

Special Meeting  
June 16, 2003

ORAL COMMUNICATIONS ..... 3

APPROVAL OF MINUTES ..... 3

AGENDA CHANGES, ADDITIONS, AND DELETIONS..... 4

11. Public Hearing: Adoption of the 2003-04 Budget, Adoption in-concept of the 2004-05 Budget and Approval of a Budget Adoption Ordinance, including 1) Exhibit A - The City Manager’s Proposed 2003-05 Budget; 2) Exhibit B - All changes detailed in the Amendments to the City Manager’s Proposed 2003-05 Budget; 3) Exhibit C – Proposed 2003-04 Municipal Fee Schedule; 4) Exhibit D - Revised pages to the Table of Organization; 5) Exhibit E - Amendments to the Proposed 2003-04 Municipal Fee Schedule ..... 4

12. Approval of an Agreement with Santa Clara County Valley Transportation Authority for the Transit Shelter Maintenance and Advertising Program and Approval of an Amendment to the Sign Ordinance of the Palo Alto Municipal Code to Provide Bus Shelter Advertising ..... 4

12A. (Old Item No. 1) Ordinance 4794 entitled “Ordinance of the Council of the City of Palo Alto Amending Title 18 [Zoning] of the Palo Alto Municipal Code to Amend Chapters 18.10 [Residential Estate District Regulations], 18.12 [Single-Family Residence District Regulations], 18.30 [Neighborhood Preservation Combining District Regulations] and 18.71 [Open Space District Regulations] Pertaining to Second Dwelling Units” (*1<sup>st</sup> Reading June 2, 2003, Passed 9-0* ..... 35\\

12B. (Old Item No. 2) Ordinance 4795 entitled “Ordinance of the Council of the City of Palo Alto Adding Chapter 9.73 to Title 9 [Public Peace, Morals and Safety] To Establish City Policy Against Arbitrary Discrimination” (*1<sup>st</sup> Reading June 2, 2003, Passed 9-0* ..... 36\\

12C. (Old Item No. 4) Annual Adoption of the City's Investment Policy ..... 36

12D. (Old Item No. 5) Adoption of the Final Appropriation Limit Calculation Resolution for 2003-04 ..... 36

12E. (Old Item No. 6) Amendment No. 1 to Contract No. C3146047 Between the Palo Alto Housing Corporation and the City of Palo Alto for Fiscal Year 2002-03 for the Below Market Rate Program Administration in the Amount of \$30,000 Increasing the Total Agreement Amount from \$75,000 to \$105,000; and Agreement Between the Palo Alto Housing Corporation and the City of Palo Alto for Administration and Consulting Services for the Below Market Rate Program in the Amount of \$105,500 for each of Fiscal Years 2003-04 and 2004-05 ..... 36

12F. (Old Item No. 7) Approval of Resolutions Amending SEIU Memorandum of Agreement and Compensation Plan to Add Side Letter Agreement on SEIU Furlough..... 36

12G. (Old Item No. 8) Amendment No. 3 to Existing Contract No. C8100757 Between the City of Palo Alto and Indus Utility Systems (INDUS) in the Amount of \$146,500 for Software Design Services for Utilities Customer Information System ..... 36

12H. (Old Item No. 9) 2002-03 Annual Report on City Sustainability Program ..... 36

12I. (Old Item No. 10) The Finance Committee recommends to the City Council on Fiscal Year 2003-05 Contract Scopes of Professional Services Agreements Greater than \$65,000 the following ..... 37

12J. (Old Item No. 3) Adoption of a Park Improvement Ordinance for Construction of School Use Improvements of Tennis Courts, Paths and Driveway Areas, and Use of Terman Park Athletic Fields and Tennis Courts Associated with the Palo Alto Unified School District (PAUSD) School Re-Opening (*Item Continued from June 9, 2003*) ..... 38

ADJOURNMENT ..... 42

The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:05 p.m.

PRESENT: Beecham, Burch, Freeman, Kishimoto, Kleinberg, Lytle, Morton, Mossar, Ojakian

Mayor Mossar requested an end time to the meeting by her colleagues. She requested 11 p.m. be the target.

Council Member Freeman said she wanted everyone to have the opportunity that evening to speak on the budget.

Council Member Lytle said she wanted the Council to have sufficient time to deliberate on the budget.

Mayor Mossar asked whether Council Members Freeman and Lytle could not agree on 11 p.m. as the target time for that evening's agenda.

Council Member Lytle said it would be premature to estimate an end time without knowing how much time was devoted to public testimony.

#### ORAL COMMUNICATIONS

Qiqun Song, 535 Arastradero Avenue, spoke regarding U.S. citizen, Dr. Charles Lee, who was illegally sentenced in China.

Ed Powers, 2254 Dartmouth Street, spoke regarding good government.

Dieter Folta, 97 Erstwild Court, spoke regarding racial profiling.

#### APPROVAL OF MINUTES

**MOTION:** Council Member Ojakian moved, seconded by Morton, to approve the minutes of April 21, 2003, as corrected.

**MOTION PASSED** 9-0.

Mayor Mossar said due to the large number of speakers for Item No. 3, it would be removed from the agenda and continued to the June 23, 2003, City Council meeting.

Council Member Ojakian suggested removing Item No. 3 to be heard at the end of the agenda.

**MOTION:** Council Member Morton moved, seconded by Ojakian, to move the Consent Calendar to the last item on the agenda to become Item Nos. 12A through 12I, with Item No. 3 being removed to become Item 12J.

**MOTION PASSED** 9-0.

### AGENDA CHANGES, ADDITIONS, AND DELETIONS

Mayor Mossar noted that Item Nos. 11 and 12 would be heard concurrently.

### PUBLIC HEARINGS

11. Public Hearing: Adoption of the 2003-04 Budget, Adoption in-concept of the 2004-05 Budget and Approval of a Budget Adoption Ordinance, including 1) Exhibit A - The City Manager's Proposed 2003-05 Budget; 2) Exhibit B - All changes detailed in the Amendments to the City Manager's Proposed 2003-05 Budget; 3) Exhibit C - Proposed 2003-04 Municipal Fee Schedule; 4) Exhibit D - Revised pages to the Table of Organization; 5) Exhibit E - Amendments to the Proposed 2003-04 Municipal Fee Schedule
12. Approval of an Agreement with Santa Clara County Valley Transportation Authority for the Transit Shelter Maintenance and Advertising Program and Approval of an Amendment to the Sign Ordinance of the Palo Alto Municipal Code to Provide Bus Shelter Advertising

Mayor Mossar stated since the El Camino Park CIP projects involved Stanford University, she would not participate in the item due to a conflict of interest because her husband was employed by Stanford University.

