



CITY OF PALO ALTO CITY COUNCIL TRANSCRIPT

Regular Meeting
June 13, 2016

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

Present: Burt, DuBois, Filseth, Holman, Kniss arrived at 6:30 P.M., Scharff, Schmid, Wolbach

Absent: Berman

Closed Session

1. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his Designees Pursuant to Merit System Rules and Regulations (James Keene, Molly Stump, Suzanne Mason, Rumi Portillo, Dania Torres Wong, Allyson Hauk)

Employee Organizations: Palo Alto Fire Chiefs' Association (FCA); Management, Professional and Confidential Employees; Utilities Management and Professional Association of Palo Alto (UMPAPA)

Authority: Government Code Section 54957.6(a)

Mayor Burt: Our first item is a potential Closed Session which is a conference with labor negotiators with the City-designated representatives being the City Manager and his designees pursuant to Merit System Rules and Regulations, those being James Keene, Molly Stump, Suzanne Mason, Rumi Portillo, Dania Torres Wong and Allyson Hauk. The labor employee organizations are the Palo Alto Fire Chiefs' Association; Management, Professional and Confidential Employees; and the Utilities Management and Professional Association of Palo Alto. Is there 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.

TRANSCRIPT

Mayor Burt: Motion by Vice Mayor Scharff, seconded by—who was that? Council Member Wolbach. Please vote. That passes on a 7-0 vote with Council Members Kniss and Berman absent. We will now go into Closed Session.

MOTION PASSED: 7-0 Berman, Kniss absent

Council went into Closed Session at 6:05 P.M.

Council returned from Closed Session at 7:17 P.M.

Mayor Burt: The Council has just completed a Closed Session item on labor negotiations. We have no reportable actions.

Special Orders of the Day

2. Proclamation to Honor Paula Kirkeby for her Contributions to the Community.

Mayor Burt: Our next item is a Special Order of the Day. We have a Proclamation to honor Paula Kirkeby for her contributions to the community. I've asked Council Member Holman to read the Proclamation.

Council Member Holman: Thank you. I very much appreciate the opportunity. Council Member Holman read the Proclamation into the record.

Mayor Burt: Thank you.

Karen Kienzle, Community Services Manager: Good evening, Council Members. I'm Karen Kienzle from the Palo Alto Art Center. Paula Kirkeby was a friend, a conspirator, an inspiration and a force. On behalf of the Palo Alto Art Center and the Palo Alto Art Center Foundation, we're so honored that you have presented Paula with this Proclamation this evening. I'd like to introduce Peter Kirkeby and Stefan Kirkeby, Paula's sons, to accept the Proclamation.

Mayor Burt: Thank you. First, we need to vote on the Proclamation. Will the Council please vote on it.

Ms. Kienzle: Many apologies.

Mayor Burt: Thank you. That passes unanimously with Council Member Berman absent. I will be joining the family to present the Proclamation.

Rhyena Halpern, Community Services Assistant Director: Good evening. Would it be okay to have one comment?

TRANSCRIPT

Mayor Burt: Sure.

Ms. Halpern: We have local artist Joe Zirker here who wanted to make a comment.

Joe Zirker: Paula was a major force through her love of the print and paper for elevating paper art and monotype to their now level of prominence. More importantly, she helped to raise a community consciousness of the importance of the arts in their lives, not only in terms of supporting artists and art institutions but in the way art and culture become an all important force for human development and growth. With her passing, we have lost an irreplaceable friend and colleague. Paula Kirkeby was a true exemplar of what it is to be a human being. Thank you.

Mayor Burt: Thank you. Thank you all for coming for this part.

Agenda Changes, Additions and Deletions

Mayor Burt: At this time we will move on to City Manager Comments. First, Agenda Changes, Additions and Deletions. We have none.

City Manager Comments

James Keene, City Manager: Might I begin, Mr. Mayor?

Mayor Burt: Please.

Mr. Keene: I thought I would share first of all that Friday at the Art Center, we'll be taking places Friday, June 17th, from 7:00 P.M. to 10:00 P.M. The Council and the community will have an opportunity to see beautiful public art at Rinconada at the kickoff of the 45th Anniversary celebration of the Palo Alto Art Center. The evening features the opening celebration for *Fired Up: Monumental Clay*, starting with free dance lessons from Wednesday Night Hop instructors and then swing to the Don Neeley Jazztet from 7:30 P.M. to 9:30 P.M. play giant checkers, giant Jenga, giant Connect 4 and other neat games. Make a monumental accessory and experience glazing and firing of a raku vessel this Friday. Secondly, I just wanted to share that this is the recent *Library Design* spring journal, a supplement to the *Library Journal*. If you can see this, you will notice on the very front page under the title, "The Art of the Matter," public art in libraries can start a conversation, create civic pride and build a unique sense of place. Of course, the cover photo here is of the Rinconada Library that says, "Outside the plaza of the Main Library in Palo Alto, California, six sculptures made from crowd-sourced, community texts change color in response to patrons touch." It goes on to talk about it. Just another example of the renaissance in the arts

TRANSCRIPT

and in our buildings and in our community in recent years. Switching to different topics, the wildfire fire season is upon us. The Fire Department has been busy preparing for this year's season. Crews have been training every day on wildland firefighting, structure protection and other brush fire emergency procedures. Our crews have been conducting wildland fire inspections of properties in the Foothills neighborhoods, and they inspect for vegetation clearance and community escape routes. Last Wednesday, an engine crew and battalion chief from our City were part of a regional response to a wildland fire down in the Henry Coe State Park in the far eastern portion of the county. This 120-acre fire was one of the earliest wildland fire responses in what we think could be a busy season this year. The green storm water update. I don't know if you guys have any slides for me, over there. I did want to share that last week our Public Works Staff hosted more than 100 local government folks who came to learn about storm water collection, retention, natural treatment and infiltration at our Mitchell Park Center. Mitchell was used as the example facility having essentially all of the green storm water infrastructure measures. In the first photo you saw, Staff are displaying a diagram of those measures. In the second—I'm not seeing these—Joe Teresi demonstrates as storm water promotes plant growth in the infiltration basin. There we go. Thank you. Two other updates. Improvements to Bol Park path at Matadero Avenue are part of the upcoming street rehabilitation planned by our Public Works Department. The intersection of the Bol Park path and Matadero Avenue will be reconfigured to meet modern shared-use path and accessibility standards. Planning Department folks have been advancing this project for more than a year. We've had several meetings with residents soliciting feedback. There still remain community concerns about the removal of outdated metal barricades, which currently present issues for mobility and visually impaired individuals and bicyclists using nontraditional bicycles and/or if they're pulling trailers. Staff will continue to monitor the path following the project completion for issues related to bicyclist and motor vehicle speeds and consider additional signage, design modifications, and increased enforcement if necessary. Minor striping changes to improve safety and implement portions of the Bicycle and Pedestrian Transportation Plan are also planned for several roadways in the Barron Park neighborhood as part of this package of projects. Lastly, I did want to share that our City participated in a live demonstration of emergency response in relation to utility line strikes. The recent demonstration event was a simulation of how emergency responders address a gas and electric utility line rupture caused by an underground excavation. The event was organized by the California Regional Common Ground Alliance and hosted by the Public Safety Training Consortium. The goal was to create awareness of the severe consequences of utility line strikes during digs and other actions and to encourage active participation in policy setting and legislation through communication and

TRANSCRIPT

education. You'll be pleased to know that our City is recognized as a leader in public safety in this area and was honored with this chance to play a leading role in demonstrating our commitments to education, outreach and training. Other participants and guest speakers included State Senator Jerry Hill, the California Public Utilities Commission, USA North 811 Call Center, AT&T, the State Contractors Licensing Board, the State Fire Marshal and various police and construction companies and other industry stakeholders. Thanks to Ed and the team in Utilities. That's all I have to report.

Mayor Burt: Thank you.

Oral Communications

Mayor Burt: Our next item is Oral Communications. We have two speaker cards. If anyone else has a speaker card, please bring it forward now. Our first speaker is Sea Reddy, to be followed by Subhash Narang. Welcome.

Sea Reddy: Good evening, Mayor and citizens of Palo Alto and Council Members. Today is a sad day as we note what happened yesterday in Orlando. It's very cowardly to kill innocent people to make a statement or to get in the news. I think the news media should take an opportunity to let people talk, so they don't have to kill people to get in the news. It's a sad day. My prayers are with the families of the 49 members that are—49 citizens or people that have passed away. It's a shame. I think it's also cowardly to rape a woman on our near and dear Stanford campus and get only six months. The judge, I don't know what he was thinking. I think six years would have been appropriate. I think we need to condemn that. Going on to the next subject. I congratulate Marc Berman and Vicki Veenker that have gotten to the next level. They're quite qualified, prominent. I wish them all the luck. I still suggest that Marc Berman take on the new assignment to get elected and resign from this office here, so someone else could be appointed from you or whatever the procedure is, so we can move on with a new Council Member in training until the next election is done. The fourth thing is we need to take this opportunity to get better communication, better working relationship with Dr. H. Mindy [phonetic] and Dr. Hennessey [phonetic] leaving in the next few months. It's good to have a City that works well with another prominent neighbor. Thank you all.

Mayor Burt: Thank you. We will now move on to Approval of Minutes. We have Minutes from May 23rd and May 31st for approval.

Council Member Kniss: So moved.

Mayor Burt: Second. I'm sorry. I announced it, and then I skipped over you. My apology. Subhash Narang. Welcome.

TRANSCRIPT

Subhash Narang: Good evening. I have a few concerns about the dewatering policy that the City is dealing with. As you probably know, the house two doors next to us is constructing a basement. The contractor is not really following all the policies or the guidelines that the City has issued. I wanted to bring those to your attention. The first thing is that the City document says that the contractor will supply the water to the neighboring properties to the extent desired by the owners. We asked for a 10-gallon-per-minute flow, and they have not been able to deliver it. We don't understand why, because there are other properties, other basements constructed where, in fact, they have been able to deliver water that can run sprinklers without a problem. It seems like the Staff is talking to the contractor and the contractor says, "No. We can't do it." That needs to be dealt with. The property is going to finish dewatering in probably another week or two. They are close to passing their 10-week limit as imposed by the City. The policy says that after that, they have to pay a \$500-per-day penalty with possible escalation. I talked to the contractor, and they said no, they're not going to pay because they're already paying the City \$6,000 a month for purple water, and they don't owe anything more than that. We'll see how it goes. We hope you will implement the recommendations and impose the proper penalties. The water is being used not just by the neighbors including my property, but also there are a couple of families who are driving into the site with their own buckets and vans, three times a day. This one lady is frail, older than me, doesn't want my help. She is lifting these 10-gallon, 5-gallon buckets and loading them up in the van and taking it to her house to water the lawn. We recommend those persons who are making good use of this water which otherwise will go into the storm drain. The purple water company, I talked with them to see what their feelings are, because they come once a week and haul the water. Their main complaint is that they don't have enough water flow to fill the truck in a reasonable amount of time. The flow, according to them, is less than half of what the recommendations are. Those are the few concerns we have. I have heard that the fine, the \$500-per-day fine, is supposed to be implemented on a case-by-case basis. We hope that's not the case, that you will in fact stick to the policy that you have put into place, that all policies are followed. Thank you.

Mayor Burt: Thank you.

TRANSCRIPT

Minutes Approval

3. Approval of Action Minutes for the May 23 and 31, 2016 Council Meetings.

Mayor Burt: Our next item now is Approval of Minutes for May 23rd and 31st. Council Member Kniss moved to approve; I seconded.

MOTION: Council Member Kniss moved, seconded by Mayor Burt to approve the Action Minutes for the May 23 and 31, 2016 Council Meetings.

Mayor Burt: Please vote on the board. That passes 8-0 with Council Member Berman absent.

MOTION PASSED: 8-0 Berman absent

Consent Calendar

Mayor Burt: We move on to the Consent Calendar. Do we have a Motion to approve? Council Member Wolbach, were you wanting to speak?

Council Member Wolbach: Yeah. I'd like to move pulling Item 7 from the Consent Calendar.

Council Member Schmid: I second that.

Vice Mayor Scharff: I'll third it.

MOTION: Council Member Wolbach moved, seconded by Council Member Schmid, third by Vice Mayor Scharff to pull Agenda Item Number 7-Approval and Authorization for the City Manager to Sign ... to be heard as Agenda Item Number 10a.

Mayor Burt: We can reschedule that as Item 10b.

James Keene, City Manager: We would put that on tonight's agenda.

Mayor Burt: Yeah.

Mr. Keene: I think we've got a deadline for this week on that.

Mayor Burt: We have the Motion to approve—do we have a motion to approve Items 4, 5, 6 and 8.

Council Member Kniss: So moved.

Vice Mayor Scharff: Second.

TRANSCRIPT

MOTION: Council Member Kniss moved, seconded by Vice Mayor Scharff to approve Agenda Item Numbers 4-6, and 8.

4. Authorize the City Manager to Execute an Agreement Between the City of Palo Alto and ENGEIO Incorporated, for a Hydrologic and Hydraulic Study of Buckeye Creek in an Amount Not-to-Exceed \$104,998.
5. Approve and Authorize the City Manager to Execute a Contract With Nova Partners, Inc., in an Amount Not-to-Exceed \$4,200,471 to Perform Program Management Services in Support of Nine Infrastructure Plan Projects Including the Public Safety Building.
6. Adoption of Fiscal Year 2017 Investment Policy.
- ~~7. Approval and Authorization for the City Manager to Sign a Letter Commenting on the City of East Palo Alto's General Plan Update and Draft Environmental Impact Report.~~
8. Authorize the City Manager or his Designee to Execute an Amended Indemnity Agreement With the Santa Clara Stadium Authority to Allow Provision of Requested Law Enforcement Services to Levi's Stadium.

Mayor Burt: Motion by Council Member Kniss, second by Vice Mayor Scharff. Please vote on the board. That passes 8-0 with Council Member Berman absent.

MOTION PASSED: 8-0 Berman absent

Action Items

9. PUBLIC HEARING & PROPOSITION 218 HEARING: Ordinance 5386 Entitled, "Ordinance of the Council of the City of Palo Alto for Fiscal Year (FY) 2017, Including Adoption of Operating & Capital Budgets and Municipal Fee Schedule;" Resolution 9592 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Dark Fiber Rate Increase of 3.2 Percent and Amending Utility Rate Schedules EDF-1 & EDF-2;" Resolution 9593 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Electric Financial Plan and Amending the Electric Utility Reserves Management Practices;" Resolution 9594 Entitled, "Resolution of the Council of the City of Palo Alto Adopting an Electric Rate Increase of 11 Percent and Amending Utility Rate Schedules E-1, E-2, E-2-G, E-4, E-4-G, E-4 TOU, E-7, E-7-G, E-7 TOU, E-14, & E-16 & Repealing Utility Rate Schedules E-18 & E-18-G;" Resolution 9595 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Gas Utility Financial Plan;" Resolution 9596

TRANSCRIPT

Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Gas Rate Increase of 8 Percent and Amending Utility Rate Schedules G-1, G-1-G, G-2, G-2-G, G-3, G-3-G, G-10, & G-10-G;" Resolution 9597 Entitled, "Resolution of the Council of the City of Palo Alto Adopting Refuse Rate Changes Including a 7 Percent Decrease and Up to a 9 Percent Increase and Amending Utility Rate Schedule R-1, and Consolidating Utility Rate Schedules R-2 & R-3 Into a new Utility Rate Schedule Designated R-C;" Resolution 9598 Entitled, "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 to Increase Storm Drain Rates 3.2 Percent per Month per Equivalent Residential Unit for FY 2017;" Resolution 9599 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Wastewater Collection Utility Financial Plan;" Resolution 9600 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Wastewater Collection Fee Increase of 9 Percent & Amending Utility Rate Schedules S-1, S-6, and S-7;" Resolution 9601 Entitled, "Resolution of the Council of the City of Palo Alto Approving the FY 2017 Water Utility Financial Plan;" Resolution 9602 Entitled, "Resolution of the Council of the City of Palo Alto Adopting a Water Rate Increase of 6 Percent and Amending Utility Rate Schedules W-1, W-2, W-3, W-4, & W-7;" Resolution 9603 Entitled, "Resolution of the Council of the City of Palo Alto Amending Salary Schedules for the Utilities Management Professional Association of Palo Alto (UMPAPA), the Service Employees International Union (SEIU), and the International Association of Fire Fighters (IAFF)."

Mayor Burt: Our next item is a public hearing and Proposition 218 hearing basically on our Fiscal Year 2017 budget. This public hearing has certain formalities that we need to follow. I'll read from a script on this to make sure this is done correctly. First, tonight we will consider adoption of the ordinance adopting the budget for Fiscal Year 2017. The budget hearing will be combined with the public hearings on the proposed rate increases that are subject to Proposition 218. Does the Staff have a presentation on this?

James Keene, City Manager: Yes, we do, Mr. Mayor. Should we proceed? We'll proceed. If I might make a couple of introductory comments and then turn it over to our (Chief Financial Officer)CFO, Lalo Perez, and our (Office of Management and Budget) OMB Director. Kiely is here. A couple of things. First of all, thanks to the Finance Committee for your work in a series of meetings and in-depth review of, I think, certainly the main issues and themes in this year's budget. The good news is that we're in a good economy, as you know. That means that the revenue stream that we have is good, and you'll see actually some refinements to our estimates for next year's revenues that do come in handy. That being said, we also know that the good economy generates a lot of demands on our City and our

TRANSCRIPT

organization. Of course, they're reflected in your Priorities, both getting the Comp Plan done, dealing with the built environment, continuing to invest in our infrastructure in the very systematic way that we have been over the past seven or eight years, and a focus on the life of a Healthy City. Tonight, the budget that we will be presenting to the Council is the original City Manager Proposed Budget. It includes responses to the directives from the Finance Committee and includes their recommendations that they identified. It does make adjustments to revenues. What we bring you now from the Finance Committee, as the Staff will go into much more detail, does essentially replace the draw on the Budget Stabilization Reserve that, I felt, was a necessary factor when I originally proposed the budget in the spring. We do identify and the Finance Committee has committed to beginning to meet in the fall of this year on the Fiscal Year '18 Budget, which will be next year's budget. We do acknowledge that there's some systemic issues that we were not able to fully address in this year's budget, even though we present you with a balanced budget for Fiscal Year '18. The Staff will also identify some outstanding issues that we don't have all of the information on or all the decision haven't been made yet on Fiscal Year '17 itself. Even after you adopt this budget, we acknowledge that there will be some near-term budget decisions that you'll have to make. We'll identify those. With that, I will turn it over to our team here. We'll go into more detail. Lalo.

Lalo Perez, Chief Financial Officer: Thank you, Jim. Lalo Perez, Chief Financial Officer. I want to thank the Finance Committee for their review of the budget that we put forward. We're bringing a budget that, as Jim said, has some systemic challenges. I just wanted to remind the Council that we went through something similar just about six years ago, where we had about a \$14 million budget deficit. The beauty of a budget like yours and this community is that it's diversified. It has various sources and abilities for us to be able to make some adjustments. What we hope to do today is give you an update of where we came to from the Finance Committee meetings; talk to you about what the solutions are and the next steps as Jim outlined them; and then turn it over to the Chair to give the Committee's overview. We'll be open to questions after that. Kiely Nose is going to go ahead and start the presentation. We'll chime in, the three of us here.

Kiely Nose, Budget Manager: Thanks, Lalo and Jim. To start, I also just wanted to say thanks to what we keep reminding you is a small but mighty team here at OMB with Paul Harper and Steve Guagliardo behind me. Amongst the three of us, we've kind of held down the fort for the last month. Starting out really quick and really high level. The revised Citywide budget that's in front of you today is \$642 million. This is slightly above your proposed, which was at \$626 million. The biggest change is the capital reappropriations. The rest of it is obviously around the margins. Going

TRANSCRIPT

straight into our General Fund expenses. The lion's share continues to be salaries and benefits with a revised proposed budget of \$194.1 million. This is down from \$198 million that you saw in April. Your General Fund revenues are actually slightly up at \$195.1 million. You'll see in bold those categories; we'll go into greater detail later, but those are revenue estimates that we're recommending to revise based on more current information. Your Citywide positions or Full Time Equivalent (FTE) count has not changed actually from what was proposed in April; however, based on recommendations or requests by the Finance Committee to reduce or eliminate two positions, there is a recommended funding reduction equivalent to two positions that we'll come back and identify later. They are recommended in the Fire Department. You'll see those notes in the shaded box. Just to remind you of what the ten position additions are. There's 2 1/2 positions that are dealing with Planning; there are four positions in PW, primarily in wastewater control; there's one in Community Services; there's 1/2 in Library; there's a full position in Human Resources; and one in Information Technology. It's important to kind of remember as we go through this that, although you're showing that ten position addition, by the end of this you really are only at eight. You're only adding one in the General Fund instead of that 3.23 that you see up there. Once we come forward with those two position eliminations, you're really, despite all the demands going on, only having that one position add in the General Fund. What's changed between April and now? You can see at the very beginning of the slide we have your starting point, the April budget's General Fund revenues and General Fund expenses. As we move through, these are all actions that have been recommended either by Staff or the Finance Committee through the budget hearing process. The first one is the Planning and Transportation contingency addition. Two new Residential Preferential Parking (RPP)s that were added by the Council. Changing the tree trimming contract cycle from Staff's 15-year proposed to a 10-year cycle. Two position funding reduction. Adjustment to the schedule of some general Capital Improvement Program (CIP) projects; there's three of them. That revised General Fund tax revenue. You can see by the end of the day, we have that \$195.1 million versus the \$194.1 million in expenses. You actually are increasing you Budget Stabilization Reserve by the end of what's currently in front of you. To go into a little bit more detail on that revenue. That \$2 million you see here is split out. It's a net change amongst about five different revenue categories. Your biggest change is in your property tax and utility user tax. Property tax, over the course of the last week or so, we've received revised estimates from the County. This is based on roll correction estimates, current assessed values, and their best guess. You'll see a year-over-year from the adopted '16 budget to your revised '17 proposed estimate has 11 percent growth. The major change in utility user tax is based on current year tracking as well as refining those rates that you

TRANSCRIPT

guys have been reviewing over the course of the last two months. You can see documentary tax is going down a little bit, and that's just based on activity levels, as we see that kind of tapering off. What does this do to your Budget Stabilization Reserve? In your proposed, we had, as Jim had mentioned, originally a draw of about \$4.9 million. Based on the Finance Committee recommendations as well as Staff recommendations, you actually are going to increase your Budget Stabilization Reserve (BSR) instead of draw on it to \$41.6 million. This is about 21.4 percent of what your revised FY '17 General Fund expenses would be. Now, there are some current ebbs and flows that we know are potential variables in Fiscal Year '17 and '18. From that \$41.6 million, we actually could potentially add to that to the tune of 1.3 million based on '16 revised revenue estimates. In order for us to enable those '17 growths that you saw in that 2.1, current year tracking is doing better. This 1.3 is recognizing that fact. I think there is a Staff Report probably coming forward that would potentially, at you guys' discretion, use that 1.3 to help with the golf course project. One of the recommendations that is included in here is an adjustment to the capital schedule for three capital projects. Now, all things created equal and staying the same between now and Fiscal Year '18, that \$4.3 million that we're deferring theoretically comes back to us next year. It's just a one year deferral. If you take all of these two variables into consideration, you'd actually be up \$38.6 million, which is still 19.4 percent above that 18.5 percent target. In other funds—moving on from the General Fund. There are really nominally changes that are being recommended. We added an Electric Fund project due to the Caltrain testing for the modernization project. It's moving the height of electrical lines over the tracks. We fixed a calculation error, and then obviously those three project deferrals. You can see the projects listed here, Rinconada, Municipal Services Center replacement for the roof as well as Ramos Park improvements. It's important to note that these are recommended because they're really not shovel ready for Fiscal Year '17. Obviously, we have those capital reappropriations. The biggest jump that you see between your April budget and this one Citywide are these. That's a \$21.7 million increase. Here's kind of a high-level snapshot of your five year CIP plan. The five year CIP as proposed in April was at \$639 million. Now, we added that new project with the revisions in the Public Art and the reappropriations. Your new five year CIP plan would be \$663.7 million worth of capital investments over the course of the next five years. Of that, \$290 million is in your general Capital Improvement Fund. To take that a level further, of that \$290 million, \$128 million or \$129 million is programmed for your capital infrastructure improvement plan, those select key projects like the Public Safety Building, Byxbee Park, bike and pedestrian (ped), over the course of the five years. In Fiscal Year '17, your general capital improvement budget has actually been reduced as a result of those three project deferrals. Your revised would be a \$68.2 million budget for Fiscal

TRANSCRIPT

Year '17 with your largest investments in buildings and facilities. Of that \$68.2 million, it's important to note \$29.5 million is reappropriations. Looking at this capital information from a historical standpoint. Back in 1993, we were spending about \$3 million annually on this. If we bring ourselves up to Fiscal Year—let me pull out my notes. If we bring ourselves up to Fiscal Year 2006, we were spending about \$13.2 million. In Fiscal Year '15 and '16, expenses are hovering around the \$45-46 million range. You can see over the last more than a decade, expenses and investment in general infrastructure have increased exponentially. Just briefly since we do have all the public hearings, there are a number of utility rate increases that the Finance Committee has reviewed, and we're bringing forward to you for your review and approval. The proposed rate increases are outlined on this slide. Overall it's about an eight percent increase year over year. This is probably where I'm going to have Lalo and Jim help me out. Potential issues on the horizon. I know we've brought this up a lot over the course of this budget process. We've bolded ones that are probably most imminent for you guys. Things like our Stanford University negotiations, the Animal Shelter service delivery model evaluation, obviously that golf course reconfiguration and renovation project, the potential acquisition of the Post Office as well as Track Watch. You can see here the longer term things that we'll be facing as an organization as well. As we look forward, these are just some guiding principles. We're going to need to be balancing expectations with the funding available, continue to remain that employer of choice. The biggest change here is to address the Fiscal Year '18 imbalance. Something that came out of the Finance Committee meetings was a return to the Finance Committee sometime during the fall of this year to start outlining potential budget balancing solutions and options that'll provide a more sustainable, ongoing approach. Unless Jim or Lalo has anything else, I think we're here for answering any questions.

