when I asked about the long-term plans, separately from the nearer-term discussion, that they wouldn't make any major improvements in the long term to the interchange at Page Mill and 280 unless Page Mill got widened. I pressed her on it, and she said a 20 percent reduction of traffic on Page Mill would suffice. She didn't seem to recognize that that was actually possible through Transportation Demand Management. When I asked if she had any sense of what Stanford was working on regarding Transportation Demand Management at the Research Park, she really hadn't. She clarified for me County Roads and Airports Department can add lanes, bike lanes, High-Occupancy Vehicle (HOV) lanes but not TDM. When I asked her if basically they can do infrastructure but not programs, she confirmed. Essentially County Roads and Airports does hardware; they don't do software. It's a classic example of if every problem you have is—sorry. If all you have in your toolbox is a hammer, every problem looks like a nail. This is important when looking at the expressway proposals, whether locally or regionally, that have been driven by County Roads and Airports.

Mayor Burt: Vice Mayor Scharff.

Vice Mayor Scharff: A couple of things. I visited our Sister City, Tsuchiura, in Japan. Their Mayor sends his greetings to our Mayor and wishes us well. They were incredibly hospitable. I ran their marathon, and there's lots of pictures and that kind of stuff if anyone wants to see it. The second thing is I was at the ABAG/Metropolitan Transportation Commission (MTC) Administrative Joint Committee, talking about the merger. The committee voted overwhelmingly to consolidate all staff functions of ABAG over at MTC, but have two Boards. The MTC Board would be the primary Board, and ABAG would retain its functions and autonomy and oversight under current statutory policies and would work with the MTC Executive Director. There would be no more ABAG Executive Director. That seems to be the direction that that is moving.

Mayor Burt: Council Member Holman.

TRANSCRIPT

Council Member Holman: A question. Is there a published list yet of when the Federal Aviation Administration (FAA) meetings are, the air noise meetings and where they are?

Vice Mayor Scharff: There is.

Council Member Holman: Are those on the City's website and I haven't noticed them yet?

James Keene, City Manager: They're on the website. We'll look at how we get the information out. We just got the information last week.

Council Member Holman: Thank you.

Mayor Burt: I'll just mention that on Saturday I went to the Matadero Creek Bikeway pop-up event, which was pretty interesting. It was basically a one-block length of the Water District right-of-way that was opened up for members of the public to go through and pass through. There were maybe over the course of the time as many as a couple hundred people who showed up. People seemed to be very interested. I guess we'll be hearing feedback on that in coming months. It was actually a well-attended event.

Mayor Burt: On that note, the meeting's adjourned.

Adjournment: The meeting was adjourned at 9:51 P.M.