Council Member Kleinberg said since the El Camino Park CIP projects involved negotiation with Stanford University, she would not participate in that item due to a potential conflict of interest because her husband's former law firm represented Stanford in land use matters.

Mayor Mossar noted that the full Council would take a vote on everything except the Capital Improvement Project (CIP) for El Camino Park, which would be a separate vote excluding Council Member Kleinberg and Mayor Mossar due to conflict of interest.

Mayor Mossar requested that discussion of Item No. 11 be considered in two parts: 11 (Part A) Adoption of 2003-05 Budget with Finance Committee recommendations; and 11 (Part B) Future steps.

Council Member Lytle asked for clarification on the purpose of limiting Council's discussion on previously failed motions from the Finance Committee meetings.

Mayor Mossar said the purpose was to limit the amount of time debated on an item that had already been discussed at the Finance Committee. She said if any of the Council Members chose to "re-up" a motion that failed at the Finance Committee, the debate would be limited to five minutes. Those who were not on the Finance Committee would have first priority to speak during those five minutes.

Council Member Jack Morton, Finance Committee Chair, said the 2003-04 Budget had been the most challenging in the past 25 years. With the passage of Proposition 13, it was clear that City revenues would be significantly reduced for the foreseeable future. The whole community understood that to preserve the high level of service Palo Altans valued, it would have to find ways to supplement the programs. Looking back over those 25 years, Palo Altans had a remarkable record of community contributions. The Friends of the Children's Theater raised five-times the City's matching grant to remodel the main theater and build the outdoor theater in the Hidden Garden. The transfer of Community Skating took over a popular facility and ran it at no cost to the City in recognition of the City's budget problems. The Gamble Gardens Museum of American Heritage existed solely because community groups generously developed and maintained property gifts to the City. The Black and White Ball helped fund recreation. Friends of the Junior Museum and Zoo, Friends of the Library, and the Palo Alto Art Foundation had consistently provided tens-of-thousands-of-dollars annually to help fund City programs. The good news was the generosity of the community continued at levels that 20 or 30 years prior would have seemed unattainable. The bad news was those levels of supplemental funding had become intricate parts of the services to the community. Expecting those programs to bear a bigger share of costs discounted the extent to which the community already contributed. Additionally, there were many voices in the community that called for containment of just those programs the community so loved and supported with their dollars. The 2003-04 Budget was a balanced budget, which met Council's directive that the City Manager reduce expenditures by 5-percent. It was not a budget that drastically, or savagely, cut community services, nor left those things that were cared about so much in danger of continuing. The Budget left the hiring freeze in place, and included significant reductions in staff. The Finance Committee (Committee) listened to the community and did everything feasible to minimize the impacts of the economic downturn on those programs that the community stated they valued. The Committee directed the City Manager to fill the position of Director of Libraries by December 31, 2003 and they reversed a proposal to further reduce the

library hours at College Terrace. They acknowledged the Terman Middle School would reclaim the Terman neighborhood library, but the Committee asked staff to come up with ways in which to minimize the impact on its closure to southwest Palo Alto. The Committee recognized the importance of the sales tax generated by Downtown business districts and supported retaining, within the budget, seasonal banners and the holiday lighting, which made University Avenue attractive to outside visitors. Art classes and Cubberley rentals were reinstated when it became clear to the Committee that the costs of eliminating those services came at a greater cost in lost revenue. In other issues, the Committee requested staff return by mid-year with a first phase of an overall organizational review, with input from the City Auditor, to evaluate those management positions in the General and Internal Service funds, which had fewer than four direct reports. During the past six weeks, the Committee thoroughly reviewed the City Manager's Operating and Capital Improvement Budget's for the Fiscal Year 2003-05. The 2003-04 Budget maintained fundamental public safety programs and met the legitimate needs of Fire and Police safety by first reducing unnecessary overtime. Over the next 18 months or so their union contracts would be renegotiated. In the interim, the City Manager requested that staff voluntarily agree to accept an unpaid furlough as their contribution to the solution of the budget dilemma. A major concern of the Committee was the cost of employee benefits and, therefore, had asked the City Manager to report back with a plan in which to manage the uncontrolled growth in that area. The City's Budget was not a final product, but a work in progress. If revenues declined further, the Committee would have to come up with additional reductions beyond the \$10 million, which had already been implemented into the Budget. It was the Committee's opinion the 2003-04 Budget met most of the needs of the overall community and did so while maintaining the City's healthy reserves. He said Vice Mayor Beecham and Council Member Kishimoto joined him in asking the full Council to approve the 2003-04 Budget.

City Manager Frank Benest provided an overview of the 2003-05 Proposed Operating Budget. He said the City was facing a financial crisis because of plummeting revenues in response to the Nation, State, and Silicon Valley recession. A 25 percent decrease in sales tax was a deep reduction, although not as bad as cities overly dependent on retail sales or business-to-business sales. Revenues for the coming year were projected to remain at the same level. The Transient Occupancy Tax (TOT) had seen a 33 percent decline, not only because of more vacancies, but the average room rate had fallen dramatically. Staff projected a \$6.3 million revenue reduction for the coming year, which was a further decrease of 4.5 percent. Property taxes were stable; however, the City only received 8 to 9 percent of the property tax generated in Palo Alto. Revenues had declined, however, expenses, particularly employee-related expenses associated with the Public Employees