Mayor Burt: Thank you. Now, would Finance Committee Chair Filseth like to report out on the discussions of the Committee and anything the Council should be considering tonight?

Council Member Filseth: Yeah. Thank you very much. First of all, thank you very, very much to Lalo and an extremely productive and efficient team of Kiely, Paul and Peter, who did a humongous amount of work with a very small team. We happy few, absolutely. Faced with a significant challenge of balancing the budget for this year, Staff did a great job. A big piece of the challenge here was a number of expenses appeared this year that hadn't been anticipated, that were structural expenses. The goal of balancing this year in a structural way, because these are going to come back next year, was a significant one. If there's one thing we learned from this very, very clearly is that operating costs crowd out capital investment and

TRANSCRIPT

infrastructure. For example, one of the new charges was a couple of million dollars a year to run the street lights, which we hadn't anticipated before. We're going to have to pay that out of the General Fund, and so that impacts our ability to do capital projects elsewhere in the City. Very happy that turned out the way it is. As Lalo and Kiely and the City Manager mentioned, we are going to have this issue of structural expenses coming back in 2018 and beyond. That's why there's a lot of focus on trying to prepare for this early, because it's not going to be trivial to do. There were a couple of things I probably ought to bring up. If you look on—first of all, there were a number of things that we looked at that the Finance Committee felt was a good thing for the Staff to take a look at. We wanted to recommend that the Council recommend the Staff look at these things. There's a list on Packet Page 139. For example, one of the issues that came up was could we be more efficient in the way that we deploy sworn versus non-sworn Staff of the Fire Department. There are five issues on Packet Page 139 that we should look at, at the appropriate time. There were a few other things that were still open for discussion, on Packet Page 129. Let's see. Timing of some fitness equipment for the fire stations, the Office of Sustainability Contingency Fund, tree trimming services frequency of cycle. There were a handful of things like that. That's on Page 129 and 130. If the Council wants to take it up, we can do that tonight as well. Let's see. Other than that, one of the questions that came up at the Council that is worth discussing is the guidelines for the Budget Stabilization Reserve, that it should be 18 1/2 percent of the General Fund revenue. Under this budget, it's a little bit more than that. We have the opportunity, if we want, to use that for something. As the City Manager points out, it's just going to come back next year, so that's a consideration as well. For example, one of the things that's not in here is anything allocated for a Section 115 or potentially we could invest some of it in infrastructure. That's worth discussing too. Thanks very much.

Mayor Burt: Thank you. The next item is a Prop 218 aspect to the budget. Let me read the required statement. Now at this time we will open the public hearing on the proposed budget as well as the Proposition 218 rate changes. A portion of this hearing will relate to changes in wastewater, water and refuse rates, and this portion of the hearing is governed by Proposition 218. Before we begin the hearing, the City Attorney will provide some background on Prop 218.

Molly Stump, City Attorney: Thank you, Mayor Burt. City Attorney Molly Stump. Tonight's wastewater, water and refuse rate changes follow the requirements of the California Constitution's tax provisions adopted by the voters in 1996 as Proposition 218, as the Mayor said. Proposition 218 includes both substantive and procedural requirements. The procedural

TRANSCRIPT

requirements will be in play tonight. After the public hearing is closed, there will be a majority protest procedure where the Clerk will tally the number of signed, written protests received by property owners against the proposed rate increases. If a majority of owners have filed those objections, then the rate increases cannot be imposed. If there is not a majority of written protests, then the Council will have the ability to consider and adopt those rate increases. A couple of notes about what's not included in this procedure. The proposed increases to the fiber rates are not governed by Proposition 218, because they're not property related fees, and they're not imposed by the City as utility rates are. The proposed gas and electric rate increases are specifically exempted from Prop 218 by its terms. The storm drain inflation rate adjustments don't need to be included in the 218 process tonight, because the voters already approved those escalators to be taken according to the general rate of inflation. All of these rate increases will be considered together at the end of the budget process this evening. Thank you.

Mayor Burt: Thank you. Before proceeding with any questions or comments from the Council, let's hear from the members of the public on the 218. Speakers will be limited to three minutes. If speakers wish to comment on more than one rate increase and need additional time, please let me know before you begin your comments. Before we begin the hearing, I will explain the 218 process, which has been largely explained by the City Attorney, but let me reiterate. All residents and other interested parties will have an opportunity to provide testimony this evening on refuse, wastewater and water rates. To be valid, protests to the proposed rate increases must be in writing, signed and submitted to the City Clerk before the close of this hearing. The protest must also identify the parcel and the rate being protested. The presence or absence of a majority protest will be calculated separately for each rate. The City Clerk will accept written protests until the public hearing on this matter is closed. At the conclusion of this public hearing, the City Clerk will count the number of written protests against the proposed rate increases, and the Council will determine whether a majority protest exists for each rate. If a majority of the customers and property owners have not submitted protests by the close of the public hearing tonight, the City Council may adopt the new refuse, wastewater and water rate schedules as part of the budget for Fiscal Year 2017. We have four speaker cards at present. The first speaker is Chop Keenan, to be followed by Ali Rahbar. Welcome.

Public Hearing opened at 8:02 P.M.

Chop Keenan: I'm not sure I'm here on 218.

TRANSCRIPT

Mayor Burt: You're welcome to speak on either 218 or the broader budget issue.

Mr. Keenan: On the budget in general?

Mayor Burt: Yes.

Mr. Keenan: Very good. Good evening. Chop Keenan, 700 Emerson. I'm speaking as the Chair of the Downtown Parking Committee and as an assessee in the Parking District. I've discussed all the issues with each Council person and to the Finance Committee hearing. I thank you for your time on that. The Parking Committee issues are as follows. One, this is not a properly noticed Assessment District budget hearing. Two, three line items in the Parking District budget are improper charges to the District. One, Police \$97,000; street sweeping \$50,000; three, Streets Team \$61,000. It totals about \$200,000. As for the capital budget, we agree \$82,676 for the slurry, sealing, striping and entrance signs for the surface lots. We disagree with the expenditure of \$600,000 for static wayfinding signage. The committee prefers the red light/green light and digital car counter and requests that the wayfinding expenditure be tabled and sent back to Staff for inclusion in the greater Downtown parking study currently in process by Dixon Associates. Associated concerns. One, selling long-term permits in contradiction to the bond election documents to non-District employees, specifically South of Forest Avenue (SOFA). Two, establish a formal bond oversight committee comprised of City Staff, one elected official and property owners in the Assessment District. That is essentially the Downtown Parking Committee except formalized. We fought for three years to even get a budget for the District. We have requested an accounting for in-lieu fees. It turns out the City double counted in-lieu fees, paid costs and Assessment District costs. This \$2 million mistake was swept under the rug on your Consent Agenda last Monday. This is Exhibit A for the need for a long-term bond oversight committee and the collaborative, bottom-up rather than top-down approach to infrastructure. We believe bulk sales to City of Palo Alto for their employees and wait list line-jumping has stopped. We request that you proceed with the Transient Occupancy Tax (TOT)-funded Downtown parking structure as promised when selling the TOT increase from 12 to 14 percent. If I may finish?

Mayor Burt: Please wrap up.

Mr. Keenan: I'm just about there. With the RPP decreasing 10 percent per year, where are we going to place these cars except to export them to the next neighborhood? We're happy to put the band back together again with the very successful public-private partnership that built 900 spaces in S and

TRANSCRIPT

L and R. We welcome further conversation in the Dixon Associates Downtown parking review of individually metered parking which can be used for parking improvements including Transportation Management Association (TMA), customer friendly, employees and garages and great revenue. Thanks so much.

Mayor Burt: Thank you. Our next speaker is Ali Rahbar, to be followed by Jill O'Nan. Welcome.

Ali Rahbar: Good evening, Council Member. My name is Ali Rahbar, resident of Palo Alto. Every year I receive some of these, look at it, rate changes, water meter size, one, 5/8, 3/4. Everything has measure, and they charge me accordingly. That's fine. When I look at the wastewater, that's not true. Many other counties implemented a procedure to charge residents according to their usage. The City is reluctant to do that; I don't know why. It's simple to do that. I'm two person in a household. Some people are five persons in a household. How come I'm using the same amount of water as they use? Maybe it's hard for them to change it because they're going to lose their revenue. I don't know. I'm not the average user. I need to be charged according to my usage. That's all I have. I appreciate. Thank you very much.

Mayor Burt: Thank you. Our next speaker is Jill O'Nan, to be followed by Valerie Stinger.

Jill O'Nan, Human Relations Commissioner: Good evening, Council Members. Thank you very much for hearing me tonight. I'm Jill O'Nan from the Human Relations Commission. I'm here with my colleague, Vice Chair Valerie Stinger, to discuss two Human Services Resource Allocation Process (HSRAP)-related budget items that may be before you. The first one is regarding the possibility of establishing an emerging needs fund of \$50,000 for HSRAP. This is something that the Human Relations Commission (HRC) has discussed and is very, very supportive of. The reason is that the HSRAP cycle, as you know, is two years long. When some of our partner agencies have urgent or emerging needs, we are often unable to assist them in any way, because we have to wait for the next full budget cycle to do so. To have the ability to possibly reach out and help them mid-cycle is wonderful. A recent example that you may have read about was a break-in at Abilities United where all the camping equipment for a summer program for autistic adults was stolen. I asked Staff at that time if there was anything we could do to help Abilities United. Unfortunately, again because of the lock down in the budget, there was nothing that we could do. If there were such a thing as an emerging needs fund, that's an example of something where we could possibly reach out to that agency and see if we could help them replace that

TRANSCRIPT

much-needed equipment. Another item that is before you is the possibility of referring to Staff to further explore possibilities for significantly increasing the HSRAP budget in 2018. Again, this is an idea that the HRC is very supportive of. We have been very pleased with the generosity and responsiveness of our City leaders, our Council Members and our City Manager's Office in helping us revitalize the HSRAP program. We'd like to see that work continue. Thank you very much for that consideration.

Mayor Burt: Thank you.

Council Member Holman: Mayor Burt?

Mayor Burt: Yes.

Council Member Holman: Just quickly. I'm not sure the light was set correctly. I don't know if the Chair has anything else to say. The light was shorted.

Mayor Burt: Yes, you probably had more time.

Valerie Stinger, Human Relations Commission Vice Chair: Hello, I'm Valerie Stinger. I live on Christine Drive. I'm Vice Chair of the Human Relations Commission, and I'm speaking for the Commission this evening. As a newbie on the Commission, during my first year I sat on the subcommittee that interviewed mid-cycle petitions from HSRAP grantees. These were organizations that have proven records of service to our community, that provide important services that make our community livable, that enrich our community, provide opportunity and make for a healthier, more inclusive City. The hardest part of my first year was to listen to the grantees and to respond, "We can't. We can't." There are two items before you that would appropriately change that response. The HRC in our discussion supports both the funding for emergency funds and identifying options for increasing HSRAP funding in the Fiscal Year 2018. With regard to the first, the funding for emergency needs addresses constraints of the existing budget while maintaining the budget reserve to address potential budget fluctuations during future economic cycles. Establishing an emerging needs fund allows the HRC with Staff and with Council approval to respond to emergency needs. We heard one example. Another example would be senior nutrition. Some existing programs have cut their funding for senior nutrition, and we can't respond to fill in the gap. With regard to the second, a study is initiated to identify options for increasing the HSRAP process during Fiscal Year 2018. HRC can be available to you as a resource to provide background, data, analyses, working with Staff to answer any of your questions as you identify options for us and provide recommendations. Thank you.

TRANSCRIPT

Mayor Burt: Thank you. Our final speaker is Stephanie Munoz. Welcome.

Stephanie Munoz: Good evening, Mayor Burt and Council Members. What I have to say is in general about Proposition 218. I have a feeling that most of the people in this room don't even know what Proposition 218 is. I want to remind everybody. After Proposition (Prop) 13 was passed, cities and counties and other agencies were hard put to have the revenue to support the budgets that they had created in the expectation of constantly rising property values. They immediately turned to permits as a way of getting revenue. That is, the unfortunate person whose roof was blown off had to pay perhaps as much as \$1,000 for a permit to put up the roof. My experience has been with Mountain View. You might think, "Why is she standing here in a Palo Alto City Council meeting talking about Mountain View?" That has the advantage that it's nothing personal; it's nothing you did. We had a small fire in a rental house in Mountain View, which my husband and I were going to retire to, because it was just one story and next to the (inaudible) and all those good things for elderly people. I called the building department and said, "I want to make the wiring safer in my little house. I need you to tell me what the new standards are." He said, "We don't tell you that." "Pardon?" "You bring in a drawing, and then we'll tell you and if we give you a permit. If you start work before the permit, the cost is doubled." I have to tell you that in repairing just—all I wanted to do was upgrade the wiring, and I didn't really have to do that. Once you let people into your house, they can have all kinds of upgrades that you never even thought of. It's run over \$100,000 to upgrade this house, which originally sold for \$10,000. What I want to do is ask you when you are imposing fees and fines and penalties and permits, that you give some thought to the principle of Prop 218 which was an initiative stipulating that these fees and permits have to apply. There has to be some nexus between the actual work the City does and the cost that they're imposing on the people. Thank you.

Mayor Burt: Thank you.

Public Hearing closed at 8:17 P.M.

Mayor Burt: I will now close the Public Hearing. Before we turn to Council questions and discussion, we will tabulate the written protests pursuant to Prop 218. The first aspect will be the refuse rate. There are 19,444 refuse customers subject to the refuse rate changes, meaning that 9,723 protests are needed to create a majority. I'll now ask the Clerk to provide the number of written protests received against the refuse rate increases.

Beth Minor, City Clerk: I received three written protests.

TRANSCRIPT

Mayor Burt: Thank you. The total number of protests received is three, not higher than the 50 percent required subject to the rate increases. Since there's no majority protest on refuse rates, the motion to adopt the refuse rate changes shall be made as part of the ordinance adopting the budget for Fiscal Year 2017 at a later time in the meeting. Our next item is the wastewater rate increases. There are 22,429 property owners and wastewater customers subject to wastewater rate changes, meaning that 11,215 protests are needed to create a majority. I'll now ask the Clerk to provide the number of written protests received against the proposed wastewater rate increases.

Ms. Minor: I received three written protests.

Mayor Burt: Thank you. The total number received of three is not higher than the 50 percent of the total wastewater customers subject to the rate increases. Since there is no majority protest on wastewater rates, the motion to adopt the wastewater rate changes shall be made as part of the ordinance adopting the budget for Fiscal Year 2017. Finally, regarding the proposed water rate changes, there are 19,535 property owners and water customers subject to water rate changes, meaning that 9,768 protests are needed to create a majority. I will now ask the City Clerk to provide the number of written protests received against proposed water rate increases.

Ms. Minor: I received three written protests.

Mayor Burt: Thank you. The total number received of three is not higher than the 50 percent of the total water customers subject to the rate increases. Since there's no majority protest on water rates, the motion to adopt the water changes shall be made as part of the ordinance adopting the budget for Fiscal Year 2017. We're now going to move on to Phase 1 of deliberations on the budget. We segregated this into Stanford-related items because Council Member DuBois has a conflict. Council Member DuBois, did you want to state your conflict and recusal?

Council Member DuBois: Because I have a source of income from Stanford, I will recuse myself on the Stanford items.

Council Member DuBois left the meeting at 8:20 P.M.

Mayor Burt: Thank you. City Attorney, did you want to just make a statement consistent with Council Member DuBois' recusal?

Ms. Stump: We do this many times. Council Members who have a source of income with respect to an entity or person coming before the Council—there are Stanford contractual matters in the budget—needs to not participate.

TRANSCRIPT

The State law allows us to segregate those items out of a budget. That's how we do this. We pull the Stanford first, and then Council Member DuBois can come back and participate in the rest of the budget. Thank you.

Mayor Burt: This segment in the first phase is bifurcated deliberations between Stanford and non-Stanford related items. We now deliberate on the first phase, portions of Agenda Item Number 9 regarding Police, Fire and Office of Emergency Services budgets and the CIP budget related to Stanford University. Are there any questions or comments on the Police, Fire, Office of Emergency Services and CIP budgets affecting Stanford? I don't see any lights. We'll now vote on just that segment. I'd now like to ask for a Motion to approve the Finance Committee and Staff recommendation that the City Council adopt the portions of the Police and Fire Department budgets and the CIP—sorry? And the CIP relating to Stanford for Fiscal Year 2017 and the related ordinance portions.

Vice Mayor Scharff: I'll so move.

Council Member Kniss: Second.

Mayor Burt: Motion—Council Member Schmid had a question. Why don't we do the question first?

Council Member Schmid: I guess the only item that specifies Stanford might be the Fire. Do you have a comment on your recommendation on the Fire Department?

Mr. Keene: I'd make two comments in general on that. The existing contract and agreement we have with Stanford runs through October of this year, 2016, the terms and the funding amount for that contract we have. We also, though, anticipating that there could be some changes in the future contract later this year—we're in negotiations with Stanford right now—was one of the reasons that we recommended this year setting aside this special one-time uncertainty reserve, we called it, to provide funding for any gaps that we may have between the existing contract and whatever we settle on negotiating. At this point in time, we don't know what that amount would be.

Council Member Schmid: Thank you.

MOTION: Vice Mayor Scharff moved, seconded by Council Member Kniss to approve the Police, Fire, Office of Emergency Services and CIP Budgets affecting Stanford University.

TRANSCRIPT

Mayor Burt: Motion to approve by Vice Mayor Scharff, seconded by Council Member Kniss. Vice Mayor Scharff.

Vice Mayor Scharff: I did have one question on this. Are we voting on the entire Fire budget? Everything in the Fire affects Stanford since they pay a third.

Mr. Perez: Only the portions that impact Stanford.

Vice Mayor Scharff: If Stanford pays a third of everything, doesn't the entire Fire budget affect Stanford? Are we voting on the entire budget or are we not? If so, how are you segregating? What am I voting on?

Mr. Perez: We're pulling out the Stanford contract and anything related such as Office of Emergency Services charges that are in there, dispatch charges for Police. Those things are what you're voting on right now.

Vice Mayor Scharff: We're not voting on the entire Stanford Fire budget? Particularly the two FTEs. Obviously if we vote to reduce two FTEs from the budget ...

Mayor Burt: Did you mean to say we're not voting on the entire Stanford budget or the entire Fire budget?

Vice Mayor Scharff: Entire Fire budget. I just want to make sure we're not voting ...

Mr. Keene: That's correct.

Vice Mayor Scharff: We're not voting on the two FTEs because that doesn't affect Stanford even though it reduces their cost.

Mr. Perez: There is a revenue offset if you reduce expenses. To your point, there's currently a 30 percent charge to Stanford. When we do reduce the positions, if you go forward with that, we're going to accordingly reduce the revenues.

Mr. Keene: Let me just add to that. I think I can help with this. First of all, the proposal on the two positions as we have it formulated in the budget right now is to reduce the funding in the Fire Department budget itself by two positions. We haven't identified what stations those two positions would be at, at this point. I think it's safe to say that that reduction is taking place in the Fire Department budget, outside of Stanford right now. Secondly, we have funding in the budget right now to fund the existing contract that we have with Stanford. The real question will be how does that change during the course of this fiscal year. I think ultimately any adjustments we might

TRANSCRIPT

make when we actually approve the final contract, we'd be in a position to report to the Council at that point in time how those changes related to the overall Fire budget as a whole.

Vice Mayor Scharff: I just want to clarify. We're not voting on the two Fire positions. We're voting on whatever we think relates to Stanford.

Mr. Keene: We would be doing that later. I would just like to say this. It could be quite possible by the time—following the adoption of this budget and after we actually meet and confer with the Fire union, it could very well be that those positions ultimately could end up serving Station 6, which is the Stanford Fire Station. They also could end up not serving the Stanford Fire Station. I think you're perfectly safe, since we have not identified that right now, in assuming that we're going to right now balance the budget taking that reduction out of the Fire Department budget that isn't part of Stanford. This is one of the reasons that Kiely made, which sort of sounded like an obtuse point. We're reducing the funding in the Fire Department budget, but we are not reducing the number of positions in the budget yet. We're reducing the funding related to those positions. We will later on in the year come back with a specific elimination of the positions. The reason for that is we have a very complicated budgeting process where the Council actually adopts both a funding budget and a position budget. Very unusual situation.

Vice Mayor Scharff: Okay. I'll go with it. I don't really understand how it could possibly not affect Stanford if we're voting on a third of their budget. They pay a third of the costs; I would think anything related to the money relates to Stanford. I guess I just don't understand it well enough.

Ms. Stump: It's fine for you to raise those questions during the second part of the budget. You'll have a full opportunity to discuss the two positions. Thank you.

Mayor Burt: The only difference is Council Member DuBois' participation. It's kind of a moot point. Vice Mayor Kniss, did you have anything to comment?

Council Member Kniss: No, I didn't. Thanks.

Mayor Burt: I see no more lights. We will be voting on the—we're calling it Phase 1, the Stanford-related budget items. That passes unanimously with Council Members DuBois and Berman absent—Berman absent and DuBois abstaining, recusing himself I should say. We need to grab Council Member DuBois.

TRANSCRIPT

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

Council Member DuBois returned to the meeting at 8:29 P.M.

Mayor Burt: We're now going to do the Phase 2 deliberations, which is all remaining budget items. We'll begin on the second and final phase which includes everything else. These include the remaining portions of the Police and Fire Department budgets and the CIP budget. Any questions, comments or further discussion of the remaining portions of the budget? Now we go into the beef of it.

Council Member Kniss: Comments?

Mayor Burt: Questions, comments. We've already heard from members of the public. Council Member Filseth. Who would like to go next? Council Member Wolbach. Council Member Holman is hitting Council Member Filseth's light. I get it. Council Member Wolbach.

Council Member Wolbach: First, let me echo the comments by Council Member and Finance Committee Chair Filseth earlier. Thank you to the Staff that worked extremely hard on a very complex project. I do know that the department is slightly short-staffed, and we do have some new faces. They rose to the occasion and performed exemplary. Also, a thank you to my fellow members and the Chair for great work on this Committee and the project here. Just a question for right now for Staff and for the Mayor as we proceed through this discussion this evening. There were a number of items that Chair Filseth identified earlier for which the Committee was unable to reach a consensus. Those are highlighted starting on the bottom of Page 7 of the Staff Report or Packet Page 129 through the start of Page 130. I guess my question is procedurally if we adopt the budget as presented this evening, will those items move forward—could we have clarity about how those items move forward or in what status they would be included in the current budget or whether we would need to identify or whether you're needing Council to weigh in on those one way or another? There were various options available.

Mr. Perez: Thank you, Council Member. The Motions that were made were for the Council to take consideration of these items. It's our position that you as a Council would have to make a Motion specifically on each and any of those items that you would like to move on.