Retirement System (PERS), had increased. Healthcare was hit hard with increasing costs of about 15 percent over the past few years, and staff projected more increases in healthcare costs in the coming years. In addition to the structural deficit, the City had conservatively projected a \$3 million State raid over and above the \$30 million the State had taken from the City of Palo Alto's revenues in the last decade, which increased the total deficit amounted to \$9.7 million. During the past year, the Council worked with staff and City departments to erase a \$11.5 million shortfall by instituting a hiring freeze, cutting operating costs, reducing healthcare costs, and selling services to other communities. As a result of all of the hard work, the budget was balanced. The Council correctly saw the problem as a major structural deficit and directed staff to permanently reduce the operational base by 5 percent, over and above the \$11.5 million in cuts. The approach for 2003-05 relied upon a number of restructuring efforts. Those efforts included: 1) elimination of the Assistant Police Chief position and splitting up those duties saving over \$205,000; 2) outsourcing public safety radio maintenance and eliminate two communication tech positions resulting from contracting out that function saving \$127,000; 3) reorganizing the Office of Emergency Services (OES) and creating a multi-department emergency preparedness team saving \$201,000; and 4) placing dispatchers on the same schedule as the police officers to eliminate a vacant dispatcher position. The approach in overcoming the deficit included the desire to maintain certain commitments, from department action teams, gather ideas from employees, a series of budget outreach meetings in the community, on-line surveys, and the service comparisons report. The 2003-04 Budget recommended by the Finance Committee achieved the following: 1) a 5-percent cut in the General Fund operational base over and above the reductions in 2003-05; 2) eliminated approximately \$4 million in salary and benefit costs; 3) included \$1 million a year in salary savings from an unpaid furlough or similar measures; and 4) eliminated \$3 million a year in non-salary operational costs. Staff permanently eliminated 33.5 positions and froze others, such as the Manager of Information Technology (IT), the Director of Libraries, a librarian, and a Program Assistant, which totaled 37.5 positions. The majority of the eliminated or frozen positions were management, administrative support, or overhead-type positions. The administrative support departments represented 7.3 percent of the reduction. In the operating departments, the reduction was 4.1 percent. When staff started the process, it wanted to preserve "essential" services, recognizing the demand made on the City in the late 1990's and early 2000 as a result of which many services were increased. Staff sought ways to return to the sustainable service levels of the late 1990's or seek areas of discretionary service. Staff wanted to make sure the "CityWorks" program was maintained. During the recession in the early 1990's, capital spending was deferred on infrastructure work, the result of which was a "crumbling" Palo Alto. The Council increased capital spending on CityWorks by 100

percent, spending about \$10 million per year in General Fund capital spending, which was a major commitment staff wanted to maintain. Staff also wanted to maintain the City's \$6 million per year payment to the Palo Alto Unified School District (PAUSD), which represented the City's long-term commitment to education. Reserves also should be maintained, even though people both inside and outside the organization suggested using reserves to deal with the deficit. Staff thought using reserves would be imprudent, since the problem was structural and not cyclical. The goal was to preserve the organizational vitality and excellence. Even if the Council approved the 2003-05 Proposed Operating Budget, the problem was not over. Ongoing work was necessary. Revenues would continue to be closely monitored. Restructuring efforts needed to continue. Upcoming vacancies and retirements continued to challenge staff to find ways to restructure, cut costs, cut service levels, or work smarter. Staff would work with the unions to reduce escalating benefit costs. The City also needed to increase revenues. The goal was to balance some real concerns about traffic, noise, and congestion with the need to increase revenues and support certain areas to maintain a good economic base. In summary, many creative efforts were made to fund the \$11 million deficit. Staff had achieved, as directed by the Council, a permanent cut in the operational base to eliminate the structural deficit, eliminated positions, many of which were management or administrative support and maintained its commitments. The 2003-05 Proposed Operating Budget was sustainable over the next decade, and consequently, the budget represented a responsible and balanced plan.

Mayor Mossar declared the Public Hearing open at 7:50 p.m.

Barbara Bowden, 2001 Middlefield Road, supported the tedious work of the Finance Committee and encouraged them to continue. She said the City's income shortfall was not a surprise to many residents. She encouraged the Council to consider any further cuts being planned for Fire, Police, and Public Works Departments be matched position for position at the higher paid administrative levels. If SEIU members were being promised a degree of security in exchange for postponing salary increases and taking voluntary furloughs without pay, was a similar "leave without pay" on the agenda for the City's administrative departments.

Mayor Mossar clarified the SEIU employees and the Management and Confidential employees were participating in the furlough program.

Audrey Sullivan Jacobs, Director of Government Relations for Palo Alto Chamber of Commerce, 122 Hamilton Avenue, said the Board of the Chambers supported City staff's approach on the Budget and asked the Council's approval.

Mark Sabin, 122 Hamilton Avenue, said he appreciated the Finance Committee's commitment to "stay the course" on the City's infrastructure, improvements, and keeping reserves intact.

Tony Carrasco, Chair of the Chamber of Commerce, 4216 Darlington Court, said the Board of the Chambers endorsed the recommendations of the Finance Committee. The Chamber urged the Council to look at other revenue sources.

Fred Hawley, representing Stevenson House, 3410 Kenneth Drive, expressed support for the La Comida lunch program provided at Stevenson House. The program provided a nutritious meal and fellowship that might otherwise not be available.

Public Art Commissioner Gerald Brett, Newell Place, spoke on behalf of the Public Art Commission (PAC), said the PAC was committed to continuing the \$2 worth of art for \$1 expended by the City. He expressed appreciation to the Council for their support.

Valerie Glassford, President of La Comida de California, 3241 Greer Road, asked the Council to allocate an additional \$3,515 to the amount of \$30,200 recommended by City staff. It would make whole the funding of the program. The La Comida program had provided hot and nutritious lunches five days a week for the past 32 years and served a critical need to the elderly community. Palo Alto's growing elderly population was being squeezed by increased housing and energy costs. She urged the Council to make available to La Comida the funding necessary to continue the current level of quality for the program.

Robert Carlstead, 147 Walter Hays Drive, expressed concern about resident seniors who purchased monthly play cards at the Palo Alto Municipal Golf Course. He felt resident seniors were being discriminated against when using a monthly pass because they were restricted to playing between the hours of 8:30 a.m. and 1:30 p.m., during daylight savings time. When he first began playing approximately nine years prior, there were no time or day restrictions on resident seniors and the cost of the card was half of the current price. He asked the Council to eliminate the resident senior day and time restrictions on the monthly play cards.

Kara Mullen, representing Adolescent Counseling Services, 4000 Middlefield Road, said the Human Services Resource Allocation Process (HSRAP) recommended a \$10,000 cut for Adolescent Counseling Services' (ACS) on-campus counseling program for the next two years. The program presently served approximately 750 students at Palo Alto's secondary schools and included a newly introduced Latino outreach program. Due to expanded

services and increased insurance costs, she urged the Council to reinstall the \$10,000 in the next two years.

Susie Hodges, Youth Community Service (YCS), expressed thanks to the Council for their longstanding support, and the Finance Committee members for their recommendation of funding.

Tony Spitaleri, representing the Firefighters, expressed concern about the City's Fire Department budget cuts. He said Palo Alto's Fire Department was the lowest cost for fire service than any of the surrounding cities and provided more service. He urged the Council not to cut the Fire Department services.

Aaron Aguilar, 633 Silver Avenue, Half Moon Bay, said a recent survey published by City staff indicated the Fire and Paramedic services were rated number one and two by Palo Alto residents. When the Fire department of Stanford and Palo Alto merged approximately 30 years prior, 25 positions were eliminated. The growth in City government was not in the Fire Department, even though their call volume had increased by the thousands per year. He urged the Council to reconsider the full implementation of the Fire Department budget cuts.

Kate Hill, 884 Los Robles, speaking on behalf of Family Resources, said Family Resources (FR) was Palo Alto's most comprehensive link between families in the community and their basic needs. Family Resources consisted of a volunteer-supported ambassador program, desktop kiosks full of information, and a website. In order for the website to be a valid and useful tool it required a permanent and dedicated person, who was willing to provide up-to-date information. She asked the Council to reinstate fulltime equivalent (FTE) in order to keep Family Resources a vital tool for families who needed it.

Don Jensen, 2210 High Street, Director of Urban Ministry, requested \$12,000 to fund a Case Manager to oversee emergency rental and utility assistance for residents of Palo Alto. The service had previously been provided for by the Red Cross, but due to their budget problems, was dropped.

John K. Abraham, 736 Ellsworth Place, said he was drawn to a recommendation by the Finance Committee to return with a plan to address noise issues. He suggested if the Council moved forward on the issue, they include input from the public and consult with an acoustical engineer.

Larry Klein, 871 Seale Avenue, Member of Palo Altans for Government Effectiveness (PAGE), said he believed the Council needed to focus on the

following five issues: 1) making layoffs a possibility; 2) reducing health insurance and retirement plan costs; 3) allowing for more use of outsourcing; 4) eliminating transfers from the General Fund to Utilities; and 5) further reducing expenditures in order to keep Capital Improvements on track.

Karen White, 146 Walter Hays Drive, requested the Council approve the following two Capital Improvement projects recommended by the Finance Committee: 1) local and neighborhood collector-street traffic calming; and 2) the bicycle boulevard implementation project. Traffic calming measures were a one-time capital expense that would reduce the ongoing operating costs of speed enforcement. She said the community's need for safe bike routes justified approving \$50,000 for the project.

Carolyn Tucher, representing the Art Center Foundation, 4264 Manuela Way, expressed thanks to the Council and City staff for an effective process. She said the cuts to the Art Center were painful and permanent, but staff was able to maintain almost all of the services.

Lucy Berman, 535 W. Crescent Drive, applauded the Finance Committee for looking beyond expenses to the revenue side.

Ellen Wyman, President of Friends of the Library, urged the Council to vote in favor of reinstating the Director of Libraries position.

Tom Wyman, Library Advisory Commissioner, 846 Washington Avenue, urged the Council to support the Finance Committee's recommendation to include funds in the proposed budget to recruit a Library Director by December 2003.

Beth Broderson, President of Friends of the Palo Alto Children's Theater, 455 Hale Street, commended the Finance Committee for respecting the passionate views of the young people who cared deeply about the Children's Theater experience.

Mayor Mossar said although there were a number of residents that evening expressing serious concerns and interests, it was also an opportunity to remind ourselves of all the citizens in the community who were involved in an array of important programs, which made Palo Alto special.

Paul Taylor, representing Alliance for Community Care, 3185 Waverley Street, expressed thanks to the Finance Committee and City staff for their continued support. The Alliance served approximately 300 people in Palo Alto on any given day, with about 10 percent of those supported through HSRAP. The HSRAP agencies were vital to the safety net.

MariEllen Reynolds, Second Harvest Food Bank, 750 Curtner Avenue, San Jose, said funding for the Food Bank provided a weekly bag of groceries for 175 senior households in Palo Alto. The City's support was vital to the Food Bank's ability to continue service at its present level.

Robert Moss, 4010 Orme Street, said the bus shelter advertising violated the El Camino design guidelines and would incense Stanford that was opposed to bus shelter advertising on or adjacent to its property. He saw what amounted to a "smoking mirror" in the transfer of over 50 positions from the General Fund into the Internal Services and Utilities, which equated to approximately \$12 million and 52 positions. On the surface it looked as if there were cuts in the General Fund, but it was all a shuffle. The same positions and funds were still being spent out of the taxpayer's pocket. He urged the Council to look into the restructuring and reallocation of resources.

Robert Lancefield, 189 Walter Hays Drive, expressed concern there was little discussion about long-term trends such as demographics, population, schools, and immigration into the state. He encouraged the Council to look deeper at the expectations of the citizens, City staff, and Palo Alto's future.

Herb Borock, P.O. Box 632, said a number of the speakers that evening spoke about the HSRAP process. In the past, he recalled the total amount of HSRAP funding had been increased by the Consumer Price Index (CPI), and perhaps there was a decrease in the current year. He believed it would benefit the Council to see those numbers in order to respond to the service providers who spoke. The Bus Shelter Advertising program was just an advertising program. The shelters were designed so the ads could be seen.

Joy Ogawa, 2305 Yale Street, expressed concern that Palo Alto's bus shelters would become eyesores with potentially offensive advertising. She commented what was the point of beautifying El Camino Real with trees while adding advertising that could distract drivers and made the streets less safe. The Bus Shelter Advertising Program required 75 percent of the City's bus shelters to carry advertising. Staff proposed to exempt the Downtown bus shelters from advertising, which was a commercial area and more appropriate for advertising. She believed the program was a bad one and would contribute to the degradation of Palo Alto.

Lanie Wheeler, 362 Diablo Court, representing Palo Altans for Government Effectiveness (PAGE), urged the Council to keep the City's Infrastructure maintenance and repairs on track. When Palo Altans were surveyed the previous year, they placed the maintenance of streets, sidewalks, and public facilities just after their concern for public safety. She said it was encumbered upon the Council to ensure there was enough money in the budget to maintain the City's Infrastructure. A few years prior, the City

announced an ambitious \$100 million Capital Improvement Program (CIP). However, the current year's budget quietly announced the CIP Program would be cutback and extended over a longer period of time. Those proposed capital improvements were not frills, but necessities. PAGE supported the Council's commitment to enhance the maintenance of key infrastructure assets.