Mr. Keene: Can I just add to that, Lalo? My understanding is the approach we took was to include in the, let's call it the revised budget that is before the Council, all of those directives from the Finance Committee and any changes that we noted as Staff—for example, the change in revenues and

TRANSCRIPT

reporting on those—but only those recommendations from the Finance Committee that had a majority vote of the Finance Committee. There were a number of—I don't know. Three, four, five maybe items were either a 2-2 split. Those are not included. If there's an interest in that, Mr. Mayor, I think that would be very much like a Council Member bringing up any issue related to the budget from their point of view. It would take the Council to take some action as a Council to be able to include it in the budget.

Mayor Burt: The Staff proposal includes any majority recommendations of the Finance Committee. Is that correct?

Mr. Keene: That's correct.

Mayor Burt: Anything else is open for discussion and proposal, but it's not within the Staff recommendation.

Council Member Wolbach: If we could actually perhaps—I think there were some—there was some inclusion. If we could just maybe have—would it be too much to ask for Staff to run through those and just make sure if we don't take action, what will happen with each of these items, if we don't provide any specific recommendation or direction this evening?

Ms. Nose: Sure, I'll go through that. Let's start with the first one. It's on Page 7 of the Report. I'm not quite sure what packet page it is. Sorry.

Mayor Burt: Packet Page 129.

Ms. Nose: It says a request to ask Staff for a one FTE position reduction or a two FTE position reduction. Before you is currently obviously a two position reduction. If you want to change it to one, that would be the substitute motion. The Office of Sustainability contingency remains at the \$250,000 level. The fire station fixture, furniture and equipment, FFE, for exercise equipment remains within the budget at the, I think, \$125,000 level. If you want to defer that, you would have to make a Motion to remove that from the budget. Just to clarify on the Office of Sustainability contingency, if you wanted to reduce it by 50 percent to the \$125,000 level, that would require a substitute motion.

Mr. Keene: For the Council Members who weren't there, that was a recommendation that some members of the Committee made, but it did not get a majority vote.

Ms. Nose: Continuing at the top of the next page. There was discussion on changes to the recommended \$500,000 Planning and Transportation contingency, depending on additional information. Additional information

TRANSCRIPT

was provided to the Finance Committee. No subsequent motions were made; however, at the Council's discretion is an alteration to that \$500,000 contingency level that's recommended. Tree trimming services frequency cycle, currently you're at a 7-year cycle. The City Manager's proposed April budget proposed a 15-year cycle. The Finance Committee majority voted down to a 10-year cycle. There was a lot of discussion between and amongst these three options. Just to be clear, if you made no changes to what's in front of you, you would be approving a 10-year cycle. If you want to increase the cycle to 15 years or decrease it to 7 years, an additional motion would be necessary.

Mr. Keene: Kiely, if I just might add so that the public at large doesn't misinterpret the recommendations that we had. We have had a 7-year cycle in the City traditionally. This year we just got hit with these dramatic increased estimates in the tree trimming contract to be able to maintain our trees. In order to even be able to assimilate the funding, we unfortunately had to recommend a 15-year cycle. The Committee had some discussion about a real concern that that was a doubling of the time period essentially that we had always done that. We had presented some cost estimates. It seemed manageable to the Finance Committee as a majority to settle on the 10-year cycle. I would just embellish what Kiely said a little bit. I think the Committee felt that there was some confusion or lack of clarity about what the cost differential was to move from—almost the unit cost differential to move from 10 to 7, why that was in a sense so much more than it was to move from 15 to 10. That was part of the difficulty that the Committee was having. Potentially, if you got into that discussion, we might be able to provide you more explanation tonight. Thanks.

Ms. Nose: To Jim's point, Staff is here to answer questions about that contract, should you have them. After tree trimming is the Downtown parking wayfinding project. There was a lot of discussion over the current proposed \$600,000 transfer from the University Avenue Parking Permit Fund to support this and whether or not they should be using that \$600,000 from the University Ave. Permit Fund for other capital projects or other necessary investments. There was no action that was necessarily taken, but it is an area of indecision amongst the Finance Committee Members. On that one, just to be very clear, unless you guys take action, currently there is a \$600,000 transfer budgeted from the University Avenue Parking Permit Fund to the general Capital Improvement Fund for this project. The last one is discussion over HSRAP funding for additional funding of \$50,000 for emerging needs. As we heard from the public as well as during those Finance Committee hearings, discussion has been over whether we should at least in Fiscal Year '17 add \$50,000 to allow for more flexibility outside of the current two year budget cycle that the HSRAP funding is on. Just to be

TRANSCRIPT

clear on this one, there is a \$50,000 Reserve already budgeted as part of your BSR. You'll see it on Page 80 of your operating budget. That Reserve was ultimately established as a one-time Reserve for HSRAP in the event that something in one year was underfunded. One potential option is to redirect those funds.

Council Member Wolbach: Just to follow-up. Thank you for going through those one at a time.

Ms. Nose: No problem.

Council Member Wolbach: I appreciate that, and I hope that provides some clarity for the public and also for my colleagues. I just want to make sure I heard you correctly that essentially the defaults were what you just listed. The default for the Planning and Transportation contingency is \$500,000. Is that correct?

Ms. Nose: Correct.

Council Member Wolbach: The default for HSRAP funding is a \$50,000 Reserve but not the discussed \$50,000 emerging needs fund which would be separate and would require an additional motion by Council. Is that correct?

Ms. Nose: Unless you guys so chose to repurpose the current Reserve, that's something that Staff kind of proposed and brought up as part of the Finance Committee hearings. It's something that they are looking at doing and working on the legal ramifications just associated with how that Reserve was originally established and what kind of Council policy would be necessary to override the initial approved use, I guess.

Council Member Wolbach: We could potentially repurpose it from Reserve to emerging needs or call for an emerging needs on top of the Reserve or just leave the Reserve as is. Those are all options we could discuss this evening.

Ms. Nose: Correct.

Council Member Wolbach: Thank you very much.

Ms. Nose: Quick question. Did you want us to go over the additional list about the FY '18 stuff or were you only talking about the Fiscal Year '17?

Council Member Wolbach: I don't have any questions about the Fiscal Year '18 stuff. I think that was pretty clear to me, but others may feel differently. Since I have the microphone at the moment, I'll just say that I think that I am comfortable with each of those defaults as they're presented this evening, except that I do think that it's worth exploring and I'm leaning

TRANSCRIPT

towards supporting a \$50,000 Reserve—sorry, a \$50,000 emerging needs fund for HSRAP. I'm open to whether we do that as an additional funding on top of the HSRAP Reserve or as a repurposing. I would lean towards making it additional. My feelings about that shifted; I was more supportive after attending the HRC meeting last week, where there was some discussion of this.

Mayor Burt: Council Member Holman.

Council Member Holman: Thank you. I know I read earlier when I was prepping for this and reviewing our Finance Committee work. What is the number for—it's two questions. The number proposed for next year, which would be direction for Staff in preparing next year's budget. What is the number that we would need to go up to, to bring HSRAP funding up the 2 1/2 percent per year? While you're looking for that—apologies, I can't at the moment find it. The reason I proposed that was because in 2017 budget proposed we are at 2002 level HSRAP funding. That's where we are. We are 14 years behind in any kind of increase in our HSRAP funding and any kind of increase. I don't know if the full Council got this or not; there's a chart that I can share, and maybe Staff has it and they can share. It shows what our funding has been. We're at 2002 levels.

Mayor Burt: I'm sorry. Can you clarify, was that part of our at-places?

Council Member Holman: It was provided to the Committee, and I don't know that it was provided to the full Council. If Council's interested, I'm sure Staff can make a—Clerk's Office could make copies of this cover sheet. That would be direction for next year. As far as providing an additional \$50,000 this year, the original purpose of the—I think, Mayor Burt, you may have actually proposed it. The \$50,000 that is there now in reserve is a rainy day fund. It was specifically referred to as a rainy day fund. When there are budgeting issues and shortfalls, there is a bit of a pad. I would absolutely support putting another \$50,000 into HSRAP funding that would be an additional \$50,000 for emerging needs, so we don't touch the rainy day fund. There was one that I don't recall. It's on Packet Page 127. I don't recall a reduction in the Art in Public Places. That's \$579,000, basically \$580,000, down to \$423,500. I just don't recall that reduction. Maybe Staff can comment on that. Staff, feel free to stop me when you get answers to something, and we can go on from that. Tree trimming services, when ...

Mr. Keene: Karen, any sense how many of these you have? I'm just trying to think about what our cycle time is going to need to be here.

Council Member Holman: Maybe just four or five. I don't have a litany of them. The tree trimming cycle, the proposed was a 15-year, and the

TRANSCRIPT

Committee unanimously voted to go to a 10-year cycle, which added \$170,000 to the budget. What the full Council doesn't have is what the number is to go to a 7-year cycle, which is where we are now. I queried the Urban Forester; what's recommended is a 5-10 year. If we stayed at 10 years, we're at the outside limit of what recommendation is for maintaining street trees. I see Mr. Passmore is here. The full Council should benefit from what the dollar amount is for a 7-year and a clearer explanation of what the differential is between going from 15 to 10 and from 10 to a 7-year cycle, which is where we currently are. Just to embellish on that, Urban Forester also said that we lost 400 trees in this community last year, 400. Much of that, of course, was due to the drought. As I said during Finance Committee, this is also a safety issue. If we're going to have ongoing drought, trees try to sustain themselves. One of the ways they do that is they drop limbs, because they can't support the full canopy that they have. It's a safety issue. I strongly support that change, especially if we can get some kind of clarification on the dollar amounts.

Vice Mayor Scharff: (inaudible)

Council Member Holman: Yes, I do support changing to 7 from 10.

Vice Mayor Scharff: That's all I wanted to know.

Council Member Holman: We do need some clarification from Staff. I have, I think, just two more questions. I'll put them all out there. The additional money for Planning Department, I had originally suggested a \$200,000 contingency to help with architectural services. That's an area where our Planning Staff does not have good Staff support based on a lot of background. Staff came back with a recommendation of \$500,000. I do not oppose that certainly. Just for clarity, you'll see on Packet Page 131 what that \$500,000 would be used for. I'm confident that Planning Director Gitelman will utilize someone with urban design support and architectural support that is consistent with the community's taste.

Mayor Burt: Can I get a clarification on that?

Council Member Holman: Sure.

Mayor Burt: You said the Staff proposed that. Is that \$500,000 in the budget?

Council Member Holman: Yes.

Mr. Keene: The \$500,000 is included in the budget.

TRANSCRIPT

Mayor Burt: What's the difference between that and Bullet Number 4 of the things that were jump balls? Sticking with our basketball metaphor.

Council Member Holman: It was just to get clarification about what the \$500,000 was to be used for.

Mayor Burt: My question, what's the difference between the \$500,000 in the budget and Bullet Number 4 of the items that the Committee was unable to agree on a majority change?

Ms. Nose: The \$500,000 was at the behest of the Finance Committee. Ultimately, that was something that was an approved Motion by a majority vote. What was up for debate was what the \$500,000 would be used for. That's the piece that we're listing in that Bullet 4. Is that the appropriate level of funding? Is that the appropriate use of funding? Those were ...

Mayor Burt: The level of funding has been decided. It would be the use, right? That's really what's ...

Ms. Nose: Correct.

Mr. Perez: I think it was open depending on what it was going to be for.

Council Member Holman: Can I clarify on this? We got the descriptions of what the money was going to be used for at the very last meeting. We left that open, because we didn't really take Motions there. The budget had already been submitted to full Council. It was something that we didn't vote on. We took input, but we didn't vote on it per se.

Mr. Keene: We have included it in the proposed budget, just so we are clear.

Mayor Burt: The uses, not just the amount?

Mr. Keene: The amount. If I might expand on the way we reported on these. I think that the examples that the Staff provided were illustrative; they're not entirely definitive. They could change. We make the point that specific uses would require City Council approval, and recommended uses would include but may not be limited to the following activities. For the most part, if you recall even in this past year, we've had a series of contracts that have come to the Council related to parking and other kinds of items, that required the Council's approval. That has been funded out of a similar \$500,000 contingency level that we had. We spent all of it except \$70,000 that we're returning at the end of this year. My recollection was there was this recognition that having some flexibility to respond in the

TRANSCRIPT

Planning Department budget and planning for that now was really the driver behind the \$500,000. We gave examples of this. We know we have some things related to shuttle and the RPP expenditures potentially coming up. Even though there is a specific edition related to the Finance Committee's directive on two RPPs, we don't know if we'll get some other ones during the course of the year, later on in the year. This was to provide us overall budget flexibility, knowing for the most part it gets a subsequent approval process more often than not from the Council when we've got to award a contract to pay for it.

Council Member Holman: If I might just conclude where I am and to follow up on City Manager's comments there. Just a reminder, the initiation of this contingency fund for the Planning Department was to support Director Gitelman's efforts, and the initiation of that was also to provide architectural support. The response back was architectural and urban design support. When Director Gitelman spoke to the Finance Committee, again, at our last meeting, it was no dollar numbers assigned. Generally speaking, it would be expended in a third, a third and a third. I don't know how to stipulate this, but I would be most severely disappointed if approximately a third of it or at least \$200,000 wasn't spent on the architectural and urban design support, given all the things we have going on in the community. Maybe one thing that hopefully would be clarification. The Sustainability Director Contingency Fund, we did not have—we probably could have gotten a 3-1 vote and recommendation on that. I can only speak to my own personal perspective on that. It's really to try to get some focus on projects that have the most impact, it seems like, with this and maybe some other actions, I guess maybe I could say. In the City sometimes it seems like we spend a lot of effort on things that don't have a great positive result. They show well, but they don't have a quantitative, large, positive result for all the time that was spent on them. I think this was an effort by some of us to encourage a greater focus on those actions that would have a greater impact on the environment, that would have a quantifiable effect. I will stop there and hope Staff will have some responses.

Mayor Burt: On the last item, if Staff can add any clarification as to the uses of the Sustainability Contingency Fund, the anticipated uses.

Mr. Keene: Gil, please. I would add the same point also. In many of these cases, we would often be back to Council with a subsequent contract or spend request. Not in every one, but some of them.

Gil Friend, Chief Sustainability Officer: Thank you. Gil Friend, Chief Sustainability Officer. As we discussed with the Finance Committee previously, the contingency is contingent for two reasons. One is that, in

TRANSCRIPT

the course of the budget planning work that we expect to undertake over the summer and fall, developing implementation plans for the Sustainability and Climate Action Plan, we anticipate there will be needs for additional analysis and other work to be done that can't be defined until we begin that work. We've been requesting that you allocate a contingency fund subject to coming back to you for specific projects for your approval, but have the money reserved at that time. That's the main reason for that. The anticipated allocation was described in the budget request about 40 percent for additional research and analysis to refine the Climate Plan implementation scenarios, about 40 percent for a variety of anticipated pilot projects and grant administration around the areas of mobility as a service, zero net energy, electric vehicle development, and about 20 percent for materials related to community engagement around further development and engagement around the Plan. Those were estimated amounts at \$250,000. If you choose to reduce those in half, we would scale each of those back perhaps proportionally. I think some things would fall away, such as the digital commenter management which we don't have Staff capacity to do in the absence of this support.

Mayor Burt: Thank you. Did Staff have any other follow-ups to Council Member Holman's questions?

Ms. Nose: Yes. I think we'll actually ask Walter to come up and help us answer questions regarding the tree trimming cycles.

Walter Passmore, Urban Forester: Good evening. Walter Passmore, Urban Forester. The difference between the 10-year cycle recommended in your budget proposal and the 7-year cycle that we are currently utilizing. For Year 1, the 10-year cycle amounts to \$1,148,885; whereas, the 7-year cycle would be \$1,465,785; about a \$300,000 difference between a 10 and a 7. Those costs escalate slightly for Years 2 and 3 of the contract. In total over the 3-year term, the 10-year cycle would cost \$3,680,960; the 7-year cycle would be \$4,702,450. It's a little over \$1 million difference between a 10 and a 7 over the 3-year term.

Council Member Holman: What I'm trying to understand here is—let's compare apples to apples here. Going from a 15-year to a 10-year is \$170,000 in this next year's budget. What would be going from a 10 to a 7 in this next year's budget?

Mr. Passmore: It's about \$300,000. It's not ...

Council Member Holman: Why?

TRANSCRIPT

Mr. Passmore: it's not scalable, because we held constant a number of unit cost items that are more expensive in the pricing schedule. This is a total unit cost with the exception of a little bit of hourly work. The unit cost for items like demand pruning or removals are substantially higher than the routine pruning, which is the variable that dictates the cycle length. As you hold constant those items and only change the lowest cost item, it's not proportional.

Council Member Holman: Were there answers to others? My position would still be to go to a 7-year cycle. Are there answers to other questions, like HSRAP? Thank you, Walter.

Ms. Nose: Sure. Let me make sure I caught everything, and catch me if I didn't. The first question was about HSRAP. I think what the funding would be either if it was a Consumer Price Index (CPI) increase or if we had done a CPI increase annually since the 2002 level ...

Council Member Holman: At 2 1/2 percent per annum.

Ms. Nose: Right. If you just did 2 1/2 percent from your Fiscal Year '17 budget, it's only about an \$11,000 increase. That's just from your '17 proposed level, adding on that 2 1/2 percent CPI. If we went all the way back to 2002 and did that compounding CPI increase, you'll actually see that's under one of the referral items in you guys' packet today. It says the potential increase is about \$667,000. That's, again, if we went all the way back to 2002 and did compounding interest based on Council Member Holman's request and discussion as part of the Finance Committee. That's the second bullet under the referral items for full Council at the request of the Finance Committee.

Council Member Holman: Thank you. That number sounds more familiar.

Ms. Nose: The other one was Art in Public Places and where that calculation came from. It's in the at-places memo that was provided for the May 17th Finance Committee hearing. Subsequent to the production of the proposed '17 budget, we found a calculation error in this. This is just fixing that Staff error.

Council Member Holman: Thank you very much. I'm still supportive of the 7-year cycle and supportive of recommending—either supporting as direction or referring to Policy and Services the \$667,000 for the 28 budget for HSRAP funding that is just a 2 1/2 percent per annum increase from the 2002 level, which is what we were on par with in 2016. The other clarification is I have a different recollection. I don't mean to be picking a battle with anyone. I have a different recollection than Sustainability Director. I thought when

TRANSCRIPT

this came to the Finance Committee that there were three bullet areas for how the funding might be spent, but there was no quantification provided, as I recall.

Mr. Friend: Gil Friend. Council Member Holman, there were three bullet areas with quantification for each of them. \$50,000 for the community engagement and outreach, \$100,000 for the additional research and analysis, and \$100,000 for the various pilot projects and grant development. The reason that this was added is, as you know, the base budget for the Office of Sustainability is 1.65 FTE, about a half to a third of the size of comparable offices for cities of this size, and a \$60,000 budget for contractors. We anticipate that, as we get into the work of this next year particularly around the Sustainability and Climate Action Plan (S/CAP) implementation, there will be additional work required. In order to shorten the decision cycle of having to come back to you both to find the money as well allocate the money, the recommendation that we developed with OMB was to establish a contingency so that the money would be appropriated, and then allocate it subject to decisions to be made later on your guidance and with your approval.

Council Member Holman: Thank you for the refresher.

Mr. Friend: You're welcome.

Council Member Holman: Final, final comment that I have. We talked a good deal about whether we should have some budget transfer or some withdrawal from the BSR or not. One of the things that we brought up several times was it seemed prudent, at least to some of us, to stay on an even par and not take money out of the BSR, because we have things that we even know about already, let alone the things that we don't know will be coming up like the Post Office purchase and such, which we haven't identified a funding source for yet specifically. Thank you.

Mayor Burt: Thank you. Council Member Kniss.

Council Member Kniss: I was going to ask the Mayor a question. Eric, let me ask you this. As I understand it, looking at the bottom of 129 and flipping over, which are the seven areas that we're looking at, these are the areas that—where it says you struggled to find consensus. My question to Pat would have been did he suggest going through each of these one by one and discussing them again tonight. It would seem as though that would be somewhat redundant from what you have done as a Finance Committee. It looks to me as though the big ones on this are probably the sustainability contingent, Number 4 I guess it is, changes to planning and transportation, which I presume is the one that you have here on Packet Page 131.

TRANSCRIPT

Correct? That covers it? Tree trimming, it'd be interesting to see where others are. I didn't have a problem with the 10-year. The one I'd like to know a little more about is the Downtown parking wayfinding. I know that this is a constant discussion about whether or not it will be taken from the parking fund. That was a big discussion I imagine.

Council Member Filseth: (inaudible) discussion.

Council Member Kniss: Looking at these, the one that I'm the most concerned with is the one on Page 9 or Packet Page 131, which is the \$500,000 that—Hillary, you said, if Karen's correct, you're going to kind of split it up three ways. That's going to work?

Vice Mayor Scharff: That's not what they're saying.

Council Member Kniss: Pardon?

Vice Mayor Scharff: That's not what they say (inaudible).

Council Member Kniss: I wrote down evenly split.

Vice Mayor Scharff: That's what Karen said, but that's not (inaudible).

Council Member Kniss: In that case then, what is the answer?

Mr. Keene: I'm sorry. You were looking at the City Attorney, I thought. She's looking over the shoulder. Let's see who's out there.

Hillary Gitelman, Planning and Community Environment Director: No, I'm over here.

Council Member Kniss: I thought there was nodding when Karen mentioned that.

Mr. Keene: I think the Vice Mayor is correct. This was the suggestion of Council Member Holman. I think actually the way this started out was a request for a full-time position. Really? There was never an idea ...

Council Member Holman: It was \$200,000 in funding. I didn't determine or recommend whether it was an FTE or a contingency funding.

Mr. Keene: I'm sorry. I did get the impression when we—whether it was FTE, there was this idea of having somebody on the Staff or access to the Staff who would be an architect or an urban designer. You could pretty much assume that that's in the couple hundred thousand dollar range, your point of \$200,000. The other components, I don't think we really settled on.

TRANSCRIPT

Again, there's some sense that they could be fluid. You're correct. Council Member Holman's suggestion was that it sort of roughly be in those categories. I don't mean to speak for Council Member Holman. She's pretty passionate about the importance of having on-Staff access to architectural capacity. We'd want to be sure that, if we're putting half a million dollars, there would be enough spent in that area during the course of a year.

Council Member Holman: Yes. Just to follow-up on that if I might. I thought I'd said—apologies if I wasn't clear. It wasn't determined that it was going to be a third, a third and a third. I had understood—Director Gitelman can speak for herself—that it was in the range of a third, a third and a third. There's no specific anything. As City Manager said, I think there's a reasonable commitment from—there is a commitment from Director Gitelman that certainly a fair amount of this funding, maybe in the \$200,000 range maybe, would be spent on the urban design and architectural support. Director Gitelman can speak for herself, but what I remember at Finance Committee was it was in the range of a third, a third and a third but not specific.

Ms. Gitelman: Thank you, Mayor Burt and Council Members. Hillary Gitelman, the Planning Director. If I can just follow up on this. I think the Finance Committee made a recognition that in the course of the year, we often have in the Planning Department newly created priorities and the need to respond quickly. The three things we put on that list, the first two things reflect new priority projects that have landed on our plate that we want to be responsive to. The desire for Eichler-specific design guidelines and architectural urban design support for our program generally is the first category. The second category includes a project to look at traffic safety issues on Middlefield Road close to the Menlo Park border. That's a priority project that's just landed on our plate, and it's quite important, I know, to many of us. The third is kind of a catch-all. We've discovered over the course of this past year the need to supplement RPP funding and other transportation funding as the needs arise. I think I was clear to the Finance Committee that at least those first two things we would have to fund out of this contingency fund, because it's nowhere else in our budget. The design professional, working on the Eichler-specific issue and then supporting the rest of the department's activity. The Middlefield Road study is nowhere else in our budget, so we would need to use this contingency for that purpose. As the City Manager indicated, all of the uses of the contingency would require City Council approval, not just the contracts over 89,000 or whatever the limit is in the coming year. It would be expenditures from this fund would have to come to the Council.

TRANSCRIPT

Council Member Kniss: Mayor, I'd like to ask the Chair of Finance if he would make a comment on this.

Mayor Burt: Sure.