David Flint, 1797 Channing Avenue, expressed support for the City's Emergency Services personnel. He said it seemed unthinkable to cut police officer positions and reduce Fire Department staffing, especially after the September 11<sup>th</sup> tragedy. He was opposed to the soon-to-be placed speed bumps on Channing Avenue, which was part of a traffic-calming project. The bumps increased the response time of emergency service vehicles and took its toll on the fire engines.

Mayor Mossar declared the Public Hearing closed at 8:57 p.m.

**MOTION:** Council Member Morton moved, seconded by Burch, that the Finance Committee recommends to the City Council, adoption of the 2003-04 Budget, Adoption in-concept of the 2004-05 Budget and Approval of a Budget Adoption Ordinance, including 1) Exhibit A - The City Manager's Proposed 2003-05 Budget; 2) Exhibit B - All changes detailed in the Amendments to the City Manager's Proposed 2003-05 Budget; 3) Exhibit C - Proposed 2003-04 Municipal Fee Schedule; 4) Exhibit D - Revised pages to the Table of Organization; 5) Exhibit E - Amendments to the Proposed 2003-04 Municipal Fee Schedule; and

Ordinance 4793 entitled "Ordinance of the Council of the City of Palo Alto Adopting the Budget for the Fiscal Year 2003-04 and In-Concept Approving of the Budget for Fiscal Year 2004-05"

Resolution 8305 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules G-1, G-2, And G-6 of the City Of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates"

Resolution 8306 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules S-1 and S-2 of the City of Palo Alto Utilities Rates and Charges Pertaining to Wastewater Rates"

Resolution 8307 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules W-1, W-4, and W-7 of the City of Palo Alto Utilities Rates and Charges Pertaining to Water Rates"

Resolution 8308 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules R-1, R-2, and R-3 of the City of Palo Alto Utilities Rates and Charges Pertaining to Refuse Collection"

Resolution 8309 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules E-14 and E-16 of the City of Palo Alto Utilities Rates and Charges Pertaining to Electric Rates"

Resolution 8310 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Classified Personnel (SEIU) Adopted by Resolution No. 8056, and Amended by Resolution Nos. 8059, 8141, 8180, 8242 and 8251, to Change Certain Employee Classifications and Salaries"

Resolution 8311 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Management and Confidential Personnel and Council Appointed Officers Adopted by Resolution No. 8194, and Amended by Resolution Nos. 8223, 8241 and 8250, to Change Certain Employee Classifications and Salaries"

The Finance Committee recommends the City Council direct staff to report by the end of September 2003 with a plan to significantly reduce the unfunded liability in retiree health care costs.

The Finance Committee recommends the City Council direct staff to report by midyear 2003-04 on a citywide organizational structural review including all management/supervision positions of four (4) or fewer direct reports. The first phase of the review would focus on the General Fund and Internal Service Funds. Staff would include City Auditor input in the review, who would report directly to the City Council on its findings.

The Finance Committee recommends the City Council direct staff to report by September 2003, with a plan to work with major cities within the City's labor market area for the objective of appropriate control of long-term growth of benefits and medical costs consistent with good labor practice.

The Finance Committee recommends the City Council direct staff incorporate the goal of funding the Infrastructure Reserve in future years as follows: \$1.0 million in 2004-05, \$2.0 million in 2005-06.

The Finance Committee recommends the City Council direct staff to report on the status of the External Services Fund at midyear 2003-04.

The Finance Committee recommends the City Council direct staff to report on the cost analysis of street maintenance and comparison of cost with neighboring cities (e.g. Santa Clara). Report to be presented to Council sometime in fall.

The Finance Committee recommends the City Council direct staff to report by 6/30/04 with a plan to enforce noise abatement.

The Finance Committee recommends the City Council direct staff to report by 12/31/03, on various funding options for the highest priority Storm Drain CIP projects and provide justification for classifying such projects as priority.

The Finance Committee recommends the City Council direct staff to report by late Fall with information on auditing the City fleet. Any budget adjustments resulting from the audit would be incorporated into the 2003-04 midyear report.

The Finance Committee recommends the City Council direct staff to report on the following: 1) the Community Services Department evaluate, and recommend how to increase the variance between resident and non resident fees in the Community Services Department prior to mid-year; 2) Determine how the hours available to Seniors who use discount golf cards can be extended and specify any fiscal impacts that may result; and 3) Report on the applicability of adding a non-resident junior golf fee. Any adjustment to fees should be incorporated into the 2003-04 midyear report.

The Finance Committee recommends the City Council approve one-time funding from the Council Contingency as follows: 1) *Reinstate College Terrace Library hours* – \$12,000 for the Community Services Department in both 2003-04 and 2004-05 to support reinstatement to the current five-day staffing level; 2) *Banners and Downtown Lights* - \$15,000 for the Public Works Department in 2003-04 to fund banners and downtown holiday light maintenance expense; 3) *Bus Shelter Revenue Removal* – \$50,000 for the elimination of Public Works Department revenue related to bus shelter revenue. This allocation may change due to pending Council action scheduled for 6/16/03; 4) *Bicycle Boulevards Implementation Project (PL04010)* – \$50,000 in support of a newly created capital project (PL04010) related to the Bicycle Master Plan implementation.

The Finance Committee recommends the City Council direct staff to eliminate catering expense for all boards & commissions, and council meetings. As a result of the motion, Staff is proposing an additional

budget reduction of \$3,200 for council meeting meals, \$1,300 for the Reorganization meeting and \$2,600 for State of the City meeting. Total additional reduction is \$7,100.