Council Member Filseth: Thanks very much. I think Staff gave an excellent summary for this. Maybe I'll just try to add a little tiny bit of color on each of the ones you asked about. On the Office of Sustainability contingency, my recollection is that part of the reason there was no agreement was there might have been three different views as to what we should do with it. I don't think it was 2-2; it was like 1-1-1-1 or something like that. The general thinking was that most of the investment in sustainability was actually coming from departmental budgets, not from the Sustainability Department which coordinates with all those groups. It wasn't clear how it was going to be spent. It didn't mean that stuff wouldn't come back to Council, as it happens. There were multiple perspectives on that. I think on the ...

Mayor Burt: I'm sorry. Say that last part. What "didn't mean" ...

Council Member Filseth: It didn't mean that if they exceeded \$125,000 or whatever the final number, it didn't mean they couldn't get stuff done. It would just come back to Council for approval from other stuff, budget adjustments or approval project or something. It's not a huge amount of money we're talking about. With respect to the larger one, the Planning and Transportation Contingency Fund, I think the City Manager captured it pretty well from my view. There is quite a bit of concern that Planning and Community Environment (PCE)—we're piling a lot of stuff on the Planning and Community Environment group. If there was a way to provide more bandwidth there, that would be welcome. Certainly, there was some views about it would help if they had more expertise in this area or that. We tried to strike a balance between being sort of prescriptive but not trying to micromanage Staff on this. That's kind of what we tried to do. Staff came back and said, "Here's some of the kinds of things we would use it for." We were trying to strike a balance. In terms of the tree trimming frequency cycle, it was purely a cost issue. It looked like the difference between 7 and 10 years was sort of one level, and 10 and 15 years was a different level. Concern that 15 was far too long. The wayfinding issue. Our question was, given there didn't appear to be unanimous consensus in the community that that was the best way to spend the \$600,000, maybe it should go back to Council for further discussion as to what the right way to spend that was, whether it should be on wayfinding or should be on something completely different or should we save it for a few years and do a third thing. On the HSRAP allocation, my recollection is there was some discussion that even if

TRANSCRIPT

we allocated more money in 2017, it wasn't clear that it was actually going to be able to be put to work. The proper focus for that would be 2018 as opposed to trying to shoehorn it into the 2017 budget. I think that's where we came out.

Council Member Homan: Yes, that's accurate. It was to potentially provide direction to Staff to allocate that much funding in 2018 budget.

Council Member Filseth: The only other thing that I would say is that throughout this process we found it much easier to add things into the budget than to remove them.

Council Member Kniss: If I could just continue on from there. To use an outdated term, it's a bit loosey-goosey with \$500,000 going to Planning. This is one of those cases where you look at the Planning Director and say, "Is this going to work for you, Hillary?" Hillary seems to say, "Yes, it will." I think the urban design support is very important, because we spent a couple of nights discussing exactly this, what design guidelines would look like. We know they exist some place. The Middlefield Road traffic analysis I've been very involved with. I'd particularly like to see this happen. That's been a patient group of people who have been waiting for something to happen in this area. Thanks to Ed on this topic as well; he spent a lot of time on it. As far as shuttle and RPP, you do need some contingency fund there, because you're right. You don't know when the next RPP is going to come forth. As I said before, Pat, are we going to go through these one by one and indicate who is where or do you look for something a little more sweeping?

Mayor Burt: We'll have a Motion, and Council Members are welcome to make any changes to what is basically in the Staff recommendation.

Council Member Kniss: These are all recommendations, as we're understanding. Correct?

Mayor Burt: I don't know what "these" are.

Council Member Kniss: I'm looking just at that same seven again. Areas of differing opinions.

Mayor Burt: No. They're not Staff recommendations, no.

Council Member Kniss: That's why I asked the question.

Mayor Burt: Any of these—if you're talking about the seven bullet points, rolling over from Page 129 to 130, any of those would require specific inclusion in a Motion to alter from what is the Staff recommendation.

TRANSCRIPT

Council Member Kniss: When that times comes, I would certainly include Number 4, which is changes to Planning and Transportation contingency, the Downtown wayfinding ...

Mayor Burt: Just so you understand, the \$500,000 is in the Staff recommendation.

Council Member Kniss: This isn't adding it, is it?

Mr. Keene: No, it's already in there.

Council Member Kniss: It's in there. It's in there.

Mr. Keene: If you want Middlefield and the other things that Hillary was talking about, you don't need to change anything.

Council Member Kniss: That was my question. If we don't need to change anything, I'm happy with it.

Mayor Burt: That's what I'm trying to clarify. Council Member DuBois.

Council Member DuBois: I just want to say thanks to the finance Staff. I hope you guys are planning a nice vacation. Thank you to the Finance Committee as well. I saw a lot of discussion in the Minutes about whether we should dip into the contingency funds in an up year. I think that was a very prudent discussion to have. Given many of those items, it looks like we're going to be structurally in a pretty tough place in 2018. I'm looking forward to that discussion. I have several questions that I'll go through, and then I have some comments. On the question side, did we start a Section 115 account and do we actually put money in it this year?

Mr. Perez: Where we're at is the Finance Committee has given us direction. We haven't come to you as the Council quite yet. The recommendation is to go ahead and put \$1.3 million from the General Fund side into this trust. We had discussions with providers of these trusts, and so far we've found two viable options. We're going through the process of figuring out. Part of the direction was also have the other funds, the Enterprise Funds and the Internal Service Funds (ISF) Funds, the vehicle, IT Fund, all of those, contribute towards this. What we found out in discussions with these providers is that they can actually have subaccounts, if you will. We can have a proper accounting for each of the buckets of funds. We're just trying to get through the budget and then get on that process to come in. To anticipate a question, there is no additional funding beyond the \$1.3 million that we have in this proposed budget at this point.

TRANSCRIPT

Council Member DuBois: \$1.3 million is 2016 money essentially.

Mr. Perez: It's actually a carryover from 2015 excess funds. The Committee did discuss, to be fair, that we would come back with a plan that would have options on how to fund this on an ongoing basis and then also a policy for funding. To add to that, there could be an amendment to your current policy that has the 15 percent minimum, 20 percent maximum for the Budget Stabilization Reserve. Anything that goes beyond the 18 1/2 target, the City Manager can recommend funding to the Infrastructure Reserve with those excess funds. One modification that could come—we'll try to bring you more. One that we discussed briefly at the Committee is that you could say anything beyond the 18 1/2 may be split into thirds, a third to the Infrastructure Reserve, a third into the pension unfunded liability, and the other third to the retired medical unfunded liability. That's just one option to give you an example of the discussions we had.

Council Member DuBois: I had a question about reappropriations. On Packet Page 138, it says a total of \$58 million of capital improvements is being re-appropriated. I have several general questions, which I'll just rattle off, and then you guys can maybe answer. It's really about what does it mean in terms of the accuracy of our budgeting process. What can we do to be more accurate, I guess, in terms of what we'll actually be able to spend in a year? Do departments have to back up those budget requests with demonstrated staffing and schedules?

Mr. Perez: Let me take a stab at it first, and then I'll let Kiely tell you about the technicalities. One of the things that we would do is prepare the budget and bring it to you. It would only include the new projects. The Committee would not see existing projects except for a running total that was lump sum. There was a desire at the PTC and at the Finance Committee and, to some extent, at the Council level that we're not really looking at the whole capital program; we're just looking at the new projects. Two years ago, we decided to change the Code and now include everything. It was not an automatic stamp of carryover, if you will. That's basically what it means. Now, it gets reviewed annually, and you have to justify what you need. It's actually put it in more of a review process than an automatic. What happens is now we have to identify for you how much of the monies that we're bringing over in the budget are carryovers from prior years. That's what it really is. It's adding more focus, more review and analysis and the ability for anybody, not just the Council, to review all of the projects in the book.

Council Member DuBois: I understood that. I understand that change was made. Really my question was \$58 million seems like a reasonably large

TRANSCRIPT

number. Is there something in our budgeting process where we're trying to get that number down and be more accurate about what we're actually going to spend in a year?

Mr. Keene: I think that I'd rather ask that this be a continuing question you ask us to look at during the course of this year. Going to Lalo's point, I think we're really into maybe the third year of this reappropriation process in this way. A little bit of our revising the adjustments to not draw on the BSR. We're a little bit informed by this thinking to really say, "Are these projects really shovel-ready for 2017. No, let's push them off." I think there's a combination of potentially more rigor as we go forward. The second thing, there are a lot of other variables that play into stuff. A lot of it sometimes will just do with the contracting situation, what happens on the response to bids. There are a lot of other players that can also slow down the spending process. I think it's a legitimate concern to say how could we get as close to 100 percent as possible accuracy. That does mean a lot, because otherwise we are appropriating unnecessarily funds that could either just sit in the reserve or be used for something else.

Council Member DuBois: Basically Scenario B was saved because we had a bunch of projects that weren't shovel ready. We said we'll push them out.

Mr. Perez: For example, the golf course, no permit, \$10.5 million right there that we have to keep moving over. We'll get better at the explaining more.

Council Member DuBois: Do we have any idea what the reappropriation is likely to be in 2018? Do you really think everything in here will be spent?

Mr. Perez: Part of it is capacity. That's why we moved a couple of the projects. It's something that we're refining as we're talking about it. Also, emphasizing the focus on the big picture, on the \$128 million plan, that that takes priority. Sometimes that might impact other projects.

Mr. Keene: I would think, though, both at Finance and in the process of, say, the midyear review, we ought to take a close look at it even midyear to see where we're trending. Do you know what I mean? We have some discussion right now about what the FY '15-'16 carryover was, what we're anticipating. I think it's just a matter of us really tracking it and thinking about ways to make adjustments. The fact is we could make adjustments at the midyear also.

Council Member DuBois: A question about the Post Office. Why wasn't there anything in the budget for the Post Office, even just a placeholder?

TRANSCRIPT

Mr. Perez: We don't have direction from the Council yet. We've got to come to you. We are coming August 29th. We anticipate having responses and paperwork and funding options for you, that we do believe are viable. We'll have multiple options for you. We felt that we needed to come to you with—first we need to figure out where the Post Office is, the United States Postal Service. We are trying to figure where our finances are landing. Now that we have a better idea, we have a handful of options for you to consider for August.

Mr. Keene: Let me just sort of amplify that. The point is that obviously it's a very large expenditure and cost. Even though the Postal Service has tentatively accepted our offer, we're still in the process of refining the terms. There's not going to be a dramatic difference in the terms, I think, from what our estimates are. There is no way we have the ability to fund this whole project even in a nearer-term look at the cash flow that we would have. We're really—in this case, this is more we've got a series of some different cash flow scenarios we need to bring to you. That really fits better in an "outside the budget" conversation. Just because there are probably three or four different policy choices you would make, that we haven't done all the research on, on the pros and cons of them, some of this has to do with even the fact that—ultimately we're going to finance this project. We're not going to pay cash for it. The question is how much of it do we finance and do we do bridge financing in the short term. There are a bunch of these things that we just couldn't come up with a viable number to put in an appropriation for the project right now.

Council Member DuBois: Thank you for that. This is kind of a broad question. We've got the balance in the budget using some one-time solutions. What's your impression of 2018? What are the challenges going to be?

Mr. Perez: At this point, we know we have to make up the lost revenue from wherever we end up with the Stanford contract. We know we have to cover the \$2.3 million for the street lights. We're probably looking at somewhere between \$5-10 million potentially that we'll have to cover. The good thing is that our revenue picture is looking even better than what we thought in April. There's some assistance there. We have to look at it from a strategic standpoint. That's where the Committee has asked us to come back in the fall and do that. As soon as we wrap this up, that's what we need to focus on, what options we have. As I mentioned in the opening remarks, we're somewhat fortunate that we have a little more diversified revenues and options. Some of it will probably be painful, if we have to go into the reduction. We'll have to try to look at that strategically with the least impact possible, which is what we did when we cut \$14 million the last

TRANSCRIPT

time, to try to limit the impact to services. We'll have to explore any new revenue opportunities or new revenues that have arisen. I believe I mentioned to the Finance Committee—I'm trying to remember because it's fairly recent. As a result of our cleanup of the UUT, utility user tax, and our hotel tax ordinance, we're seeing new revenues and increased revenues. For example, the online, the Expedias of the world and so on, remitted us the revenues going back to January as a result of the cleanup. We will have almost a full year if not nine months of some projection of those new revenues. The UUT revenues have gone up \$800,000 more than we thought. Unfortunately for us, we can't explain it to you, because we don't get data from the telephone companies. We just get the check basically. We'll look harder at revenues and any potential new revenues, adjustments to fees and obviously look at our expenses.

Council Member DuBois: Just a few comments. I think we have a communications challenge as a Council. We're in a boom cycle, and I don't think a lot of citizens realize how tight the budget is. If we're going to talk about a business tax or a transportation tax, I think we really need to communicate the state of our budget. I think people see all the construction, and they know we're in kind of a boom period. They don't really realize that we're not necessarily seeing as much revenue and the rate that our expenses are growing at the same time. I'm glad the Finance Committee did their work. I agree, I don't think we should be dipping into reserves in a year like this year, when revenue is really clicking. We're going to have to find more structural cutting into expenses ongoing. I think I'd find it useful in the future, for next year, to really see a summary of discretionary spending versus nondiscretionary. Not being on the Finance Committee, it can be very hard to digest this budget. My intuition is there's a relatively small amount of discretionary funding. We have a large budget. We spend a lot of time talking about what sound like relatively small items, but if you get down to what's really our discretionary spending, they're probably more relevant actually discussions. I guess my opinion is we should go with Scenario B. Reading what's there, it sounds like several projects aren't necessarily shovel ready. There is the money to get to Scenario B. I had a question about Slide 10 that you showed tonight. I guess this is an updated Scenario B essentially, with all the latest information. It's slightly different than the packet.

Ms. Nose: Just to orient everybody really quickly. Finance Committee had two scenarios. Scenario A that had a \$2 million reduction in capital. Scenario B eliminated the use of the General Fund BSR with a \$5 million reduction in CIP projects. The slide up here is showing—I wouldn't say quite an update to Scenario B, but just an update overall to the budget and kind of giving context. The \$1.3 million is an update; that's not reflected in any

TRANSCRIPT

report that's before you today other than in this slide. That \$1.3 million was reflected in the third quarter financial report. We wanted to, just in case anyone had read that, make sure there was continuity amongst all of the numerous things that you have before you for review. That is based on the most current estimates. Of course, these are estimates. These are ranges; they may or may not come to fruition. Staff does have that option, that the \$1.3 million be used for the golf course which you'll see later on your agenda. I want to say maybe on the 20th. The \$4.3 million shown on Slide 10 is really kind of giving you guys the context. There was some discussion at the Finance Committee over whether or not we should be above or below that 18.5 percent target for the BSR. Something we wanted to make sure everyone was clear on is, even though we are readjusting the capital project schedule for three of our projects, we still anticipate that they will come to fruition. Reducing the General Fund transfer to the general CIP is really a one-time solution. Although that's increasing your BSR in your Fiscal Year '17 by that \$4.3 million, if everything stayed equal, you may need to transfer that back to the general CIP in order to re-fund those three projects at a later time. It may be a one-time increase to your BSR. That's kind of what we're trying to articulate on this slide.

Council Member DuBois: That's the same as Scenario B, right? There was like \$5.4 million ...

Ms. Nose: Scenario ...

Mr. Keene: Scenario A and Scenario B are in the—Page 6 and 7, not the Packet Page. There are different packet pages. On mine, they're Packet Page 128 and 129. There are these charts that you see in there. It may be a little hard to see, because the labels are in the narrative at the top of Page 6 or Page 128. It says Scenario A at the very top, and then you'll see these charts. I think the easiest way to say this is that we're very close to Scenario B in the recommendation that we have. You've got it up there on Slide 9, the variation that we have.

Council Member DuBois: Isn't Slide 10 the more accurate, with the additional revenue?

Ms. Nose: Actually, Slide 9 is—if you guys approved everything in front of you as it's outlined in all of the reports, you'll end up here at Slide 9. You'll end up with a \$41.6 million General Fund BSR, about 21 percent. The other information on Slide 10 is just context for you guys of some other additional potential variables. Those items are not in the recommended actions before you tonight.

TRANSCRIPT

Council Member DuBois: Now I'm really confused about Slide 10. I thought Slide 10 was essentially an update with this extra revenue.

Mr. Keene: Let me help out. What this slide up here is trying to show you is what the FY '17 budget balancing is. What Slide 10 tries to do is, in the area of full information sharing and updating and transparency, to say by the way we have \$1.2 million, whatever the number is, 70—\$1.3 million almost in additional revenue that's going to accrue in Fiscal Year '16, that is not included in the budget. It's not like something we've re-appropriated, as Kiely was just saying. We do want to let you know that we anticipate we could reprogram those reductions of those non-shovel-ready projects in FY '17. They could be back in '18. A year from now, you'd actually be spending that \$4.3 million. That's just trying to show you some changes that are in play. Just to complicate things here a little bit. In addition to—going back to 9. Can you go back to 9? In addition to having a budget that tells this story, that funds all the things that were proposed plus the majority vote approvals from Finance Committee, you'll actually have a BSR of 21.4 percent and really not have a draw on it. On top of which, you also have, here at the end of the fiscal year, \$1.27 million in additional revenue that isn't budgeted yet ...

Council Member DuBois: That's what I'm trying to get to.

Mr. Keene: ... but we have plenty of ways to spend it. You also have a \$1 million revenue gap that is not appropriated at all, when you saw the earlier slide that showed we have \$194.1 million in expenses, and we have \$195.1 million in revenues. There's an additional \$1 million that is not allocated in the budget at this point. That's because—we prepare these things over one or two weeks; yet, we get the revenue estimates; we do the reprogramming, and we see actually there's more money there. Just so you know, that \$1 million difference we have right now is not included in that BSR. It has not been sent back to the BSR. In a sense, it's floating out there right now.

Council Member DuBois: My assumption was even in Scenario B here, the CIP deferrals would likely show up in 2018.

Mr. Keene: That's correct.

Council Member Dubois: Why is Slide 10 any different? Are you saying you actually want to allocate the budget even though you know you can't spend it?

Mr. Keene: Slide 10 almost really should be relabeled as if we were looking ahead to 2018, not 2017.

TRANSCRIPT

Council Member DuBois: You're not asking to reverse the capital project and actually put that money in the 2017 budget?

Mr. Keene: No. We're saying we're going to move it to the BSR in 2017, but we're telling you it may come back out of the BSR, back into the budget, in 2018. That's all we're saying.

Council Member DuBois: That's normal. That's a line in this Scenario B here.

Mr. Keene: Yes.

Council Member DuBois: Really my question about all this—thank you for that clarification—is how much excess money would there be if we went back to \$18.5 million in the BSR?

Mr. Perez: Let us ...

Council Member DuBois: That's my final question.

Mr. Keene: We'll tell you the dollar amount in the BSR, and then we'll tell you what that difference is between ...

Council Member DuBois: Where I'm going with all this. I heard what you said about the Section 115. It seems like we're going to be above the \$18.5 million. I would support putting some of that money into a Section 115. I also like the idea of maybe splitting it between the Infrastructure Fund and the unfunded liabilities. I would also support taking that existing emergency fund and being able to use it more broadly for HSRAP emergency funding. I forget exactly how that was worded. I think we should get that into the motion. Really, it sounds like we may have a couple of million dollars over the \$18.5 million.

Mr. Keene: Yeah. Mr. Mayor, with your okay. If you were to go to the \$18.5 million, you're definitely going to say there's several million dollars there. You'll identify how much ...

Ms. Nose: \$5.7 million.

Mr. Keene: \$5.7 million. We discussed, as the Staff, that there certainly could be some funding towards the 115 Reserve, certainly along the lines of the policy that you established, the \$1.3 million figure. I would just caution—we've identified a whole bunch of potential issues for 2017. Again, we don't know the Stanford fire contract number. We don't know what the contract for the Animal Shelter is going to be. It could be a different cost. We definitely know the golf course is going to cost us more money. We're

TRANSCRIPT

hopeful that \$1.27 million extra that we have in 2017 will cover the gap. We don't have enough money for a full year of Track Watch spending. I guarantee you we will be in the hundreds of thousands of dollars that are needed there. Again, if anything moves faster on Cubberley or requests from any of these folks, Avenidas or the Palo Alto History Museum, for any additional money—I think we need to leave some flexibility.

Council Member DuBois: Again, just to be clear, I would support some flexibility, but I think we should seriously look at this \$5.7 million and either have it come back to us or put something into the motion.

Mayor Burt: I'm going to wade in, because Vice Mayor Scharff has volunteered to subsequently make a Motion that we can begin to respond to. First, I think that early on it was presented that we have gone as a community from \$3 million in the early '90s, and the Council in the mid '90s made a significant increase in the capital improvement investment to get, I think, up to \$10 million a year. By the early 2000s, we're at \$13.2 million. We had our Infrastructure Blue Ribbon Task Force basically identified that at the level we were investing, we were not keeping up with the maintenance of our current infrastructure. That would take some additional funding, which we actually already added into the budget. We needed to catch up with deferred maintenance on our existing infrastructure. We have now built that into the budget. There were new projects that they said, "We have no idea where those dollars are going to come from." We have had over a decade of City Councils, going back a dozen years or more, probably closer to 15 years, saying we have this massive infrastructure expenditure that we have no idea where we're going to find the dollars to invest in the new infrastructure that we would need. What the City has done over the last several years has transformed our budget to get to the point where we are now investing over \$45 million this year in infrastructure. That's with the keep-up, the catch-up and the new projects. That is a major change that has happened. This is basically the Councils for 20 years had said this community had deferred major investment in infrastructure for, at that time, 40 years. They had no idea how this problem would be solved, and they proceeded to spend basically 20 years saying we have a huge problem, we have no solution. We have now worked ourselves into a solution. I think we need to really recognize that's a big deal. There's one other things I want to note. The capital improvement plan, I think the one area that we have not identified and built in a major need for investment is in our Wastewater Enterprise Fund. We've heard for at least a decade that we're going to be moving forward with a process of rebuilding our wastewater treatment plant. I think we need to be looking at front-loading that investment, so that we don't have a sudden spike in rate increases. We're going to have to do major investments, and our wastewater treatment rates are going to go up

TRANSCRIPT

significantly in the next decade. Those kinds of plants don't last forever, and ours is on its last legs. We need to do major investment in rebuilding that plant. We've been hearing about it as a community for a long while. We aren't yet charging ourselves for it. We do basically now have a \$950,000 surplus in the way the budget is for this year. Plus we have built up our Budget Stabilization Reserve above the upper end of our range. As the City Manager has stated, we've got several projects. The golf course hopefully we'll be able to cover through other means. We have the Post Office and other things. I am comfortable with this year keeping that Budget Stabilization Reserve temporarily above its range with an understanding that the Post Office is coming up imminently, because we have had a tentative acceptance of our proposal, but we don't know the details. As the City Manager has said, there's several different options on how we would fund this. I think we will have important uses for that excess Budget Stabilization Reserve. There are two things that I'm going to want to support as amendments to the Staff Report. One is the \$50,000 discretionary fund for HSRAP. The second is to continue our investment in the Section 115 fund for unfunded pension liability. I would be comfortable with something in the neighborhood of three-quarters of a million dollars, which would still leave a surplus in this year's budget plus the excess Budget Stabilization Reserve. I think those are the two areas that I'm most going to want to see modifications to the Staff recommendation. Having said that, Vice Mayor Scharff.

Vice Mayor Scharff: Thank you. First of all, I'll say that I agree with almost everything the Mayor just said. I won't repeat those parts of it. I'm really pleased that the Finance Committee decided to keep the BSR above the 18 1/2. I think the whole notion that the BSR is above that because we took out the \$4 million that we're going to have to spend next year is the key point that the City Manager made. It's not real money, because what we've really done is put it aside for next year. The other point that no one's made is every year I've been on this Council, what's really happened is our City Manager has come to us with budget amendments. Those have ranged—I don't know what the number are. Lalo, what were they last year? They're a couple million bucks. They're always lots of money, but we tend to get higher revenues over the year. That's how this is tending to work. If we put it all the way up, where we use up all the higher revenues, and we have the budget amendments plus we have all that, I think we could be in trouble. I also wanted to point out, that everyone else has pointed out, we do have a lot of these—it's a lot of uncertainty. It's the golf course, the Post Office and all this. It's also—generally every infrastructure project we look at seems to be coming in over 30 percent more. We actually are very challenged in how we're going to fulfill our promise to the voters, which is that Infrastructure Plan we put together. I'd be very concerned about spending that money on

TRANSCRIPT

other things. With that said, I do think—I agree with the Mayor. I do think we need to set up that Section 115 trust, and I think \$750,000 would be a good start.

Mayor Burt: That's on top of last year.

Vice Mayor Scharff: That's on top of last year, right. I totally agree with that. Have we set up the trust already? I guess I was confused.

Mayor Burt: (inaudible)

Vice Mayor Scharff: I thought you said we found people to do it, but I didn't know we'd actually set up a trust.

Mr. Perez: We're in the process.

Vice Mayor Scharff: I think that's all great. I did have some questions on the tree trimming. This is where I'm coming from on the tree trimming. My concern is that I never want to make the community worse frankly. The question is, is this a budget savings where it's more efficient and we're doing it every 10 years and there aren't going to be costs to it, or are we actually making things worse that'll be noticeable, i.e., there will be dead tree limbs falling or the trees will look worse, the quality of life will degrade perceptibly or, frankly, there will be more legal risks because we're not trimming the trees appropriately. Have we factored that into the cost? I guess, Walter, maybe you could address that. I did want to get a quick sense from our City Attorney, if she thought there were any added legal risks going from a 7-year period to a 10-year period.

Mr. Keene: Walter, I have expertise in a lot areas, but don't look at me. I don't know anything about tree trimming. This is you.

Mr. Passmore: Obviously, going from a 7-year to a 10-year is going to have a likelihood to increase the amount of dead wood. We have a potential to increase falling limbs. It could potentially increase our liability. However, a 10-year cycle is still within the recommended range. It is a range that actually few cities fund. We're still doing good in comparison to other cities. I don't think that most people are going to notice a significant difference between a 7-year and a 10-year cycle. We still have the same amount of demand work funded in this budget. If there's anything that's critical that's identified, we'll take care of it. We are going to reduce the amount of routine pruning, so there are implications to that. We do think it's very likely that there will be some reduction in the benefits that the trees produce overall. We're spending a little bit less now, but it also comes with a cost of reducing some of the production that our urban forest has as far as air

TRANSCRIPT

quality, health benefits, all of the things that our urban forest contributes that currently we calculate at about \$18 million a year in ecosystem services that's returned back to the community. We're going to reduce that amount of ecosystem service, and we're going to save a little bit of money, but (crosstalk) ...

Vice Mayor Scharff: Are we being penny wise, pound foolish or not?

Mr. Passmore: In part. We have to make tough choices with the budget. If we had an opportunity to go back to the 7-year cycle at some point, then we'd be able to minimize that difference in ecosystem services.

Mr. Keene: Mr. Vice Mayor, if I just might jump in here. My own recommendation is—the difference between the 7 and 10-year cycle is \$1 million over a 3-year period. We're talking about lots of competing choices. I have a hard time seeing why even a test of the next three years or less, if we get data or info that we're on the wrong track, there's nothing that precludes us from being able to go out and readjust our schedule downward. I'd suggest you consider staying with the 10-year cycle.

Vice Mayor Scharff: I appreciate that. It's probably where I'll end up. I did want to say that—the other thing was Council Member Filseth said that capital projects suffer in budgets. The other thing that suffers is maintenance. This is a maintenance issue. Cities tend not to do a good job on maintenance. That's where they tend to cut. I'm also concerned, frankly, that this is the up cycle. Things don't get better than this. Winter is coming. I always wanted to say that. The recession is going to come. Things don't get better than this. If we're cutting the services now, that just concerns me. I'll probably go with it, but I do think it's an unfortunate thing. I'm not entirely comfortable with it. The other thing I wanted to ask about was the Downtown parking wayfinding. What bothers me most in this is we show a picture of the type of parking sign that Mr. Keenan said we should have. Yet, when I read this, that's not the parking signs we're getting. I'm wondering are we again being penny wise, pound foolish in spend the money, \$600,000, on doing static wayfinding signs. Are we going to get much for that as opposed to the kind of signs where I go to a parking garage and it says there are 30 spaces left in this parking garage, there are 20 parking spaces left. We're not getting those, but those are actually helpful. How helpful is this? Palo Alto is not that big.

Ms. Gitelman: Thank you, Mayor Burt and Council Members. Hillary Gitelman, the Planning Director, again. I'll just add a couple of things to your conversation on this topic. I think it was mid-April the Council heard a presentation on both of these projects. We've always seen these as two

TRANSCRIPT

distinct but complementary projects that work together. You heard a discussion about where we were with the wayfinding signage, which is going to be designed to accommodate real-time information once the parking guidance system information is available. Your instruction was to proceed with the design of that. We reported that we did think that could be funded with the resources currently available. You also heard a presentation on parking guidance systems, gave us some direction on the type of system that you wanted to implement within the garages. We reported that we did not currently have the funding for that, but you directed us to proceed with the design with the expectation that we'll identify a funding source in the future. Again, two projects, complementary but distinct. I think your direction was to move forward with both of them.

Vice Mayor Scharff: Thank you. One final thing, and then I'll make the Motion. On the \$500,000, I like Staff's interpretation. What I understand that to be is that it is a contingency fund, that these are the three projects that will likely—two projects plus other stuff. If other things come up during the year, which at least five or six things came up this year that we hadn't anticipated, that contingency could be used for that. There is no one-third, one-third, one-third. There is no direction from Council to spend the money in any particular way other than to come back to us with what you think are the right things to do, and right now these are the three things you think the money will probably likely be spent. With that, I'll move the Staff recommendation with the following changes. We do additional funding of \$50,000 for HSRAP for emerging needs. We do \$750,000 in addition to what we've done previously for the Section 115.

Council Member Wolbach: Second.

Male: The what?

Vice Mayor Scharff: The Section 115, that's the sinking fund for the pensions.

MOTION: Vice Mayor Scharff moved, seconded by Council Member Wolbach to adopt an Ordinance approving the Operating and Capital Budgets and Municipal Fee Schedule; and each of the related rate increases, utility financial plans, and salary schedule Resolutions with the following changes:

- A. An additional \$50,000 for an Emerging Needs Fund for Human Services Resource Allocation Process (HSRAP); and
- B. An additional \$750,000 set aside towards the unfunded pension liability (establishment of a Section 115 Trust Fund).

TRANSCRIPT

Mr. Perez: Mr. Vice Mayor, on the \$50,000 on HSRAP, you intend for that to be one-time or ongoing?

Vice Mayor Scharff: I believe I intend that to be ongoing.

Mayor Burt: Did you want to speak more to your Motion?

Vice Mayor Scharff: Just briefly, since I spoke a lot. I wanted to thank the Finance Committee. I thought they did an outstanding and thoughtful job on this year's budget. I wanted to thank Staff for all the hard work and Kiely for stepping up and coming up and getting this done. I know you worked really hard on it. I think you did a great job. Lalo, you did a great job too. We don't need to say that as well.

Mayor Burt: Council Member Wolbach.

Council Member Wolbach: Actually I just wanted to turn to Staff from Human Resources Department, if that's possible, to make sure that we've worded this correctly for the \$50,000 for HSRAP. I wonder if we might want to broaden the language a little bit so it's not exactly identifying it as HSRAP but maybe as Human Services in general. I wonder if it's okay to ask either Minka or Rob to come up to make sure ...

Mayor Burt: Okay.

Council Member Wolbach: ... that if we're providing an emerging needs fund ...

Mayor Burt: We got it.

Council Member Wolbach: ... that might be useable.

Rob de Geus, Community Services Director: Rob de Geus, Community Services. Thank you, Council Member Wolbach. Actually what I heard Vice Mayor Scharff say made sense to me. It was an emerging needs fund as Staff recommended for the HSRAP program. I think it's okay.

Mayor Burt: You may want to make sure that Section A of your Motion captures that accurately. Thank you.

Vice Mayor Scharff: It should say an emerging fund.

Mayor Burt: Emerging needs fund.

Vice Mayor Scharff: An emerging needs fund.

TRANSCRIPT

Mr. de Geus: We just want to be sure that the—the hope is that the emerging needs fund would be available to existing groups that have got grants from the HSRAP program in addition to maybe additional nonprofits, depending on the emerging need, that may not be current grantees.

Vice Mayor Scharff: Shouldn't we say "emerging needs funds for HSRAP"? For HSRAP grantees, would that be ...

Mr. de Geus: I think "for HSRAP" is better. HSRAP grantees.

Mayor Burt: I'm sorry. Can I ask a clarifying question? Would that include programs that aren't currently part of HSRAP, though?

Mr. Keene: Correct. (crosstalk) In that sense, I think it includes Council Member Wolbach's suggestion about Human Services. It could be a human service need that is not funded through an existing HSRAP grantee, that could be funded through the emerging needs.

Mayor Burt: I'm trying to align with the wording of the motion, because it says "emerging needs funds for HSRAP." That sounds more restrictive.

Council Member Wolbach: That was the point of my question. Should we broaden HSRAP to be Human Services nonprofits? Would that allow greater flexibility?

Mr. de Geus: I think so. We could expand that.

Vice Mayor Scharff: Why don't we just say that, "human resources"?

Council Member Wolbach: Let's change it to "Human Services nonprofits."

Vice Mayor Scharff: That's fine. If you're fine with it?

Mr. de Geus: As long it does include the HSRAP grantees as well. It's both.

Mayor Burt: Why don't we—if it's okay, we'll say for Human Services ...

Council Member Wolbach: Programs.

Mayor Burt: ... including HSRAP.

Vice Mayor Scharff: Including HSRAP grantees.

Mayor Burt: Yeah, grantees.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to replace in the Motion Part A, "Human Services

TRANSCRIPT

Resource Allocation Process (HSRAP)" with "Human Services including Human Services Resource Allocation Process (HSRAP) grantees."

Council Member Wolbach: That's great. Thank you for working with us to make sure that we give you the flexibility you need for that. Beyond that, I have nothing else to add. I think it's a great Motion and great work all around.

Mayor Burt: Council Member Filseth.

Council Member Filseth: I think I mostly (inaudible) ...

Mayor Burt: Your mic.

Council Member Filseth: I think I mostly responded when Council Member Kniss was talking. Let me ask a question on Number B. Does this constrain that it can't go—when it says "other post-employment benefits," does that constrain this can't go to pension?

Mr. Perez: It'd probably be best if you clarify if you want pension or retiree medical or both.

Council Member Filseth: How about if it were "pension or other post-employment benefits"? Would that work?

Vice Mayor Scharff: I thought we were really doing this for pension. I thought that was the issue.

Council Member Filseth: Other Post Employee Benefit (OPEB) is jargon for everything but pension, so healthcare and stuff like that.

Vice Mayor Scharff: Shouldn't we just say "pension"? Does anyone disagree with that? Isn't that what we set it up originally for?

Mr. Perez: You have two already—we already have a retiree medical trust set up.

Vice Mayor Scharff: Right, we do. That's what I mean.

Mr. Perez: We are trying to establish the pension one. If you intend this for pension, it should be pension.

Vice Mayor Scharff: I intend this for pension.

Council Member Filseth: (crosstalk) pension benefits instead.

TRANSCRIPT

Vice Mayor Scharff: We should say "pension benefits."

Mayor Burt: It would be Section 115 pension benefit trust. I don't know if that's the right way to describe it.

Council Member Wolbach: I'm okay with that too.

Vice Mayor Scharff: "Other post-employment benefits" goes away.

Mayor Burt: Yes. Council Member Holman. I'm going to try and speed this along because we are running out of time.

Council Member Holman: Appreciate the Motion. Thank you very much for that. I'm going to ask for one amendment, two amendments. Appreciate the comments by anyone who's spoken to this, especially the comments of our Urban Forester. That is the matter of the trees. I would propose as an amendment that we do include a budget amendment that would—a budget change that would allow for the 7-year cycle for pruning. Here's why. If it was overlooked, Mr. Passmore spoke about the greenhouse gas benefits of our urban forest. We talk interminably about our interest in reducing greenhouse gases. Our urban forest naturally accommodates those with no effort on our part. They just naturally do that. Trying it out—with due respect, trying this out to see how it works and what the consequences could be, if we have a liability because a limb falls on somebody, how do you go back? We have been, as you said Vice Mayor Scharff, penny wise, pound foolish. The other is if we lose trees because we aren't adequately caring for them and maintaining them, how do you go back and restore those trees? It's just not possible. I offer as an amendment to allow for a 7-year tree pruning cycle rather than the 10-year proposed cycle. To the Vice Mayor.

Vice Mayor Scharff: I'm actually very sympathetic to it, but I think it should be a separate amendment.

Council Member Holman: I'll offer it as a separate amendment and look for a second. Council Members, greenhouse gas advocates.

Council Member Filseth: Can I comment on that? I'd have a—between ...

Mayor Burt: We can do comments on it, but I think it fails for lack of a second.

AMENDMENT: Council Member Holman moved, seconded by Council Member XX to add to the Motion, "include a change to allow for a 7 year tree pruning cycle."

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

TRANSCRIPT

Male: (inaudible) second.

Council Member Holman: Second it and comment.

Mayor Burt: Let me just say that there are potentially a number of good reasons for arguing for this. I'm not at all sure that the greenhouse gas impact is one. When we trim our trees, we actually reduce the foliage that is storing greenhouse gases. There are other good reasons to argue pro and con for this, but I just don't think that is a strong one in and of itself. I'm not convinced that the—whereas, there may be arguments about whether it's going to contribute to more fallen branches and different things like that. Unless we're saying that the tree trimming is going to result in loss of trees, which I'm not sure is the case either, I don't think those are the strongest arguments for (crosstalk).

Council Member Holman: I'd love an opportunity to respond to those, if I have it.

Mayor Burt: Sure.

Council Member Holman: Tree health is what sustains our trees. Trees that are not pruned adequately and routinely and in a good cycle are not healthy trees. Healthy trees contribute a lot more to greenhouse gas reductions than do ailing trees. Proper pruning does account for that. The liability issue I mentioned earlier. We lost 400 trees last year, 400. How much of that was due to the drought, I can't say specifically, but we lost 400 trees. Again, trees that are well cared for and well maintained, that aren't overstressed because of drought or anything else, are going to be trees that can sustain a challenge. I think it makes absolute prudent sense to go to a 7-year cycle. Just a reminder too that Urban Forester said—I don't remember if you said it tonight or not—at the Finance Committee the recommended cycle is 5-10 years. We're on the outer edge of the recommended cycle at 10.

Mayor Burt: You didn't get a second. Council Member DuBois.

Council Member DuBois: Two quick questions. I support the intent of these amendments. I just want to make sure we got them right. On HSRAP, I thought we said—I thought I read that more money necessarily couldn't be used because of the two-year cycle, but that we already have an existing fund that we could generalize. Is there an existing emerging needs fund?

Ms. Nose: There's not an existing emerging needs fund. There is an existing one-time \$50,000 reserve that was established in the event that the approved budget was below the needed HSRAP funding. Ultimately, that

TRANSCRIPT

would only be liquidated, so to speak, if we were unable to fulfill the two year cycle. What this recommended adjustment would do is add an ongoing \$50,000, which means we would replenish it every year when we build the budget. It would be for emerging needs whether it is HSRAP grantee or other Human Services activities. Outside of that two year grant process, these are unexpected things either from current grantees or other activities.

Council Member DuBois: I guess the question is do we need to make the existing account more accessible or do we need more money? Do we need both?

Ms. Nose: Since the existing account is only one-time and the intent of this is to make it ongoing, it's probably easiest to establish a new account. If you guys want to give the direction to liquidate as part of our year-end process the current account, that's something you could do.

Council Member DuBois: Thanks for that clarification.

Mayor Burt: Council—sorry.

Council Member DuBois: I had a second question. On the \$750,000, my concern here is that we're not setting the best possibility by specifying an absolute amount. I think what I heard Lalo and the City Manager say is that they wanted to come back to Finance with a discussion about using money above the 18 1/2 percent for unfunded pension as well as infrastructure. Rather than just say \$750,000 tonight, I would prefer we think about it more as policy direction. I would offer that as a friendly motion, which is to have Staff come back to Finance with options for use of excess funds about the 18.5 percent towards the capital infrastructure fund and unfunded pension liabilities.

Vice Mayor Scharff: We had—what was it? \$1 million roughly at the end ...

Council Member DuBois: \$1.3 million.

Vice Mayor Scharff: \$1.3 million. I thought 750 was the right number when Mayor Burt put that out there as part of that \$1.3 million, which wasn't really going to anything above the 18 1/2. That was sort of the—no, I'm going to stick with it the way it is.

Mayor Burt: I don't think the two things are mutually exclusive.

Mr. Keene: May I just add to that? I think both things can be accommodated. We have a lot of variables that will probably get a little bit clearer during the first quarter of this fiscal year as far as demands for other

TRANSCRIPT

funding. There's nothing that precludes Finance from being asked to take up some discussion of the BSR and different uses that could be used, even during the course of this year. You can go ahead and adopt this budget. That discussion could still take place.

Council Member DuBois: We're saying basically a minimum of 750, but it could be more. Is that what you're saying?

Mr. Keene: I'm saying you would take the specific action right now, but—you technically could set a policy for the BSR any time you would want or move money out of the BSR into other funding sources at any time.

Mayor Burt: The simple answer to the question is yes, it could be more.

AMENDMENT: Council Member DuBois moved, seconded by Council Member XX to replace Part B of the Motion with, "to refer to the Finance Committee options for use of excess Budget Stabilization Reserve (BSR) funds above 18.5 percent towards the Capital Infrastructure Fund and Section 115 Trust Fund."

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

Mayor Burt: Council Member Schmid.

Council Member Schmid: I want to keep focus on the budget. As we're voting for a 2017 budget, we're coming out of a year where our revenues, our tax-based revenues, which are the most discretionary funds we have, increased by probably over 10 percent. That's a unique year, a wonderful year, a good year. That's why these issues we've been talking about, HSRAP, giving some flexibility to the Planning Department, dealing with our parking issues, should get funding that they need. These are important issues the City is grappling with. To have them underfunded in such a good revenue year just isn't right. I'm delighted to have these additions coming in and the flexibility for our Planning Department. On the other hand, there's still tough choices. Why? Because our expenditures have gone up fairly dramatically. We've had a number of salary negotiations come out, and we have been fairly generous in those salary negotiations, making up for lost time for many people, also a competitive salary situation. The salaries push benefits, and our unfunded liabilities are going up quite dramatically. It's striking in the year 2017, we've done pretty well, but the stock market has not. The money we have invested to cover our unfunded liabilities has not gone up very much over the last couple of years. That's something we should keep in mind. The other element is our infrastructure. As the Mayor pointed out, we have done a wonderful job in dedicating money, \$129 million, to infrastructure projects around town, that are sorely

TRANSCRIPT

needed. We need to keep those in line. The way we maintain our Budget Stabilization Reserve is by postponing some of those infrastructure payments. Buildings for our Municipal Services Center, parks investment, these are things that have to be done. We're postponing them from this year to the future. It's not that we have lots of money to spend on a variety of things. The \$750,000 payment we want to make to the Section 115 is a consequence of the salary changes that have taken place. I want to emphasize that this is a tough budget we're looking at. We need to be aware, moving into the future, that we have postponed some important expenditures that we have. I'm supporting the budget as programmed, including the 750 for the pension benefit trust. Be very sensitive about what this means, especially the postponement of infrastructure of our 2018 budget.

Mayor Burt: Council Member Filseth.

Council Member Filseth: Thanks. I was just going to try to second Council Member Holman's motion, if she could propose offsetting cuts.

Council Member Holman: That's the Motion, to go to a 7-year cycle.

Council Member Filseth: I'm not sure what the procedure for that is. I'm not sure procedurally where we are.

Mayor Burt: Procedurally, somebody needs to make a Motion and get second. That's the procedure. Council Member Kniss.

Council Member Kniss: Especially thanks to Finance Committee. I know this is a long and arduous thing. Eric, you did a really good job. I think, to echo some of the things that Council Member Schmid has said, we are very fortunate. I have done a lot of budgets through the years, and the budgets that have almost nobody here in the audience are the kind of budgets you like. That means you're not cutting people, you're not cutting programs, and you're not really starting to take away services from your community. It's a fortunate year. Having said that, there's only one other comment that I want to make. We're spending somewhere in the neighborhood of \$825,000 on Track Watch, so we're approaching \$1 million on Track Watch. Sometime ago, when we first began this—I think then I was on Policy—we talked about having the School District as a partner in doing this. I would really like us to examine that again. This is part and parcel—apparently we've had pretty good luck this year with the exception of the Alma crossing. It's important. I think we need to pay more attention to it. I would urge the School District to share in this service to the community with us. Having said that, I will vote for the budget.

TRANSCRIPT

Mayor Burt: Council Member Holman.

Council Member Holman: I apologize, because earlier I'd said I had two amendments. I only got to one. Nobody's fault but my own. On Packet Page 139, there is a list of referral items at the request of the Finance Committee. It's in the middle of the page; there are five bullets there. I would offer as an amendment to the maker and seconder of the motion to, the first bullet, review sworn versus non-sworn staffing for cost savings and enhanced services and increased revenues, refer that to Staff. The third bullet—I'm sorry, the second bullet, refer to Policy and Services, identify options for increasing Human Services resource allocation process or HSRAP funding and in Fiscal Year 2018 potentially increase to \$667,000 level, which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels. This is in the Staff Report. I'm hoping that David can pick it up. Three, refer to—this is the fourth bullet, refer to Policy and Services Committee to explore low-income fee program specifically with regards to Community Services. Those three bullets to be referred. First bullet to staff. Second bullet to Policy and Services (P&S). Fourth bullet to P&S.

Vice Mayor Scharff: Isn't the first bullet already to Staff? I thought we were already reviewing the sworn versus non-sworn.

Mr. Perez: Yes, we're reviewing that. We're moving forward with that.

Vice Mayor Scharff: That's what I thought. That's already in there.

Council Member Holman: If that's already included, then it's just the second and fourth bullets.

Vice Mayor Scharff: I don't agree with the second bullet. I think that's too much money and it would lock—so no on the second bullet.

Council Member Holman: I'll offer it as a freestanding amendment then.

Mayor Burt: I will second that.

Council Member Holman: Thank you.

AMENDMENT: Council Member Holman moved, seconded by Mayor Burt to add to the Motion,

- C. Refer to the Policy and Services Committee, to identify options for increasing HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP funding to the \$667,000 level which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels; and

TRANSCRIPT

D. Explore a low income fee program, specifically with regards to Community Services.

Council Member Holman: Just to speak really briefly to that. It's because we are currently at 2002 levels, and it's 2016.

Mayor Burt: I agree. We have done some tremendous investments in our infrastructure. I think we should be really proud and pleased as a community with that. To have made that level of increase in investment really in the last—essentially a tripling of the infrastructure in the same timeframe that we have reduced our funding for people in greatest need, I think, is not keeping our priorities straight. I think we can do both. This is a referral to Policy and Services. It's not a definitive action, but it is to explore how we would go about doing it. Council Member Wolbach.

Council Member Wolbach: I'll actually support the amendment. The key word here, that I think is important and hopefully will earn some more votes, is the word potentially.

Mayor Burt: Vice Mayor Scharff.

Vice Mayor Scharff: What is the current amount of the HSRAP?

Mr. Perez: It's \$448,000. If we were to inflate the number for '18, it's roughly a \$208,000 increase above the 2.5 assumed position.

Vice Mayor Scharff: It would be an extra \$200,000 ...

Mr. Perez: That's correct.

Vice Mayor Scharff: ... in future years, what we're looking at.

Mayor Burt: Council Member ...

Council Member Kniss: That's ongoing?

Vice Mayor Scharff: Yeah, that would be ongoing. I wasn't actually finished; I was just trying to process that. First I thought it was \$667,000 additional. It's \$200,000 additional. The intent of this Motion is to have Policy and Services look at whether or not we should do that. Is that correct? Or is it exploring how to—I wasn't clear when you said explore. How to do it or is it whether or not we should do this? That's a different motion.

Mayor Burt: I think I can clarify. It's to explore how we would do it, and then there would be a decision on whether or not to do it.

TRANSCRIPT

Vice Mayor Scharff: I'm confused on the how we would do it part. It's really just a budget choice. You would just say, "Do you want to spend the extra \$200,000?" I'm not sure what the discussion is, unless we're going to—unless Policy and Services is going to play a budget role, which says what offsetting cuts are we going to make in something else. That's really a budget function. I'm a little concerned about the notion that we—it's one thing to refer whether or not we should do it, whether or not to look at it, and then refer it to Finance and look at it holistically in the budget. I'm just not sure if this is direction then to do it. The question is how would you do it. You just pay money. I'm confused.

Mayor Burt: I think that's a good point. I think it's really then a referral to the Policy and Services for a deeper consideration of whether or not to do it.

Vice Mayor Scharff: I could support that.