The Finance Committee recommends the City Council direct staff to reinstate Community Service Department (CSD) programs that are expected to be cost neutral and that balance revenue against direct and marginal costs. As a result of this motion, the 2003-05 CSD budget has been amended as follows:

1. Children's Theatre
  - Increase 0.67 hourly FTE for Children's Theatre in 2003-05: \$25,182
  - Increase revenue to offset additional expense in Children's Theatre in 2003-05: \$25,182
2. Adult Arts Programs
  - Reinstate adult arts program expense in 2004-05: \$19,720
  - Reinstate adult arts program revenue in 2004-05: \$32,900
3. Art Center
  - Reinstate 0.07 hourly FTE to retain Art Center hours in 2003-05: \$2,631
  - Reinstate revenue associated with retaining Art Center hours in 2003-05: \$8,820
4. Recreation
  - Reinstate contract expense for recreation instructors in 2004-05: \$40,000
  - Reinstate revenue associated with recreation instructors in 2004-05: \$50,000
5. Cubberley Community Center
  - Increase 2.00 hourly FTE to perform setups for increased room rentals at Cubberley: \$75,171 in 2003-04
  - Increase revenue associated with additional Cubberley expense in 2003-04: \$90,000

The Finance Committee recommends the City Council direct staff to hire the Director of Libraries position by no later than December 2003. As a result of this motion, the CSD budget will be increased by \$88,500 in 2003-04 and \$177,000 in 2004-05.

The Finance Committee recommends the City Council direct staff of the Human Services Division of CSD to decrease reliance on paper-based kiosks and increase web presence to secure cost savings. This motion does not result in a change to the CSD budget in 2003-05.

The Finance Committee recommends the City Council direct staff to revise the CSD impact measure on page 169 from: "Maintain a minimum of 4,000 volunteer hours in support of library programs and services (4,000 both years)", to: "Maintain a minimum number of volunteer hours in support of library programs and services (4,500 in 2003-04 and 5,000 in 2004-05)."

The Finance Committee recommends the City Council direct staff to revise the CSD Impact Measure 6 on page 169 from: "Have 15 percent of materials at Main Library and Mitchell Park Library checked out at the self check stations," to "Maintain 20 percent in 2003-04 and 30 percent in 2004-05 of materials at Main Library and Mitchell Park Library checked out at the self check stations."

The Finance Committee recommends the City Council direct staff to add a CSD key plan related to Library Automation to page 168: "Towards the goal of implementing library technology to improve service and control staffing costs, develop by January 2004, a plan to restructure the circulation areas at Mitchell Park and Main Library to maximize the use of self-check equipment and decrease repetitive stress injuries by staff."

The Finance Committee recommends the City Council direct staff to accelerate the elimination of two police officer positions to 2003-04 from 2004-05. As a result of the motion, Police Department salary and benefit budget will be reduced by \$0.2 million in 2003-04. There are no additional savings in 2004-05 as this savings was already included in that fiscal year.

The Finance Committee recommends the City Council direct staff to accelerate the elimination of two communication technician positions to 2003-04 from 2004-05. As a result of this motion, the Police Department budget will be amended when an outside contract has been put in place and the staffing levels will be subsequently adjusted.

The Finance Committee recommends the City Council direct staff to add a Police Department key plan related to profiling. As a result of this motion the following will be added to the Police Department budget text: "In 2003-04, continue to compile and report demographic data on police contacts to City Council on a quarterly basis."

The Finance Committee recommends the City Council direct staff to report on feasibility of a 2003-05 Athletic Fields CIP. As a result of this motion, staff proposes Athletic Field Artificial Turf and Lighting Projects

CIP (PG04010) for \$155,000 in 2003-04. This CIP seeks to determine which fields are most appropriate for the installation of artificial turf and lighting, and then implement over a five-year period. Staff will make an Athletic Fields presentation to Council on June 23, 2003.

The Finance Committee recommends the City Council direct staff to increase by \$50,000 funding for Local and Neighborhood Collector Street Traffic Calming CIP (PL00026). The Finance Committee recommended increasing the funding of this project to \$150,000 for additional traffic calming project work. This additional funding is from the Street Improvement Fund.

The Finance Committee recommends the City Council direct staff to reduce the proposed 2003-04 Appeals fee increase from \$200 to \$120. The Finance Committee felt the increase from \$100 to \$200 was excessive and recommended to fee to be \$120 in 2003-04. This motion does not change the CSD budget in 2003-04.

The Finance Committee recommends the City Council direct staff to reinstate the Picnic Area Reservation fee. The Finance Committee felt it was important to reinstate the picnic area reservation service and related fees, with signage describing the enforcement options available. This motion does not change the CSD budget in 2003-04.

The Finance Committee recommends the City Council direct staff to eliminate the proposed 2003-04 \$2 Baylands Parking Lot Day Use Fee. This motion reduces annual General Fund revenue by \$18,000 in 2003-04 and 2004-05.

The Finance Committee recommends the City Council adopt the 2003-04 Budget and the 2004-05 in-concept budgets as modified.

Approve the staff recommendation regarding Valley Transit Authority's Transit Shelter Advertising Program as follows:

1. Approve the City's participation in the Santa Clara County Valley Transportation Authority's (VTA) Transit Shelter Advertising Program;
2. Authorize the Mayor to execute the Implementation Agreement (Attachment C of CMR:320:03) with VTA for the Transit Shelter Advertising Program;
3. Introduce the ordinance (Attachment D) amending the Sign Ordinance of the Palo Alto Municipal Code to provide for bus shelter advertising;
4. Rescind the current VTA Agreement dated March 6, 1996; and

5. Approve expansion of the existing Transit Shelter Advertising program to allow for additional Palo Alto shelters.

Ordinance of the Council of the City of Palo Alto Amending Chapter 16.20 (Sign Ordinance) of the Palo Alto Municipal Code to Provide for Bus Shelter Advertising

Mayor Mossar directed her colleagues to keep the discussion to everything except the CIP for El Camino Park, which she and Council Member Kleinberg were conflicted on. She noted there was a goal to end the discussion at 10:30 p.m.

Council Member Freeman clarified the goal of 10:30 p.m. was an expected goal, but the Council was not bound to it.

Mayor Mossar said she hoped her colleagues were in agreement, since it was in the best interest of the Council and the public to work together to achieve that goal.

Council Member Kleinberg said she was aware the YMCA Rape Crisis Center was no longer in operation, which would free up \$10,597 for the Council to reallocate.

**AMENDMENT:** Council Member Kleinberg moved, seconded by Burch, to reallocate \$10,597 from the YWCA Rape Crisis Center that was going out of business as follows: 1) \$3,500 to La Comida for the lunch program; 2) \$2,097 Adolescent Counseling Services; 3) \$1,500 CAR; 4) \$1,500 Mayview Health Care for food program; and 5) \$2,000 InVision Hot Meal Program Urban Ministry.