Council Member Holman: It's whether or not and how.

Mayor Burt: The how is really a budgetary decision. That's how unless there's a question of specific programs to spend it on. That, I didn't think, was part of the motion at this time; that would be a future consideration. I think if we just have it as refer it as a discussion on whether or not, that's a good way to go.

Council Member Holman: Let me ask this for clarification then. I realize this, because that's—this number came from me because of the 2 1/2 percent per annum. Let's suppose Policy and Services says 2 1/2 percent a year takes us to \$667,000, but let's just say maybe it should be—making up a number here just for purposes of conversation—\$700,000. I just don't want to tie their hands. It could be \$650,000, whatever it is. They might think it's important to phase it in.

Mayor Burt: That's not what we're asking them to do. It's whether or not to bring it back up to the 2.5 percent. Not whether or not to go to any unlimited number.

Council Member Holman: What I'm saying is a potential increase to \$667,000. What I'm wanting to get clarified in the Motion is that the \$667,000 isn't a static number. It's potentially increase to the \$667,000.

Mayor Burt: I think it's good enough.

Council Member Holman: It seems like to me there's some latitude in there about what they arrive at as to a final dollar number. That's how I read that.

TRANSCRIPT

Mayor Burt: I think it's okay. The main thrust is to get the concept for a deep consideration at Policy and Services. I think it does that.

Council Member Holman: As long as that's clear, I'm good with that.

Mayor Burt: I think at this hour we want to be moving things forward. We have another item on our agenda.

Council Member DuBois: (inaudible) real quick.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I think originally you were trying to capture what was in the report. This is for Fiscal Year '18, to refer it to Staff not to Policy and Services. Item 4 would go to Policy and Services. Does that make it clear? Instead of referring both of them to Policy and Services.

Council Member Holman: The fourth bullet is to Policy and Services in the Staff Report.

Council Member DuBois: I'm talking about the second one.

Council Member Holman: You're talking about the second bullet only?

Council Member DuBois: I think the confusion was that maybe that should just be referred to Staff as part of the Fiscal Year '18.

Vice Mayor Scharff: That's (inaudible) your motion.

Council Member DuBois: I thought that's the Motion you originally made.

Council Member Holman: No. I originally made the Motion to send it to P&S, because I think it has more gravity if it goes to P&S with a referral.

Mayor Burt: The Motion is to refer it to P&S.

Vice Mayor Scharff: I have accepted that. I don't know if ...

Council Member Holman: Thank you.

Council Member Wolbach: I'll accept it too.

AMENDMENT PART C RESTATED AND INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "refer to the Policy and Services Committee, whether or not to increase HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP

TRANSCRIPT

funding to the \$667,000 level which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels." (New Part C)

Council Member Holman: The fourth bullet? The fourth bullet which was refer to P&S regarding a low-income fee program, specifically with regards to Community Services.

Vice Mayor Scharff: I guess I don't understand that. I don't understand what that means.

Council Member Holman: We have some programs in Community Services especially that there's no low-income safety hatch, I guess you could say. There's no accommodation for low-income people or person to be able to access programs in Community Services. They're all on the same platform as I read them. An example that I would bring up and have brought up is community gardens. There's no low-income accommodation.

Mayor Burt: We have certain programs that have low-income reductions in the rate. This is to refer to P&S to explore low income.

Vice Mayor Scharff: I would be fine if we look at all of the programs that have low-income referral. We look at it all at once.

Mr. de Geus: Mayor Burt, if I could clarify something here?

Mayor Burt: Yeah, Rob.

Mr. de Geus: The fee reduction program is not based on the type of program. It's based on the person you are. We have reduction for children, and we have fee reduction for seniors, and we have fee reduction for people that have a disability. We don't have fee reduction for the adult category. For the community gardens, if you're an adult and you're not low income and you're not disabled, you don't have the opportunity to get a fee reduction. I think that's what Council Member Holman, if I could speak for you, would like us to look at. A fee reduction option for adults.

Vice Mayor Scharff: For low-income adults?

Mr. de Geus: Nope, just—yeah, low-income adults. I'm sorry, yes.

Vice Mayor Scharff: We don't have currently a low-income adults?

Mr. de Geus: That's right.

Vice Mayor Scharff: That's fine.

TRANSCRIPT

Council Member Wolbach: I'll accept that too.

AMENDMENT PART D RESTATED AND INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "refer to the Policy and Services Committee to explore a low income fee program, specifically with regards to Community Services." (New Part D)

Mayor Burt: That covers these items. I see no more lights. We can vote on the board.

Mr. Perez: Mr. Mayor?

Mayor Burt: Yes.

Mr. Perez: I apologize. I was looking for a window. We also want to make sure for the record that it includes the at-places memo we provided you, which basically is increasing the revenues and adjusting for the two positions. It's memorandum dated June 13th, additional information pertaining to the Fiscal Year 2017 budget, which was part of our slides.

Mayor Burt: Let's just go over the language that would capture that.

Mr. Keene: Municipal fee schedule including the recommendations included in the whatever, the supplemental memorandum ...

Mr. Perez: To City Manager Report (CMR) 6932.

Mayor Burt: Can you offer that to the Clerk?

Mr. Perez: Yes. Thank you.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "including actions included in the At Places Memorandum" after "Municipal Fee Schedule."

Mayor Burt: We have the Motion before us to adopt the operating and capital budgets and Municipal Fee Schedule including actions taken at-places memorandum and each of the related rate increases, utility financial plans and salary schedule resolutions with the following changes. An additional \$50,000 for an emerging needs fund for Human Services including HSRAP grantees. An additional \$750,000 for a pension benefit trust Section 115 fund to reduce unfunded pension liabilities. A referral to the Policy and Services Committee of whether or not to increase Human Services Resource Allocation or HSRAP funding in Fiscal Year 2018 and potentially increase to the \$667,000 level which reflects a 2.5 percent cost of living increase

TRANSCRIPT

annually from our Fiscal Year 2002 levels. Finally, refer to P&S, Policy and Services Committee, to explore a low-income fee program for adults with regards to Community Services. That's the Motion. Did you want to speak? Council Member Filseth.

Council Member Filseth: Is it too late for me to propose one more amendment?

Mayor Burt: No.

Council Member Filseth: Just to see if this flies. Move to seven years on tree trimming and partially offset the cost by reducing the Sustainability Contingency Fund to \$125,000.

Council Member Holman: Second.

AMENDMENT: Council Member Filseth moved, seconded by Council Member Holman to add to the Motion, "move to 7 years for tree trimming and reduce the Office of Sustainability contingency to \$125,000."

Mayor Burt: Did you want to speak toward that? Do you need to speak to your motion?

Council Member Filseth: It should be pretty clear.

Mayor Burt: First it wouldn't cover that nut.

Council Member Filseth: It would partially (crosstalk).

Mayor Burt: Second, I would not support reducing the Sustainability Contingency Fund. I'm not going to support that Motion. I'm sorry.

Council Member Filseth: I want to propose it as a ...

Mayor Burt: That's a separate Motion. I've just spoken to your Motion. Council Member Wolbach, speaking to this separate amendment, standalone amendment.

Council Member Wolbach: Actually I think that the maker and seconder of this separate Motion should probably get a chance to weigh in before I make my comments. It was not (crosstalk).

Mayor Burt: Thank you very much. I'm running the meeting, and they already have.

TRANSCRIPT

Council Member Wolbach: I will echo the comments by Mayor Burt and will not be supporting this.

Mayor Burt: Let's just vote on the amendment, move to seven years for the tree trimming and reduce the Sustainability Office Contingency Fund by ...

Council Member Filseth: \$125,000.

Mayor Burt: ... \$125,000. That fails on a 4-3 vote. We got somebody missing? That fails on a 4-4 vote with Council Members Wolbach, Schmid, Scharff and Burt voting no.

AMENDMENT FAILED: 4-4 Burt, Kniss, Schmid, Wolbach no, Berman absent

MOTION RESTATED: Vice Mayor Scharff moved, seconded by Council Member Wolbach to adopt the Operating and Capital Budgets and Municipal Fee Schedule including actions included in the At Places Memorandum; and each of the related rate increases, utility financial plans, and salary schedule Resolutions with the following changes:

- A. An additional \$50,000 for an Emerging Needs Funds for Human Services including Human Services Resource Allocation Process (HSRAP) grantees; and
- B. An additional \$750,000 set aside towards the unfunded pension liability (establishment of a Section 115 Trust Fund); and
- C. Refer to the Policy and Services Committee, whether or not to increase HSRAP funding in Fiscal Year 2018; and potentially increase HSRAP funding to the \$667,000 level which reflects a 2.5 percent cost of living increase annually from Fiscal Year 2002 levels; and
- D. Refer to the Policy and Services Committee to explore a low income fee program, specifically with regards to Community Services.

Mayor Burt: We return to the primary Motion. Please vote on the board.

Council Member DuBois: (inaudible)

Mayor Burt: I'm sorry? Did you vote no? I'm sorry. Burt and Kniss voting no. I'm sorry. Now to the primary Motion. That passes unanimously with Council Member Berman absent.

MOTION AS AMENDED PASSED: 8-0 Berman absent

TRANSCRIPT

Mayor Burt: Lalo. Thank you to all the Staff who have participated in this and joined us in the pleasurable evening.

Mr. Perez: Thank you, Mayor Burt and Council. I want to thank the three remaining members of the OMB team, Kiely, Paul and Steve, who have done an outstanding job. Also supporting them was Joe, Tarun, Laura, Julia, Monica, the department heads and their Staff behind me. Thank you.

Mayor Burt: We will now ...

Vice Mayor Scharff: Want to take a 10-minute break?

Mayor Burt: I don't know. Does anybody need it? Do you need a break? If we need a break, I'll do it.

10. Approval of Funding Agreement With the Palo Alto Transportation Management Association (PATMA) and Silicon Valley Community Foundation in the Amount of \$100,000 for Fiscal Year 2017 for Pilot Programs and Discussion of the PATMA Draft Strategic Plan.

Mayor Burt: We're going to move on to our final item tonight, which is approval of a Funding Agreement with the Palo Alto Transportation Management Association or PATMA and the Silicon Valley Community Foundation in the amount of \$100,00 for Fiscal Year 2017 for pilot programs and discussion of the PATMA draft Strategic Plan.

James Keene, City Manager: Mr. Mayor, just clarification. You right now also have Item 10b, which is the Consent Item pulled off. Thanks.

Mayor Burt: Welcome. Joshuah, are you kicking this off?

Joshuah Mello, Chief Transportation Manager: Yes. Greeting, Mayor, Members of Council. I'm Josh Mello, the City's Chief Transportation Official. I'm joined this evening by Sue-Ellen Atkinson, who is our Interim Transportation Planning Manager, as well as Rob George, who is the Chair of the Board of the Palo Alto TMA. Sue-Ellen and Rob are going to handle the bulk of the presentation. I'll turn it over to Sue-Ellen to start it off.

Sue-Ellen Atkinson, Transportation Manager: Thanks. Good evening. We're here tonight on the TMA Funding Agreement. Rob has graciously joined us to go through the draft Business Plan that the TMA is currently working on. The proposed Funding Agreement before you tonight is between three parties, the City of Palo Alto, the Palo Alto TMA and the Silicon Valley Community Foundation. The Palo Alto TMA has a customized philanthropy services agreement with the Silicon Valley Community Foundation, wherein

TRANSCRIPT

the SVCF accepts donations for the TMA and then provides those funds to the TMA for their use. Hence, the reason for the three-way Funding Agreement. Just in general what is a TMA? Directly from the Palo Alto TMA's website, a TMA is a nonprofit organization that develops, manages and markets transportation programs. Some of the benefits to having a TMA in your area is that it allows for nimble management of transportation programs, and it offers a one-stop shop for transportation services rather than each employer having to offer transportation services independently. It also provides a forum for larger and smaller businesses to work together on programs for a mutual benefit in a similar geographic area. An overview of the City funding currently for the TMA. In the Fiscal Year 2016 operating budget, there's \$100,000 that was budgeted for TMA pilot programs. The proposed agreement in front of you will govern the use of those funds, and it addresses some of the concerns that Council had the last time that the TMA was at City Council. Some of those concerns and the conditions that are contained within the agreement are that the TMA meetings and documents will be public. The City Manager must approve the pilot projects to be funded. The TMA will provide a Strategic Plan and budget within 90 days of an accepted agreement. The City has already committed to fund the startup administrative costs of the TMA through an existing contract with MIG. There will likely be an amendment to this proposed agreement that's before you tonight to govern an additional \$100,000 for the TMA in the Fiscal Year 2017 budget. With that, I'll turn it over to Rob George, who's going to give you a sneak preview of the Business Plan and budget that the TMA has been working on.

Rob George, Palo Alto Transportation Management Association: Thanks, Sue-Ellen. Mr. Mayor, Council Members, thanks for having me this evening. At this late hour, I appreciate the time and excited about showing the work the TMA's been doing in the last couple of months. Really my focus is—I'm going to move as quickly as I can through this just to be respectful of the late hour, but giving you an idea of the direction that we've moved in with some of the feedback we got from you at our last Council meeting and the work that we've been doing as a Board. Proud to present some of these things to you this evening and move forward with the TMA. If I could make a brief comment before I dive into the slides. Thinking beyond what the request for Staff is, we're really looking to the future and going to be presenting a three and a five year sort of "top view" plan for you and give you some numbers that we've worked together based on our work as a Board. This base slide is really just to respect the Council's desire to hit that 30 percent reduction rate. Translating that into a real number which, based on the population of the Downtown, is 1,650 employees moving from single occupancy vehicles into other modes. Tying back to the mission of the TMA, there's five areas of focus that I just wanted to call out this evening that

TRANSCRIPT

we've emphasized in our work as a Board. The first obviously is programs. The TMA can't have an impact without programs to get folks out of their cars and into other modes of transportation. The second is really about providing accurate information and outreach. If people don't know about the TMA, then they can't—have to use the word "vehicles" to getting out of their car and into other modes of transportation. Really about increasing awareness and partnering with the City, the Chamber, the Downtown Association and everyone in the community to work on that. Partnerships, it's impossible for us to be successful without partnerships with transit partners, communities and the Council to make this successful. I think this one is really the fourth bullet point but could be the top line item, a sustainable budget. It's really being able to look to the TMA as something that funds the future success of Palo Alto, continues to make it a great place to live, work, dine, play. Last, the TMA should be an advocate for not just Palo Alto but sort of the regional forward-thinking transportation options and TDM in this area. A recap of what we've been doing. This is (inaudible) bullet point. I think one of our proud accomplishments with sort of our modest means is the launch of the Scoop program in the beginning of April. As of last Friday, we've hit our goal. We hit a goal of 300 registered users. As of last Friday, we have 320 registered users. I have a few details I'll refer to here just to give you additional information. 500 trips already. A 68 percent match which is great by standards, but we're shooting for a 90 percent match. I think that's a real example of how the community is ready for options to switch modes, to get out of their cars and find other ways to work. Meetings with Caltrain and SamTrans. Starting to talk with Caltrain about options to get passes to folks, not just in the large businesses but in the small businesses like mine, and use the train and make train a reliable and affordable option to move in and out of Palo Alto. Talking about pilot programs with SamTrans. We've had some exciting conversations about a bulk pass program with them, and they're doing some analysis for us that we'll be working on very soon. As you know, the second annual employee survey is in process. We're excited for the results of that. We were pleased from the first year's results to find that we had a 55 percent Single Occupancy Vehicle (SOV) rate in Palo Alto, which is great. We're hoping that we continue to see progress from this year's survey as the results come in. Prepared a draft Business Plan which you all have this evening to look over and to scratch up and have questions back at us. One of our upcoming meetings—I actually have a meeting on Thursday afternoon that you're invited to attend, talking about the formation of a resident advisory committee, sort of creating that one Palo Alto community, residents and business. We've had a focus group—one of our Board Members is from Ideo. One of our Board had a focus group that involved low-wage workers from East Palo Alto in some targeted areas that came up with interesting findings about really the ways service workers move around, in and out of Palo Alto and some of the

TRANSCRIPT

challenges that they have working in Palo Alto. Of course, we're working on marketing it. Something as simple as a logo takes a little bit of effort. We have some drafts of a TMA logo, which will be part of that advocacy piece and being recognized as a viable resource to folks Downtown and in Palo Alto. Upcoming, we're going to be facilitating a community event at Avenidas to help sort of understand how seniors have needs about moving about town and how we can help them reduce SOV trips as well. This slide is really to put it in perspective in terms of a dollars and cents perspective. This is really a simple slide. On the left identifies our goal of 1,650 folks, the 30 percent goal. The traditional approach is a parking garage, and what the cost of a parking garage would be based on real rates. Approximately \$100 million to build a parking garage Downtown. Whereas, investing in TDM invests in community and invests in resources and at a much lower investment, in the neighborhood of \$1.3 million a year in terms of a cost for the programs. We're talking about to hit that goal relative to that \$100 million expense. Mode split goals, I think it's important to put it all in numbers. Our current mode split is in the column in the center. You can take a look at where we are today based on last year's survey numbers. You'll notice that a few of the lines are sort of highlighted in red. Those will be, at this point, the TMA's emphasis points, the programs that we'll be focusing on. Transit obviously. We have an opportunity to move a lot of folks out of their cars. Carpool. We're already showing success with Scoop and others. It's not just going to be a Scoop only. Scoop has been a good first start for us. Obviously, with the folks in the proximity to Downtown, bike is a great option. The mode split reduction on the right just shows you the goals that we have with this 1,650 number. I think there's—we have to sort of add some credibility to it. This slide really just calls out the reality of the goals. If we were setting goals that were unattainable, it would be difficult to get your partnership and support and moving our programs. We have three examples in terms of Stanford's transit, carpool and bike percentages, Facebook. We thought that Genentech was a relevant example—not being close to Palo Alto, being up in south San Francisco—to see that these numbers were very, very similar to the goal numbers that we were setting for the TMA. The next few slides kind of call out some future goals. The next three slides are real numbers based on the programs that we've set. The first slide is achieving that 30 percent goal in three years. As you can see, the first year has a three percent SOV reduction. We're getting off to a kind of slow-moving start, but that is really tied to the funds that you'll be approving for us this evening hopefully. That \$100,000 is going to be spent to keep us moving for the rest of the year. Moving toward the second year with a 15 percent reduction, halfway to our goal, with a cost of a little over \$1 million for that first year. The third year, just a tad under \$1.3 million and realizing our full 30 percent goal. This next slide kind of gives you the same information just spreading out the impact over five

TRANSCRIPT

years. Essentially calling out that first year is the same \$100,000 that Staff is asking for this evening for the TMA. This last slide just puts it altogether in one slide. The three year goal with a cost of about \$2.5 million over three years. Five years, stretching that out, of course a bit more expensive with the additional years, a \$3.5 million cost of business to keep the TMA hitting those numbers. This slide is just really some per person assumptions that, with the help of Wendy, our Interim Executive Director. These are based on current retail costs. There's no reduces, kind of the full MSRP cost of transit, first-mile, carpool, and then a comment about sort of the evolution of parking structures in the City. Tying back to that, there are definitely some potential savings in those real numbers. New fare structures with Caltrain, SamTrans, VTA. Whatever partnerships we work with them that help the TMA to exist, to provide smaller businesses like mine with affordable Caltrain passes, for example, will help reduce the per person cost of that. The development of flat-rate pricing for the shared-ride market. Scoop is a start, but the possible relationships with Lyft and Uber and future rideshare companies. Basically declining subsidies as needed, as transit and other first-mile costs decrease and services increase. As we grow, naturally the costs will go down. Co-sponsorship from some larger employers for their employees. I think that one of the things that we talked about at the previous meeting is membership dues and realizing that with only 20 large employers in Palo Alto the ability to fully fund the TMA with just 20 large employers in town was not going to be a realistic, future option. We are looking for co-sponsorships with those larger companies and possibly even regionally as we grow into the future. Eventually, full subsidies may only be needed for turnover employees. Once we get folks converted, the cost drops significantly because it's just for the new to Palo Alto employee. This next slide just really draws out some of the funding sources for TMAs across the country. I don't know if it's necessary that we go through each one of them. The top one is local employer transportation tax, parking revenues. Those are two that have sort of been the topics of discussion amongst the Council and amongst others, so they're up at the top of list. There are a lot of other options that can exist to us as we establish and grow. In terms of interim needs, there's going to have to be a critical partnership and understanding between the City and the TMA. We want to work together to understand the residents' needs, the City's needs and really the businesses' needs. We want to continue to keep the City—to use a word that is sometimes looked at as a dirty word—robust or vibrant and growing. There's nothing more exciting than thinking of a TMA that continues to grow and support as the City grows. We need the City at this point to help us move these programs more quickly. Our plan is to come back to you in the early fall for a more formal funding request based on the future plans that we've set out. Thanks.

TRANSCRIPT

Ms. Atkinson: Just to wrap that up. Rob presented a brief overview of the draft budget and Business Plan. The only recommendation in front of you tonight from Staff is to approve and authorize the City Manager or designee to execute the Funding Agreement between the City, the Palo Alto TMA and the Silicon Valley Community Foundation. With that, we're open to questions on the Funding Agreement, and Rob and Wendy are available for questions on the TMA.

Mayor Burt: Thank you. I think what we'll do—we have one speaker card so far—is we'll hear from the public and then return to the Council for questions and comments. I do want to just say that when we as a Council reviewed your initial proposal three months ago, it was a modest proposal based upon what you were able to identify you could do with kind of self-funding, volunteer funding. We asked for you to come back with something that would be concrete in terms of how you would achieve the Council objective of the 30 percent single occupancy trip reduction, what it would cost, what the measures would be. I'm really pleased to see something that really has responded to all of our requests. Thank you for all your work, to you and Wendy and the others who contributed on this. I have one speaker card, Adina Levin. Welcome.

Adina Levin: Good evening, Council Members, Staff and TMA participants. Adina Levin, Friends of Caltrain. Thanks to the TMA for putting forward this plan and to Council for considering the plan and moving forward towards considering \$100,000 to move forward with the initial pilot programs. Using the information from the survey in collaboration with the business community, the TMA has identified a reasonable set of pilot programs to start getting Downtown workers out of cars. As you do consider the next steps for the TMA, I would urge you to recommend to Staff and the TMA one more step to pursue faster results. According to the scenario that was presented to you in those charts that you saw, those were budget scenarios that showed the ability to achieve that 30 percent trip reduction goal in a three year or five year timeframe with a budget of \$1.3-\$1.4 million per year. In order to escalate that progress, parking revenues could provide a strategically complementary source of funding. A \$1 increase per day of garage full-price permits could raise about \$1 million per year to enable the City to achieve the trip reduction goals sooner. Also adjusting the parking fees would reduce the cost of subsidizing other benefits, because it would be relatively more competitive between parking and the alternative. The City is also currently considering an employer tax. That would be complementary with parking pricing, because it would enable any additional money to be used more cost effectively, because the commuter already has a better apples-to-apples comparison. Since there is some uncertainty as to whether that's going to go forward and whether it will pass, pursuing the parking

TRANSCRIPT

option will help move things forward regardless. Therefore, in addition to accepting the Staff recommendation, I would urge you to direct Staff and the TMA to explore the potential for looking at full-price parking revenues as one of the funding sources, including looking at ways of phasing that in so as to be less destructive to the business community and to commuters. It's really great to see the progress on getting forward to this date. Looking forward to seeing fewer driving and more sustainable transportation Downtown. Thank you.

Mayor Burt: Thank you. Our final speaker, a late card, is Neilson Buchanan.

Neilson Buchanan: I think the Council has heard me before, that I'm a big supporter of the concept of the TMA. Let me just put it in the context that I see it. This region has a thoroughbred horse with Stanford that's doing all the right things it can within its domain. The Stanford Research Park has got a new pony that's going to run well, I think, in the long run, that got the command control capability and in pure necessity to do the right thing. The good news and the bad news. It leaves the smaller business community and the University Avenue commercial core and the California commercial core with a challenge, how to create something that works in the context of those two very successful programs. I thoroughly believe it can be done. I thoroughly believe it can't be done on \$100,000 a year. The \$64,000 question, who's going to come up with the money. It's exactly like the orphan drug problem in the pharmaceutical industry. People recognize that there's a problem that could be solved, but there's no money available to solve it. My recommendation is proceed ahead, let this little pony run as best it can. It's not going to run well on \$100,000 a year. That's a slightly over one parking space in a garage investment. I hope that by the time the next calendar year rolls around the orphan drug problem will be solved, that people will be stepping up to find that extra money. I think the person having to step up with the money is going to have to be primarily the City in the early years. I hope that you all—the next Council, that is, will take a real hard look at giving the pony of the small business TMA a chance to flourish. Thank you very much.

Mayor Burt: Thank you. Vice Mayor Scharff.

Vice Mayor Scharff: Thank you. I agree with Mayor Burt. I was actually really pleased with the presentation. I felt it was well focused, and I felt you had a really strong plan. I appreciate all the efforts in that. I did want to ask Staff a little bit about—we're doing a parking study right now. Does that include adding meters and raising funds as part of that or not?

TRANSCRIPT

Mr. Mello: We are completing the Downtown Parking Management Study. One of the potential outcomes could be recommendations on fees for on-street and garage parking.

Vice Mayor Scharff: Which could be used to fund the TMA?

Mr. Mello: Yeah. I think it would be up to Council to decide how to use those revenues from parking.

Vice Mayor Scharff: I was just wondering if it was—do you have any preliminary numbers on revenue from something like that?

Mr. Mello: We don't (crosstalk) ...

Vice Mayor Scharff: I heard Adina throwing out a million dollars by adding it, so I was curious.

Mr. Mello: We don't yet. That'll be one of the outputs of the Downtown Parking Management Study. We're looking at demand and turnover.

Vice Mayor Scharff: When is that done?

Mr. Mello: We're shooting to complete that by December, by the end of this year.

Vice Mayor Scharff: We could theoretically, possibly fund the TMA from that if necessary.

Mr. Mello: Possibly yes.

Vice Mayor Scharff: For the next year, right? The two scenarios are the three year reduction, which would be Year 2 \$1 million, or the five year which is basically you go to \$159,000. Is that right?

Mr. George: It's \$3.5 million over five, \$2.5 million over three.

Vice Mayor Scharff: It goes to \$300,000 the next year. That's right. That's why I missed this (inaudible) wrong number. Would it be inappropriate to move the Staff recommendation? It's late.

Mayor Burt: No, go ahead.

Vice Mayor Scharff: I'll just move the Staff recommendation.

Council Member Kniss: I second it.

TRANSCRIPT

MOTION: Vice Mayor Scharff moved, seconded by Council Member Kniss to approve and authorize the City Manager or his designee to execute the funding agreement between the City of Palo Alto, the Silicon Valley Community Foundation, and the Palo Alto Transportation Management Association (PATMA).

Mayor Burt: You want to speak to it?

Vice Mayor Scharff: No.

Mayor Burt: Council Member Kniss.

Council Member Kniss: Greg, did you want to speak to it?

Vice Mayor Scharff: No, go ahead.

Council Member Kniss: I guess you didn't. I think we've been waiting to do something like this for so long. This is great detail in it. I think that we probably all know that, for this to really happen, it's going to take a good deal of our resources at the City. I think we're recognizing that by putting this forth tonight. It starts with a modest amount. I'm glad Greg said, "What about what's Downtown already and could that be a possibility for funding." No one has ever mentioned out loud parking meters, but I imagine that is one of the issues we're going to look at it. Am I right? Looking at you, Josh.

Mr. Mello: Yes. The study that we're working on right now will look at that as one of the options.

Council Member Kniss: Let me just say a word about that. So many cities now are doing that and using either a card of some kind or their credit card. It is so much easier if we are going to charge for Downtown parking. For most of us who have looked at this for a while, there's really no question that parking is not free no matter how we look at it. We have free parking, but somebody is subsidizing it. I'm delighted we're continuing on with that study. I think it will inform this very completely. I have high hopes for it. Thanks very much.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I just want to point out we had 100 percent participation by the public on this item tonight. Both members spoke. I know it's late, but the TMA is kind of critical, so I would like to have a little bit of a discussion. It's a nascent TMA. I want it to get a good start, so I'm going to support the funding this year. I have some concerns about the

TRANSCRIPT

contract itself. I also wanted to really just talk about expectations for next year. I think the big question is where does the money come from kind of ongoing. You have a Business Plan that's losing money next year. For me, I've been thinking this is a private association of companies. It sounds like we really need to decide is this funded by the City, is it funded by the companies that it benefits, and should we be setting up incentives for that to happen. Can we create motivation for the business community to pay for this? I like the idea of paying the TMA to manage and enforce TDM programs. That was something new I saw in your presentation. I kind of expected the Business Plan to highlight the extreme need for fundraising. It didn't really come through with a sense of urgency. This is a tool for businesses to improve the impacts they're having Downtown. I think we've got to find a way to encourage them to pay for more of it, to really see the benefits to themselves by participating. Looking at the Business Plan, a couple of other things jumped out at me. First, I think you need to simplify overall. Every time something comes to us about Downtown, it has a different boundary, and we have different sets of numbers floating out there. I'd love it, as we move forward with new programs, if we could establish maybe a broader boundary. We have the Parking Assessment District; We have the Downtown Cap area; we have the RPP Downtown District which goes into Crescent Park. There's all these different boundaries. I believe the boundary for the TMA is too small. It doesn't include businesses on Middlefield. We're hearing a lot from dentists and the medical community out there, that they're having a real problem. It doesn't include the SOFA area. I actually think our Bayshore business parks could use TMA to get from the train station out to Bayshore. We keep talking about Cal. Ave., but California Avenue (Cal. Ave.) doesn't have a TMA either. There's a lot to do; let's get it started Downtown. I think we're going to have to think about these other areas. If the EMC survey is accurate, we're currently at a 55 percent SOV, which is pretty amazing. It's extremely good. A 30 percent reduction would get us to 38 1/2 percent SOV. Sixty-one percent using alternative means of transportation. The report turned that into a number of people; it says that's 1,650 commuters. I'm a little bit concerned that we're focusing on an absolute number like that. We have other estimates for the numbers of workers Downtown. The Dyett and Bhatia numbers suggested something like 12,800 workers. Our Business Registry says there's over 15,000 people working Downtown. A 30 percent reduction there would be 2,400 people, not 1,650. I would rather see a performance measure based on traffic measurement and a percentage improvement. I think the other problem with an absolute number—it's really kind of nonsensical. If there's a recession and people stop driving to Downtown, the TMA's performing great. It has nothing to do with the TMA; it's just the economy. Also, this issue with the boundaries. If we grow or shrink the boundary, we don't really want to say the TMA is performing better or worse. We really want to

TRANSCRIPT

measure the performance. I did look at the Stanford report on their TMA and the medical situation. I really think we could learn a lot from this example. This was a single landowner with a Development Agreement with real penalties if they didn't make it. They invested a lot of money. When you look at it, it took them 20 years to get a 12 percent change in behavior. We're saying we're going to get a 30 percent change in behavior in 3-5 years. I'd love for us to get there; I'm a little concerned that we're building these assumptions into things like the Comp Plan without proving that we can do it. It's a big effort, and that is a huge change. The other thing I would say to you is when you come back next year, there's some things in the contract about reports to Council. I'd really like to see quantitative reports, again really focusing on a percent change in SOV that would let us understand if this is really working or not working. There's two places in the contract—if my colleagues agree with me, maybe somebody could make a motion. Page 709, there's some vague kind of reporting requirements. I'd like to see those include performance monitoring towards achieving the SOV reduction. On Page 711, it says that we may see the Board include a resident representative and a City representative. I think we should, especially in these early years. Rather than "may," I'd like to see it say "will." Those are my comments.

Mayor Burt: Those are comments. If you want to make a Motion, you've got to make a Motion.

Council Member DuBois: I'd like to see if other people agree with me.

Mayor Burt: Council Member Wolbach.

Council Member Wolbach: First, thank you very much to Staff and the TMA staff and membership that are here as well as the members of the public for coming to speak. I'm pretty supportive of most of the comments I've heard. At some point, I'll want to hear DuBois maybe clarify—I didn't quite catch the second thing he mentioned. I'm open to considering his suggestions. I don't have a strong feeling one way or another right now. I've got just a few points I want to make, and I'll try and make them very quickly because of the hour. First, I think it's important to note in the ongoing discussion about should we build a parking garage Downtown to add greater supply or should we fund the TMA, I don't think they're mutually exclusive. I just wanted to say that. However we decide to move forward with either or both, I don't think it has to be an either/or choice. Secondly, I think it's important that we really talk about and start talking very quickly about where do we get the funds to close the gap between what we're approving tonight and what the TMA needs to achieve either the three year or the five year proposals that are listed here. Just a quick question before I continue.

TRANSCRIPT

Did I hear you say during the presentation that you'll be coming back in the fall with recommendations about that or should we maybe make a—would it be helpful to give direction to begin exploring that tonight, to encourage Staff and the TMA to keep moving down that direction?

Mr. George: Wendy's going to come up and make a comment. The one thing is that we are planning to come back in the fall to make a request that aligns more with the three and the five year plan that we've revealed this evening.

Ms. Atkinson: If I can also break in. One of the conditions in the contract before you tonight is to come back within 90 days of a signed contract to provide a Strategic Plan and budget to City Council.

Council Member Wolbach: Thank you. I missed that. That takes care of one of the amendments I was going to offer later. I think it's also important to note that, continuing on what Council Member DuBois was saying about other parts of town that could use the services of the TMA, I think it's important to note the TMA is not restricted to Downtown. I think it's also important to note, going to this question that Council Member DuBois raised, I think it's important which is what is the purpose of the TMA. I don't think it's just an employer-funded association to fund transportation options for employees. There's nothing that restricts the TMA to only being responsible for employers and employees. In fact, if you look at Page 717 of the packet, it talks about how—right in the middle—TMAs can fund and offer branded services to both residents and commercial businesses. Really the idea here is this is a public-private partnership. We both benefit; everybody benefits, and we everybody should chip in. That's why I'm perfectly comfortable with the City continuing to provide some level of funding. I do thing that one thing to explore—I'll make this as a motion in a moment, but I just wanted to mention it first. I do think we should explore or just move forward with having a Council liaison to the TMA. I think it would be helpful for the Mayor to appoint somebody. I'm not necessarily volunteering for it, but to have somebody from the Council attend TMA meetings on a regular basis to complement the representation we have from the City in the form of Staff. I do get the sense that the community, the City Council, the TMA especially in the last few months since our last meeting are really ambitious. I just want to make sure that we do continue to let Staff know that we're empowering you to support the TMA to be really ambitious, that we have big hopes and are willing to think big around this. As we look forward, there's something that we were hoping to get to before the break this year, but it has been delayed. That's our City shuttle program. One thing that I would be open to at least exploration of is whether we'd want to outsource operation of the Palo Alto free shuttle to the TMA. I think it might be potentially a better

TRANSCRIPT

place to run operations for the shuttle with Staff support rather than being primarily Staff-led. With that, I'll offer a couple of hopefully friendly amendments. Actually, I guess the funding I was going to recommend has already been taken care of. The first amendment would be—maybe we should just do them one at a time—establish a Council Member liaison to the TMA to be appointed by the Mayor.

Vice Mayor Scharff: That's fine with me.

Council Member Kniss: Sure.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "establish a Council Liaison to PATMA to be appointed by the Mayor." (New Part A)

Council Member Wolbach: I had also to direct Staff and the TMA to explore the possibility of outsourcing operations of the Palo Alto free shuttle to the TMA.

Vice Mayor Scharff: What is that? Direct Staff to explore? What exactly would you want Staff to do on that? Staff could explore it and decide against it or Staff could explore ...

Council Member Wolbach: To explore and bring back to Council considerations and the possibility of outsourcing the free shuttle to the TMA.

Vice Mayor Scharff: How about have Staff ...

Council Member Kniss: That's too ambitious.

Council Member Wolbach: I'm open to (crosstalk).

Vice Mayor Scharff: I'm going to say if it's—when is the shuttle stuff coming to us?

Mr. Mello: I think we're shooting for November now. We're waiting for the results of the Santa Clara Valley Transportation Authority (VTA) study to gel a little bit more.

Council Member Wolbach: I'm fine with it coming back even as part of that discussion in November.

Mayor Burt: I can say that we can explore various alternatives when it comes back. I would just say I think that's overly ambitious and really putting a potential load on the TMA. That is not their area of expertise

TRANSCRIPT

necessarily. Certainly we're looking for them to do more, but this risks overloading them. I think it's premature.

Mr. George: If I may offer. Our Interim Executive Director has expertise in the Emeryville shuttle and the Mission Bay shuttle in San Francisco. Not to volunteer Wendy's services, but she has expertise in this area that might be able to help Staff.

Council Member Wolbach: Again, I'm not saying that we would want to move forward with it. For exactly this reason, I think it is worth exploring or at least consideration of at a high level.

Mayor Burt: I would just say that I think having the TMA be part of our discussion on where we go with the shuttle will be appropriate. Proposing specifically to explore transferring it to them at this point in time, I wouldn't support it.

Council Member Wolbach: Would you be willing to second it if we change it to that language?

Mayor Burt: I don't know that that needs to be in a Motion.

Council Member Wolbach: Let me turn to Staff then. You've heard some discussion about it tonight. In order for this to be even considered as part of the shuttle discussion that we'll hear coming back in November and the long-range planning for the TMA, do we need something in a formal Motion or have you heard that there's at least some interest in exploring it?

Mr. Mello: I think we've heard you loud and clear. We'll be looking at different financial scenarios and different operating plans. I think some may be appropriate for the TMA to potentially operate, and others we may have to think about different arrangements.

Council Member Wolbach: I'll withhold that as a separate amendment for now. We'll maybe pick this back up in November. Thank you.

AMENDMENT: Council Member Wolbach moved, seconded by Council Member XX to add to the Motion, "direct Staff and PATMA to explore outsourcing the operation of the Palo Alto Free Shuttle to PATMA."

AMENDMENT WITHDRAWN BY THE MAKER

Mayor Burt: Council Member Schmid.

Council Member Schmid: I think we all see the value of a TMA for Downtown and what it can do. What's going to make it work? I think that's

TRANSCRIPT

the big question. You mentioned you have three examples, Facebook, Stanford, Genentech. The key characteristic of each of those is single employer controlling workforce and the parking around their workplace. We have here a unique situation of many businesses, some big, some small, and the public wanting access to the Downtown. We don't want this to emerge with the public is not invited. That's a set of circumstances that's very, very different than the examples of TMA that you give, that have worked. Council Member DuBois made the point that it's good to have a concrete number to start with, a goal, a target. What is the geographic area, what's the number we want and how do we work toward those goals? We have gone through a Draft Environmental Impact Report (DEIR) process for our Comp Plan. One of the key mitigation measures it uses is TDRs, TMAs, and one of the areas they talk about are the Downtown. They are very explicit in what works. Let's have specific targets, let's monitor it carefully, let's set up enforcement and penalties for it, so that it's not a voluntary situation. It's a mandated situation that comes from some authority. That's what our DEIR talks about. They need to mitigate the traffic and parking issues we have, and they suggest that that's what's needed. Stanford, especially the Stanford Medical Center, has a TDR worked out with the City. The characteristics of that are there are targeted numbers very clearly stated. They are monitored on a yearly basis. There's a single employer that has control over the parking places, financial penalties. Stanford has agreed to put up \$2.5 million per year and a whole set of programs. Those are 2011 dollars, so it grows each year. They've committed for 50 years. They say, "Here's how we're going to do it." Even with that, they have found problems in reaching their goal. They had to adjust their goals downward, because the monitoring they were doing, they said, was not as good as they thought it should be. If Stanford is an example—another example is Mountain View. They have established a TDM program for east of Bayshore. They have a three-road access into that, and they are monitoring on a regular basis every car that enters there during rush hour. They put a cap on it. Two big employers and they say, "You're going to be penalized if that cap is exceeded." What's going to work for our Downtown that is very different than these other situations? How do we get specific targets? How do we work a voluntary operation where all these others that work have a mandated operation with a single employer? I guess that a big question to start with. Your Board is a voluntary organization of business people. There is no role of overseer, monitor by the City. Yet, where are you getting your funding? I guess I see your first year budget. What is it? 70 percent of your budget's going to come from the City. You hope to get parking fees from the City. You hope to get more funding from the City 12 months from now. Stanford and these other employers are using their resources to reach mandated targets. There's really a lot of questions here about what you're setting up, the role of the City. If you want money from the City, if you

TRANSCRIPT

want cooperation from the City, what can you give them in terms of concrete goals, a means of measuring how you're doing on an annual basis? Not just reporting to the City "we're doing okay," but "here's the number we have achieved," "here's how we measure that," "you come in and measure it yourself if you want to or need to." I think those are the types of issues. We can move forward and grant you some money now, but I think you should come back with a very concrete statement on targets, on mandatory rather than voluntary with oversight, with penalties and with a funding source that is somewhat equivalent to what Stanford is doing, not to spend \$1 million for a few years, but to commit to spend \$2.5 million per year for 51 years. Those are the types of questions that I would have.

Mayor Burt: Council Member Holman.

Council Member Holman: I won't repeat anybody else's comments. It's a question that I have. In the last Staff Report that came to Council in March, there were comments and questions about the mission statement and purpose in the executive summary. I don't see any update to those, but there was some question about accountability, who was actually—what the outreach was and who was actually serving on the Board, and those sorts of things. I didn't see any update on those. A lot of the other things have been addressed here. Congratulations on that and much appreciated, but those things don't seem to have been addressed, unless I'm totaling missing them.

Mr. Mello: There is some language in the agreement, I think, that references expansion of the Board. I think Sue-Ellen can expand on that for us. That was directly as a result of the feedback that we received the last time we visited Council.

Council Member Holman: I didn't notice it. If you can point me to it, I'd appreciate it.

Ms. Atkinson: It's under 12, under requirements, Section E.

Council Member Holman: Can you point me to a page please?

Ms. Atkinson: It's Page 4 of the TMA Funding Agreement. I do not have the full packet page number.

Council Member Wolbach: Packet Page 711.

Ms. Atkinson: Thank you.

Council Member Holman: Seven what? I'm sorry.

TRANSCRIPT

Mayor Burt: 711 I think.

Council Member Holman: 711, thank you.

Ms. Atkinson: Section E reads that the City may request that the TMA Board be expanded to include additional members, possibly including residents or additional City representation.

Council Member Holman: That doesn't exactly address what I'm asking. What is the constitution of the Board and what's the outreach and how do they gain members? The information we had last time was people who pay a fee and volunteer. What's the outreach and what is the constitution of the Board? This doesn't address what I was asking.

Mr. Mello: The Bylaws, which were adopted, I believe, late in 2015, outlined the makeup of the Board and divides the Board into large businesses, medium businesses and small businesses. The agreement that's before you tonight is just the agreement for the funding that the TMA is going to receive from the City. These are the strings that we're attaching to the funding, that we're providing the TMA. These are not the incorporation documents for the TMA; those are separate from this.

Council Member Holman: It does seem, though, one would want to have those structural and formative documents before providing the funding. What are we funding? I'm not going to oppose it, because I want us to move forward. I will say that the structure should be identified and clear before doing this, from a procedural standpoint.

Mr. Mello: The Bylaws that were presented to you when we last visited you have not been modified since that visit.

Council Member Holman: I think there were questions raised about those. That's one thing I am disappointed about.

Mayor Burt: I'll just add a few thoughts. First, the key to this ultimately is funding. The TMA team has now come up with a plan and, if it's funded, can have impactful outcomes. I think it is wishful thinking to think that encouragement is in some way going to come up with adequate funding. We haven't seen that we have a strong willingness from the broad business community to put the kind of dollars that this would take. I don't anticipate that's going to be the case. That leaves two funding sources, our prospective transportation tax and parking sources. I think, frankly, that both of those are going to be necessary if we're going to want to have a strong TMA for Downtown, have it expanded beyond the current boundaries in Downtown. The cost would go up more if we included SOFA and the

TRANSCRIPT

nearby Middlefield area, subsequently beyond that, Cal. Ave. and elsewhere. If this is successful, we'll want to do it more, but it will require the funding. As we go with more significant funding, we'll look at what would be the governance that would track with what the funding sources are. I do support expanding the TMA boundaries. At the outset, I think SOFA should be included. There was questions about traffic counting. I'm enthusiastic about trip caps in areas where you can monitor them effectively. Stanford Research Park and perhaps the East Bayshore, I don't see how we'd do that in the Downtown. Even though that might be an ideal, it's not practical in my mind for this location. Council Member DuBois also had a concern because of what level of mode shift Stanford had had. I think the math is not being done correctly there. We have a 30 percent reduction in single occupancy vehicles. Our current SOV rate is what? Fifty. That is an overall—if it's 55, it's an 18 percent mode shift. It's not a 30 percent mode shift. It's 30 percent of 55. When we look at Stanford, I believe they were looking at the shift of the totality of their commuters. Points were well taken. Stanford, both in the Research Park and on campus and at the hospital, are very well funded. They've shown with good funding these programs can be successful. With the good funding, the best designed program is not going to work. Council Member Schmid was talking about legal enforcement. I don't get how that would work. What would be the legal mechanism to enforce that people were participating properly? We don't have those levers nor ones that I can envision other than what we've done in Residential Permit Parking. That's the most effective ordinance impact on this. As long as there's free parking in the neighborhoods, it'll be very hard to get people to shift their modes. Conversely, because we have that, we're seeing a lot more recognition and interest. We had Chop Keenan come forward, and he is now supporting metered parking Downtown. I can tell you from discussions with him over many years, that is a tidal shift. There are changes that are occurring, and some of these are really because of the RPP program. On the one hand, I'm very encouraged that we've got something before us that is really substantial and a model that could be potentially expanded throughout other areas of the City. The nut is the funding. Council Member DuBois, did you have something that you wanted to offer in terms of an amendment?

Council Member DuBois: I did. I know it's late. I'm pretty sure my math was correct, but I'll let that one go. I guess a third option to explore—I agree we need mandatory tools—would be if project approvals could require payment into the TMA. I'd like to propose an amendment to Agreement Item Number 6, reporting requirements. To have it end with "including quantitative measures that include performance monitoring, measuring the percentage change in SOV, and cost per employee mode shift."

TRANSCRIPT

Vice Mayor Scharff: You're adding quantitative measures.

Council Member DuBois: Quantitative measures is in there. I'm adding "including performance monitoring, measuring the percent change in SOV." Again, this gets to the idea of the absolute number of 1,650 is rather meaningless. It's (crosstalk) ...

Mayor Burt: This would go into where? You're saying to do what with this?

Council Member DuBois: Packet Page 709, into the agreement that we're approving tonight. There's reporting requirements there. I was trying to make it a little more specific.

Vice Mayor Scharff: It already says including quantitative measures. (inaudible)

Council Member DuBois: Yes. I'm adding this "including"—see if you've got it right here. Include performance monitoring, measuring the percentage change in SOV.

Mayor Burt: I'd just say that at the funding level we're talking about, we're not going to see a lot of performance.

Council Member DuBois: Not going to see a lot of what?

Mayor Burt: Performance.

Council Member DuBois: They're committing to reduce it in terms of 1,650 cars ...

Mayor Burt: That's with the full funding, but we aren't doing the funding.

Vice Mayor Scharff: They're committing to a three percent change.

Council Member DuBois: I know. They're committing to annual reporting. I'm just trying to make it a little more specific.

Mayor Burt: I'm just saying that at this seed funding level, it's going to be tough to measure it. At \$100,000 a year, you're not going to have much impact. Josh.

Mr. Mello: If I could just interject. The agreement has already been executed by the other two parties. This would require resetting the entire contract execution process. If you're going to make changes to the actual contract, I would recommend that instead maybe this is included in a

TRANSCRIPT

resolution directing Staff to ensure that these items are included in the presentations when the TMA comes forward to Council.

Mayor Burt: Sounds good and something that would be in future reporting of an expanded TMA.

Council Member DuBois: They're supposed to come twice a year with reports. I'm saying in those reports ...

Vice Mayor Scharff: I think this is premature frankly. I think with seed funding, as Mayor Burt said, it's \$100,000. If we give them a million bucks, then I think you'll start to see that.

Council Member DuBois: If they come back a year from now and they just say things are going great, but there's no data, I'm going to be very (crosstalk).

Mayor Burt: They're not going to go great off \$100,000, Tom. They aren't claiming they're going to great off that.

Vice Mayor Scharff: They said three percent.

Council Member DuBois: They have a plan. They're going to come back with a Strategic Plan. They're going to come back with reports.

Mayor Burt: A Strategic Plan is not the same thing as results.

Council Member DuBois: No, but the Business Plan in here has a forecast of how they're going to get that reduction.

Mayor Burt: Yeah. \$100,000 is not going to get diddly.

Council Member DuBois: It's the budget for Year 1.