Council Member Kleinberg said she followed the Human Relations Commission (HRC) funding recommendations and focused on those services that were aimed at health and food services, as well as the Adolescent Counseling Services (ACS) the youth in Palo Alto needed.

Council Member Burch said he understood the importance of La Comida's meals and how many seniors depended on them and enjoyed the opportunity to fellowship with others.

Council Member Lytle asked Council Member Kleinberg whether there was a method to her distribution.

Council Member Kleinberg said having participated in the HSRAP process, she understood the various tier levels and followed the HRC's funding

recommendations as closely as possible, with the emphasis on senior and homeless services, as well as counseling services for the youth.

Council Member Freeman said as a member of the Finance Committee it was difficult to talk about individual pieces of the budget as isolated islands of information. The City Manager had \$500,000 set aside for community information. If the Council agreed to take 8 percent of those monies and distribute to ACS and other needy non-profit organizations, the City would be able to fund them.

Council Member Morton would not participate in the portion of the item that dealt with Adolescent Counseling Services due to a conflict of interest because he provided or had provided services to those organizations receiving Community Development Block Grant Funds.

**AMENDMENT PASSED** 8-0, Morton "not participating."

**AMENDMENT:** Council Member Kleinberg moved, seconded by Freeman, to amend the fee schedule to remove senior residents playtime restrictions in the golf fees.

Council Member Kleinberg said it made little sense in a time of reduced revenues to have seniors incur a fee increase and then not be able to play along with all the other classifications of players. Senior residents were already faced with other fee increases, such as Wastewater Collector rates.

Council Member Morton asked his colleagues to vote against the amendment. There were three levels of senior discounts. The play restriction was only based on the senior play card, which had a 70 percent discount. Senior residents were given the advantage of a major discount and allowed to play when the golf course was trying to make their revenue numbers. Any senior who wanted to, could take a lesser discount and not be limited in their playtime. The Finance Committee considered and debated the issue and believed the impact on the revenue was far in excess of the limitation. It would enable people, who would otherwise buy a primetime playing card, to do so at a major discount. He believed the sympathy was misplaced and would have major revenue impacts.

Council Member Burch said he understood Council Member Morton's position; however, he had been faced with the issue since he began on the Council, and had tried to mitigate it in one way or another. He expressed support for the amendment.

Council Member Lytle expressed support for the amendment.

**AMENDMENT PASSED** 7-2, Morton, Ojakian “no.”

**AMENDMENT:** Council Member Kleinberg moved, seconded by Morton, to make school corridors the top priority for all traffic calming projects.

Council Member Kleinberg said that although Palo Altans were interested in traffic safety and alternative means of transit, money was still being put into traffic calming rather than getting people out of their cars entirely. She supported traffic safety; however, she also believed in incentives for alternative transportation. She would rather see \$50,000 from the \$150,000 traffic-calming budget put into the City’s shuttle system or into ensuring greater bicycle safety for children. She indicated there were a number of surveys where traffic calming was near the bottom of what residents wanted.

Council Member Morton supported the amendment.

Vice Mayor Beecham expressed opposition to the amendment. He said if it was necessary for the Council to go back and readjust the priorities and methods for ranking projects in the future that should be done at another time.

Council Member Lytle asked whether the Council’s priorities would be affected by going forward with the amendment.

Director of Planning and Community Environment Stephen Emslie said many of the traffic calming programs in the “pipeline”, were on school commute corridors. The Planning and Transportation Commission (P&TC) routinely reviewed traffic-calming programs and was in the process of making recommendations to the Council. That was the time for Council to weigh in on how priorities were set.

Council Member Kishimoto asked whether the amendment was for the \$50,000 only or was it to set the priority for the entire Neighborhood Traffic Calming program.

Council Member Kleinberg said her amendment was to reiterate existing policy and practice for the entire budget.

Vice Mayor Beecham said he would rather not have a motion that restated existing policy and, therefore, would oppose the amendment.

**AMENDMENT PASSED** 6-3, Beecham, Mossar, Ojakian “no.”

Council Member Freeman said the Total Use of Funds column from the General Fund Summary memo stated the 2002-03 Adjusted Budget was approximately \$125 million and the 2003-04 Proposed Budget was approximately \$119 million, which was a reduction of approximately \$6 million not \$10 million. The Proposed Operating Budget indicated the removal of 35 positions that were transferred to the Internal Service Fund (ISF). Those positions were not included in the calculation of the total General Fund. However, when looking at the Administrative Services Department (ASD), the 2002-03 Adjusted Budget was approximately \$11 million and the 2003-04 Proposed Budget was approximately \$6.4 million. In the detail of the Operating Budget the \$3.8 million was included in the calculation. If those numbers were taken out, the actual reduction amounted to approximately 1 percent versus the indicated reduction of 4.8 percent. Although those numbers were not included elsewhere in the budget, in the General Budget Summary those numbers were included. She asked staff for clarification.

City Manager Benest said staff first had to define what the General Fund Operating Base was, and then look at what historically had been done. Staff felt that debt service, the \$6 million payment to the Palo Alto Unified School District (PAUSD), and the traffic signal and street light maintenance, which were activities of the Utilities Department, were not appropriate to be calculated as part of the Operational Base. The permanent reductions of the Operational Base amounted to 5 percent. The actual reductions were over and above that in order to reach \$10 million.

Council Member Lytle said when the Council requested staff to cut the budget by 5 percent, the services that were shifted to other funds, were part of that Operational Base. She asked whether the 35 cut positions and shifts from Information Technology (IT) were cut by 5 percent, did they move and escape the 5 percent reduction, thereby compensating in some other way to reduce the base, or was a new base calculated with them removed and then 5 percent removed from that.

Mr. Benest said IT was an internal service that was cut by \$450,000.

Council Member Lytle asked whether the 5 percent cut applied to things that were shifted out of the Operational Base and then compensated for in other areas that remained.

Mr. Benest said staff attempted to get at the true Operational Base and then shrank it by 5 percent.

Mayor Mossar asked whether staff shrank it by 5 percent and then made the transfer.

Director of Administrative Services Carl Yeats said prior to moving anything out, it was on the 2002-03 Operational Base. IT was still part of the Administrative Services Department (ASD), and the other positions were still part of the Public Works Department. Staff adjusted those functions down by the same percentage.