Mayor Burt: The reporting needs to track the dollars.

Council Member Schmid: I'll second it.

AMENDMENT: Council Member DuBois moved, seconded by Council Member Schmid to add to the Motion, "add to Agreement Item Number 6, 'including mode percent change in Single Occupancy Vehicle (SOV) use' after 'quantitative measures.'"

Council Member DuBois: I'll change the wording, Josh, to how you suggested it. Could you say that again at the beginning?

TRANSCRIPT

Mr. Mello: I think it'd be simpler to just direct Staff to ensure that X, Y and Z are in the presentation to Council when they come back twice a year. We can do that. We'll be reviewing the presentation from the TMA. We'll make sure whatever elements Council wants to be apprised of are in there.

AMENDMENT RESTATED: Council Member DuBois moved, seconded by Council Member Schmid to add to the Motion, "direct Staff to include percent change in Single Occupancy Vehicle (SOV) use in future presentations to Council." (New Part B)

Council Member DuBois: Just to point out. Amendment A is also a change to the amendment, isn't it?

Vice Mayor Scharff: No.

Council Member DuBois: You're saying it's already signed.

Vice Mayor Scharff: It's not. The Mayor just appoints a liaison.

Council Member DuBois: It's not changing the Board composition?

Vice Mayor Scharff: No.

Council Member DuBois: Again, just to speak to this amendment. My whole point, again, is that we really are more concerned about a percentage change than an absolute number, because the universe keeps changing every year. That's really the only point.

Mayor Burt: Council Member Schmid. Council Member Filseth.

Council Member Filseth: Just real briefly. I think it all looks great. Yes, let's go forth and do it. I think the real issue is—we should spend the \$100,000 and let's proceed. Making it work is going to be challenging. I think that's really where the difficulty is going to come, both funding and making sure we can make it work in our district and so forth. I think one thing that we've got to overcome is we've got to find a way to get everybody to do it. I think there's going to be resistance. Even from the survey, a lot of the drivers say, "No, I want to keep driving my car." Some of our business groups can be very conservative on this kind of stuff. I think we've got a role in that too. People are going to come to us and say this is too soon, too much and so forth. I think the Council needs to push forward on this as well. To Council Member DuBois and Schmid's point, the worst case is, I think, that the Comp Plan builds in a lot of stuff assuming this works. We're not even going to know if it's going to work for a few years, especially depending on which funding plan you've got. That's actually a Council issue,

TRANSCRIPT

not a your group issue. We've got to not get ahead of ourselves in the Comp Plan. Finally, I agree with Tom on the percentage target. I think that's makes sense. As you say, that's makes sense when we come back in the next phase. Right now, we're just doing the pilot. I'm going to support it. Good luck with it.

Mayor Burt: I'll just say I think the percentage is perfectly fine. I want to make sure our expectations are realistic. My point was that under this funding level, we're not going to have measurable impacts. It's going to have to be the full funding or some very significant funding to see the outcomes that we all have said we wanted to have and that we have as a Council policy of this 30 percent reduction. It's a good plan. It'll have to be funded one way or another if we want it to be successful. Let's vote on the board. Yes, I'm sorry. First on the amendment. That passes on a 7-1 with Council Member Wolbach voting no.

AMENDMENT AS AMENDED PASSED: 7-1 Wolbach no, Berman absent

MOTION RESTATED: Vice Mayor Scharff moved, seconded by Council Member Kniss to approve and authorize the City Manager or his designee to execute the funding agreement between the City of Palo Alto, the Silicon Valley Community Foundation, and the Palo Alto Transportation Management Association (PATMA); and

- A. Establish a Council Liaison to PATMA to be appointed by the Mayor; and
- B. Direct Staff to include percent change in Single Occupancy Vehicle (SOV) use in future presentations to Council.

Mayor Burt: Second, on the primary Motion. That passes 8-0. Thank you all very much. Welcome to the late hour.

MOTION AS AMENDED PASSED: 8-0 Berman absent

Council Member Kniss left the meeting at 11:41 P.M.

- 10a. (Former Agenda Item Number 7) Approval and Authorization for the City Manager to Sign a Letter Commenting on the City of East Palo Alto's General Plan Update and Draft Environmental Impact Report.

Mayor Burt: Now, we will be returning to the former Item Number 7, new 10b, which is approval and authorization for the City Manager to sign a letter commenting on the City of East Palo Alto's General Plan Update and Draft Environmental Impact report. Council Member Wolbach, you led pulling this

TRANSCRIPT

from Consent. Was it just in general to want to review it in greater depth or were there specific things that you wanted to draw attention to?

Council Member Wolbach: I think that some of my colleagues may have some other concerns that they'd like to point out. I did feel that some of the—we can go through them one by one if necessary, hopefully not. I guess two overarching concerns. First, it seemed that there were at least a couple of times in the letter that we stated that something would result in significant impact, which was not sufficiently studied in the Draft EIR. I didn't see the basis for us making that claim. If that was softened to say that we are concerned X or Y or Z might cause significant impacts that were not fully studied. That softening of the language, I would be more comfortable with. That's one issue. Again, my colleagues may have specifics they'd like to add to that. Secondly, a significant theme of the letter seems to be and the application of the letter seemed to be expressing an interest in reducing or delaying additional housing in East Palo Alto. Although, we may have a range of opinions about how much, where and when to add housing in Palo Alto, I don't think that Palo Alto should be advocating against or for delay of housing in other communities in the region.

James Keene, City Manager: Just maybe a very kind of quick explanation from Hillary, too, about the process of Draft EIR comments and how they're taken and the City's response. Just very quickly, I would say that I do think that the housing comments were not about East Palo Alto in general. They were very specifically allocated to the western boundary that it shares with Palo Alto and Palo Alto neighborhoods, and just an attempt to identify potential impacts depending upon some of the variables that could be at play. Hillary.

Hillary Gitelman: Planning and Community Environment Director: Thank you, Jim, Council Members. Hillary Gitelman, the Planning Director. I would just add to that a little. Both Jim and I have heard from residents of Palo Alto who are concerned about the impacts of the additional development the City of East Palo Alto's General Plan anticipates on the west side of East Palo Alto. The letter tries to point out—not saying that additional is a bad thing, but tries to point out that it would potentially have impacts and impacts on Palo Alto. We think those impacts should be better characterized and described in the EIR. If you look at Page 3 of the letter with a population and housing comment, we're pointing out that while only eight percent of East Palo Alto's land area is in the west side planning area, currently 22 percent of the population is in that area. That's really where they're putting a lot of the development potential that they're creating with this General Plan Update. Our feeling is that it is going to have impacts in some of the

TRANSCRIPT

categories that we've identified in the letter. I think our Staff wrote a relatively polite letter saying, "We have some residents who are going to be and areas that are going to be affected by some of these policy decisions. Please make sure that you characterize those and analyze those adequately so you have all of the information you need to make a wise decision, and we have all the information we need to understand the impacts of the decision that you ultimately make."

Mayor Burt: Just to speed things along. I want to emphasize that an EIR is not a policy position at all. It is about whether impacts are adequately studied. Out of that, bodies can choose to take whatever policy position they want. That's not what an EIR does.

Mr. Keene: I just would add. I don't want to speak too directly for the Staff. This was a letter from me as the City Manager to the Assistant City Manager of East Palo Alto. Of course, we did bring it to the Council because this is your opportunity to sort of see and weigh in. The feedback we got was positive from the Staff in the sense that we didn't have any problems with the letter. That doesn't mean when they respond to our comments that they may say they don't agree or whatever. All this is designed to put out different perspectives as you identified and, again, don't result in any particular, specific decision or lead to that. Even if we had questions about impacts, you may very well have a very different policy position about where you would be on supporting or not supporting something. I just think it's important to keep that in mind.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I just wanted to echo. When this was pulled off Consent, I went back to reread it. Again, I think it is rather soft. You're saying that the DEIR evaluates the increased population as if it was spread out over the whole City, not in fact concentrated as their Plan suggests. You're asking them to evaluate that. I think that's totally reasonable. I support the letter as written.

Mayor Burt: Council Member Schmid.

Council Member Schmid: I thought you gave a good concrete response on Page Three. I had a problem on Page 4 where traffic was mentioned, both on "A" and "C" but especially on "A." It says Palo Alto believes there's a significant difference between existing conditions identified in the DEIR and our experience. I would think it would be helpful if you give an example. Do we have an F intersection there or do we have a delay of Y and they're only saying it's X? Rather than just say Palo Alto believes, if you could give

TRANSCRIPT

some data, I think it'd be very helpful. It's used both in "A" and again in "C."

Mr. Keene: I do think we make some qualitative descriptions of the situation there that would indicate that there is some traffic, just asking them to include that in their ...

Council Member Schmid: Would it be better to say Palo Alto "notes" rather than "believes"?

Mr. Keene: I would just say we were trying to surface issues. We're obviously not trying to do the EIR for them. That's walking a line there.

Mayor Burt: Council Member Holman.

Council Member Holman: A couple of things. One is thank you for bringing this forward. The other is I've mentioned in the past that I—maybe this is a policy discussion the Council needs to have. I think it would really be prudent on our part to have our Planning and Transportation Commission to review EIRs from adjacent communities and comment on the impacts on our community. We get separate communications from members of the public who want to comment on this. They can bring it to us, of course. It's good, I think, from a policy perspective to have a community meeting, a public meeting where people can bring their issues up to an advisory body so that those issues can also be raised to the Council level in addition to the Staff analysis.

Ms. Gitelman: Thank you. We do what we can to bring these letters forward, both to the Planning and Transportation Commission and to the Council. It's always a little bit of a mad scramble because the comment period is short and the agenda review schedules for Staff Reports is long. In this case we were able to get it on your agenda for the Menlo Park General Plan and Zoning Update that's coming through now, that we're going to be reviewing. They have an EIR on the street. Council will be on break, so we will try and bring that to the Planning and Transportation Commission in your absence. The City Manager will be signing that letter once it's developed.

Council Member Holman: Is the best way to address this in the future to have a Council policy discussion about procedures and what we need to do to help support Staff in routing these?

Ms. Gitelman: Again, it's a resource issue and a timing issue. If you want to add a Staff person to respond to letters and make sure they go through both the Commission and the Council, we can try and do that. We do what

TRANSCRIPT

we can do. In this case, we brought it to you. In the case of Menlo Park, it will go to the Commission. That's just the way it's worked out.

Mayor Burt: Vice Mayor Scharff.

Vice Mayor Scharff: Thank you. I agree with what Mayor Burt said about it's good to identify the issues. I think you've done a good job in identifying a lot of the issues. I guess the reason I voted to pull this is—there were several things. I don't think you've identified some of the positive issues that, I think, we should identify here and have them look at. If we had a large number of units built there, people could then bike and walk to their jobs Downtown. They may actually significantly reduce traffic. Our Council has made a big deal about jobs/housing imbalance. It doesn't really matter if this is right on the border; it could be Palo Alto. If we actually believe in the jobs/housing imbalance, we should be supportive of this or at least have it studied in the EIR, about how this would affect our traffic positively. It may actually really help with all that. Also, how it may affect affordability of housing around Palo Alto in that there would be more affordable housing, because that most likely would be cheaper than the housing in Palo Alto. I think all of those should be addressed in the EIR. I guess I was really disappointed in Paragraph 3 on Page 4. It may just be me, but that paragraph struck me as pejorative and not really asking for information in an EIR but indicating that Palo Alto—it actually seemed to me to be threatening them, to be honest. The last paragraph, the East Palo Alto decision on redevelopment allowed will have an impact on Palo Alto's position and our City's choice of the preferred alternative for the Newell Bridge.

Mayor Burt: Where? I'm sorry.

Vice Mayor Scharff: On Page 4. That struck me as if we had a veiled threat there. I may just be reading into it. I thought we should strike that whole paragraph. I guess I wanted to see that paragraph struck. That's the third paragraph down on Page 4. I thought it was quite negative and (inaudible), frankly, and not just asking for information in the DEIR.

Mr. Keene: It's a good point. I would say that we've been saying that sort of thing in many ways routinely in relation to the alternatives being studied in the EIR that we're doing on the Newell Road Bridge. The concern about the alignment and the capacity that East Palo Alto might favor ultimately, that our community's been pretty forceful about saying there were other alignments that they wanted to pursue. We thought it would be remiss to not sort of acknowledge that we have this other unfolding issue.

TRANSCRIPT

Vice Mayor Scharff: I thought the bridge issue was separate from if they want to build housing. I thought the bridge issue, frankly—there were people in our community that want to have a foot bridge. I think there are people that want to have no bridge. I'm not sure tying it to them building housing on the west side—that seems pretty anti-housing as opposed to asking for information in an EIR. I would strike that paragraph personally.

Ms. Gitelman: Just to add on. We've definitely heard this loud and clear from some of our constituents in Crescent Park. The City of East Palo Alto has really been advocating for a bridge alternative that they see as increasing capacity. The same residents who are saying, "That's of concern to us," are saying "Absolutely no way if you're using that capacity to support new affordable housing just over the bridge." The issues have been linked in the community's mind. Our including it in the letter was an effort to just keep that on their radar screen, that these two issues have become linked whether we like it or not. It's something to be aware of.

Mr. Keene: I appreciate your comment. We didn't want to send the other signal to say that, by not at least mentioning it in here, we're not drawing what the specific conclusion is. We're just saying that there's a potential correlation between what the bridge design could be and development that takes place. We're not doing anything other than saying that there's a connection there, and it could impact us. We were concerned if we didn't mention it, that it could be misinterpreted almost as if that's not an issue that's out there. If you're supportive enough, ultimately, on some of these other things, then we're okay on the bridge. This is one place where we have very specific feedback from neighbors and community members in that area about anxieties and concerns about that.

Mayor Burt: Can I add? If I recall, there are two issues on the bridge. There's the bridge size, and then there's the question of the alignment with Newell on the East Palo Alto side, and basically whether the bridge would be designed to make that more of a vehicular thoroughfare. I'm interested in us looking at how this area of East Palo Alto can become better served by other means of transportation and to make sure that the EIR is looking at what mitigations there might be for housing there, including ones that do not encourage additional vehicular traffic by nature of the bridge size and design.

Vice Mayor Scharff: I would be fine if that's what the paragraph said, what you just said. That's really what I was getting to. I actually think if you build the housing, you may actually have less traffic, frankly. It's going to be walkable and bikeable to Palo Alto, and it's going to be more affordable. If you're going to work in Downtown Palo Alto, you might be able to afford

TRANSCRIPT

this. To say we know that this is going to increase traffic into Palo Alto, I don't think that's necessarily true. It'll increase traffic on 101; there's easy access there. It'll increase that intersection. I thought that comment about—I think you've commented about that intersection here somewhere. I think that's true. I would just like us, if we're going to go forward with the letter, to see it not have that paragraph. I'm happy to have the concerns that Mayor Burt just raised to be in there.

Mr. Keene: The reason we kept it vague in this regard is we haven't settled on the preferred alternative of the bridge. This doesn't say what it would be. It doesn't say what it would not be. The City wouldn't choose for it to be the bridge in the current alignment or primarily bicycles and pedestrians.

Vice Mayor Scharff: Then we should just leave it out, I think. If we're not making a statement because we know what we want, then I think we should just leave out the bridge. It's not about the EIR, unless we're going to do what Mayor Burt said, which was let's study the different alternatives in this EIR. This is about commenting on the EIR; it's not about the bridge.

Mayor Burt: Council Member Wolbach.

Mr. Keene: Let me just say one last thing on this. When we say the City's choice of preferred alternative, we don't infer that that's a unilateral choice by the City. We're saying that the City has a voice in what the bridge alignment will be just like East Palo Alto does. It would be what we would be saying would be the preferred, in the same way that when our residents were saying, "Let's have a no bridge alternative." We're really saying I don't think we can unilaterally impose a no bridge alternative since the bridge also lands in East Palo Alto. We've got to work out the solution together. We also want to say, in the same way as we've said on the other thing, that the super bridge idea isn't something that they could unilaterally impose. We recognize that it's dynamic, and there's an interrelationship.

Mayor Burt: Council Member Holman. Sorry. Council Member Wolbach.

Council Member Wolbach: Procedurally, I just want to make sure—I'm okay with moving forward with a letter. My question is can we give general direction without wordsmithing it tonight for Staff, the Mayor, for Staff at least, to make some tweaks before sending it.

Mayor Burt: Yeah. We can have a Motion that has general direction or we can just have comments.

Council Member Wolbach: I'll offer a Motion. Council Member Scharff or Schmid or others may have additions they'd like to make. I'd like to move

TRANSCRIPT

that we strike Paragraph 3 on Page 4 of the letter, that we also remove any references to displacement. I can give my reasons for that if anyone's curious. That we add at some point in the letter that Palo Alto does not oppose nor seek delay of East Palo Alto's consideration of additional housing supply. Also, that Palo Alto recognizes colocation of housing near jobs may have a positive impact on traffic by facilitating bicycle and pedestrian commutes.

Mayor Burt: Let me just say that you're getting into policy statements there just as bad as what we were talking about before.

Council Member Wolbach: Like I said, I'm ...

Mayor Burt: An EIR is to evaluate alternatives and impacts. It's not to draw conclusions about what's good and bad in terms of the project.

Council Member Wolbach: I'm open to tweaking this to make it more amenable and appropriate for comment on a Draft EIR. I'm getting the concepts out there.

MOTION: Council Member Wolbach moved, seconded by Council Member XX to authorize the City Manager or his designee to sign a letter commenting on the City of East Palo Alto's General Plan Update and Draft Environmental Impact Report (DEIR) including the following changes:

- A. Remove Paragraph 3 on page 4; and
- B. Remove all references to displacement; and
- C. Add that Palo Alto does not oppose nor seek delay of consideration of additional housing supply; and
- D. Add that Palo Alto recognizes that colocation of housing near jobs can have a positive effect on traffic.

Mayor Burt: Let me try an alternative to your Motion just to move this along. We request that the City Manager modify the letter so that it focuses more on evaluation of impacts and alternatives including related to the Newell Bridge. I'll just pause as an aside. That would mean that we'd be looking at what could be negative impacts of one set of alternatives and what might be positive impacts of another set of alternatives, more pedestrian oriented and mitigations that might expand biking and those kinds of things. Back to the Motion. We can have that the letter avoid specific advocacy pro or con or amount of housing development, but focus instead on impacts.

TRANSCRIPT

Vice Mayor Scharff: I would second that or Cory can, if you want.

SUBSTITUTE MOTION: Mayor Burt moved, seconded by Vice Mayor Scharff to authorize the City Manager or his designee to sign a letter commenting on the City of East Palo Alto's General Plan Update and DEIR, including the following changes: modify the letter to focus more on evaluation of impacts and alternatives including those related to the Newell Bridge; and avoid specific advocacy on amount of housing development and instead focus on impacts.

Mayor Burt: I jumped in to try and save your Motion. If you want to instead see if you want to have a second, I'll put mine aside for the moment. If not, I'll offer mine as an alternative.

Council Member Wolbach: Was there a second for mine?

Mayor Burt: I don't see one.

MOTION FAILED DUE TO LACK OF SECOND

Council Member Wolbach: I guess we'll work on the substitute Motion.

Mayor Burt: I've got this Motion as ...

Vice Mayor Scharff: I'll second the Motion.

Mayor Burt: That's seconded by the Vice Mayor. I don't think I need to speak further to it.

Vice Mayor Scharff: I think this is what we were talking about, at least what I was talking about. I hope Staff gets that. Let's take the advocacy out of the letter. Modify the letter to focus more on evaluation of impacts, alternatives including related to the Newell Bridge, avoid specific advocacy. I would also like to see—I just want to make sure that's included in your motion—that they also do look at the impacts on traffic and stuff of having housing in those locations, about whether or not that would maybe reduce traffic.

Mayor Burt: We can say "impacts pro and con."

Vice Mayor Scharff: Impacts pro and con, I think that's the right way to put it.

INCORPORATED INTO THE SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add at the end of the Motion, "pro and con."

TRANSCRIPT

Mayor Burt: Council Member Holman.

Council Member Holman: Clarification on this please. You're talking about Paragraph 3 on Page 4. Are you saying delete that paragraph and replace it with the language here? Is that what you're saying?

Council Member Wolbach: My Motion failed.

Mayor Burt: What I'm saying is that it would be modified as reflected in this Motion.

Council Member Holman: This third paragraph would be modified to address the comments here, not replace the comments in Paragraph 3?

Mayor Burt: Yeah. The Motion is general guidelines of the emphasis of the document and including modifying that paragraph, but not attempting to come up with wordsmithing tonight. I'm not going to be receptive to a bunch of amendments that are wordsmithing. We need to get out of here and leave it up to the City Manager to respond to our guidance.

Council Member Holman: I'll just leave it at this. I think Staff was on the right direction. I think some of the language having to do with the bridge may have been a little bit edgy. I think the original letter is pretty close. With these comments that don't eliminate the impacts identified by Staff, that's the direction to go.

Mayor Burt: Council Member Filseth.

Council Member Filseth: I too am not comfortable with Council wordsmithing these kinds of things. In these kinds of things, pretty good is good enough. In this particular case, I do agree with Council Member Scharff, the Vice Mayor, that one sentence reads like a threat. As long as that can change, I'm good with it.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I'll support the Motion. I think the letter as it stands meets the Motion. Maybe changing one sentence, but largely the letter stands the way it is, and it meets the Motion.

Mayor Burt: Council Member Wolbach.

Council Member Wolbach: I would ask that we also, as part of this, limit or remove assumptions regarding displacement.

Vice Mayor Scharff: I'm good with that.

TRANSCRIPT

Mr. Keene: (inaudible)

Council Member Wolbach: I don't think it's elsewhere. I can't do a Control-F right now. I believe it's just there. The motion to remove that paragraph was not successful.

Council Member DuBois: That's the only place?

Council Member Wolbach: I believe so.

Mayor Burt: I'm okay with eliminating reference to it.

Council Member Wolbach: Thank you.

INCORPORATED INTO THE SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add at the end of the Motion, "and limit or remove assumptions regarding displacement."

SUBSTITUTE MOTION RESTATED: Mayor Burt moved, seconded by Vice Mayor Scharff to authorize the City Manager or his designee to sign a letter including the following changes: request the City Manager to modify the letter to focus more on evaluation of impacts and alternatives including those related to the Newell Bridge; and avoid specific advocacy on amount of housing development and instead focus on impacts pro and con; and limit or remove assumptions regarding displacement.

Mayor Burt: No lights. Vote on the board. That passes unanimously with Council Members Kniss and Berman absent. That concludes our agenda meeting.

SUBSTITUTE MOTION AS AMENDED PASSED: 7-0 Berman, Kniss absent

Inter-Governmental Legislative Affairs

None.

Council Member Questions, Comments and Announcements

Mayor Burt: Do we have any Council Member Comments? Council Member Holman.

Council Member Holman: If there aren't any others, could I—if there are other comments, go ahead with those. I'd like to adjourn the meeting in honor of somebody.

Mayor Burt: Vice Mayor Scharff.

TRANSCRIPT

Vice Mayor Scharff: Just briefly. The Cities Association had a meeting and voted to support a regional minimum wage, which Mayor Burt will get more information. It's late. I don't think I could explain it all. I was just appointed to the ALUC, which is the Airport Land Use Commission.

Mayor Burt: Council Member Wolbach.

Council Member Wolbach: A couple of things. First, I was hoping for an update on when the minimum wage for Palo Alto would be going back to Policy and Services and then ultimately coming to Council. I want to make sure we do leave our businesses time to adjust to our planned escalation to \$18 by '18 and any interim changes. Also, I wanted to mention that I attended a vigil last night at the Billy DeFrank LGBT Center in San Jose late yesterday afternoon. It was well attended and included a few of our County Supervisors and other electeds from around the region. Showing support for our LGBT Community.

Mayor Burt: Council Member DuBois.

Council Member DuBois: I just wanted to say Council Members Scharff, Filseth and I attend the community meeting on airport noise last week. We had about 100 attendees. I think Cash did a great job moderating the meeting, keeping things moving forward. We had several members of the select committee there including Joe Simitian. The select meetings, I think, are coming up starting next week. The 15th. Council Members Holman, Filseth and I participated in the Stanford commencement over the weekend. It was pretty interesting. Ken Burns spoke quite a bit about one of the candidates running for presidential office.

Mayor Burt: Council Member Holman.

Council Member Holman: I was just wanting to adjourn our meeting this evening in support of the community of Orlando and the tragedy they've been facing.

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

Adjournment: The meeting was adjourned at 12:10 A.M.