Council Member Lytle clarified the Council made its motion during the 2001-03 Budget, which was the same thing.

Mr. Yeats said it was on the 2002-03 Operational Base.

Mayor Mossar clarified the positions were cut and then the budget was restructured by moving certain costs to other places in the budget, but the cuts did happen. They were not avoided by moving them.

Mr. Yeats said that was correct. In answer to Council Member Freeman's question as to why the numbers did not add up in the General Fund Summary, staff first reduced the Operational Base, reported that back to the Finance Committee, and then the budget becomes adopted. The budget had increases in terms of health care, Public Employees' Retirement System (PERS) costs, salary increases, and general operational increases. The Fund Summary showed a net number with the reductions plus the increases.

Council Member Freeman said it was interesting under the ASD, that the difference between \$11.2 million and \$6.4 million added up to \$4.8 million, which was the net expenditure changes including the transfer of the 33 FTE's to the Technology Fund. Although it seemed as if those positions were cut, it appeared to be a shift of those dollars to a different fund.

Mr. Yeats said Page 36 noted ASD's budget was \$11.223 million. It was reduced by 6.9 percent and then the Technology Fund was moved into an Enterprise Fund as directed by the Finance Committee.

Council Member Morton said in public accounting there was an emphasis on functions. Whenever there was a major change in bringing in a new system, and costs needed to be distributed, it was customary to set up a single pot in order to redistribute all costs related to that activity.

Council Member Lytle asked for clarification on what the community concern was on the issue of "smoking mirrors".

Mr. Benest said he understood the concern was whether staff legitimately met the Council's concern of shrinking the Operational Base. Staff shifted

legitimate General Fund activities and expenses out of the General Fund. It was not staff's intent to protect those items and not shrink the total base.

Council Member Kishimoto said she saw three transactions occur: 1) the Line Clearing, which was legitimately charged back and forth between Utilities and the General Fund; 2) the traffic light issue, which was never charged to Utilities. In the future when residents paid their electric bills they would also be paying their portion of the streetlights; and 3) the movement of IT from the General Fund to the ISF. When IT went to ISF, it showed up as an allocated charge in the General Fund. Approximately 45 percent of IT was covered by Utilities. The one effect occurred in the reporting of it. When staff and the Council reported to the public, they usually referred to the General Fund. In actuality, when \$4 million was removed from the General Fund to ISF, it meant the Fund was shorted by that amount.

Council Member Freeman asked what the changes were in response rate expected based on the 2003-04 Proposal for fire, medical rescue, service calls, and hazardous conditions.

Mr. Benest said he spoke to Fire Chief Ruben Grijalva, who indicated the information requested would require one day's worth of work.

Council Member Freeman said the Council was expected to make a decision on the reduction of fire fighters at a particular station without understanding the pertinent data of response times to the various communities.

Mr. Benest said he did not concur with that characterization.

Council Member Freeman asked whether her questions could be answered.

Mr. Benest said not the way they were stated because it required a day's worth of work.

Council Member Lytle said she saw a basic disagreement developing on the facts, as well as on characterizing the base information. She asked how the issue would be resolved collaboratively.

Mr. Benest said staff concurred that Palo Alto's Fire Department did an excellent job and had excellent response times. The Fire Chief believed, after a thorough analysis, there was no risk to the proposal. It would cut Fire Department overtime, which was over \$1 million in the previous year. Staff believed the Council should move forward with the reduction because it was a prudent reduction; maintaining the level of Fire service in the community. The Fire Union requested a meet and confer with management about the impacts of the budget proposal.

Council Member Lytle said it seemed as though they did not agree on the facts.

Mr. Benest said management had proposed to come to some agreement through the meet and confer process, which had already been requested.

Council Member Kishimoto asked whether the Fire Chief was willing to make a brief presentation on the issue.

Mayor Mossar asked how many of her colleagues would vote to overturn the recommendation of the Finance Committee.

Council Member Lytle said she did not have enough information to make a decision.

Council Member Kleinberg said since there had been a number of statements that might alarm people, as well as calm them down, there was information about response time available if any citizen needed it.

Council Member Lytle asked why it was not possible to reopen and re-negotiate union contracts to consider staffing levels, salaries, and PERS contributions into balance with a structural deficit that was projected to continue.

Mr. Benest said management and professional employees were looking to capping health care costs, two-tiering the retiring medical group, and no salary increases. The majority of the vacancy positions were management and administrative support. The Fire Union began a meet and confer in terms of their new contract. The negotiations for Service Employees International Union (SEIU) began in the spring. Police personnel had a multi-year contract that continued. It was a misnomer to say the Unions had not reopened their contracts. They had done so in several ways. The unions worked hard with staff to reduce healthcare costs by \$800,000. They agreed to help staff remove their members from a high paying health care program to a lower paying one.

Council Member Lytle said there was a 25 percent increase in healthcare costs.

Mr. Benest said when management and confidential, and SEIU members took from a three-day up to a nine-day unpaid furlough, it required reopening of their contract. Currently, SEIU had a legally binding contract. There should not be directions on negotiations with the unions in open

session. Further directions to management negotiators could be done in closed session.

Council Member Lytle asked if that would require not approving the budget that evening.

Mr. Benest said no. He suggested the Council could give direction to their negotiators to negotiate with the unions.

City Attorney Ariel Calonne said the Council had the power to lay people off during the contract term. The other types of issues the City Manager had negotiated were issues where the City had no legal right to compel the unions to discuss those issues ahead of the contract expiring. The Council had and retained the power to effect layoffs during the contract term, but did not have the power to unilaterally reopen the contract to adjust pay rates or other issues. The IAFF contract was coming open July 1, 2003, while the SEIU contract was coming open on April 30, 2004.

Council Member Lytle asked how Santa Clara County did it.

Mr. Calonne said he imagined the threat of layoffs was the inducement to SEIU to discuss other issues.

Mayor Mossar said it was not done in two weeks. The City was required by law to have an adopted balanced budget at the beginning of the fiscal year, which was July 1, 2003.

Mr. Benest said that was correct.

Mayor Mossar said the Council had a fiduciary responsibility to adopt the budget by July 1, 2003.

Council Member Lytle said she understood the County moved swiftly to accomplish their task and did not take layoffs off the table. She queried how long they took and how they were able to do it.

Mr. Benest said the County was faced with massive layoffs because the majority of their funding was from Federal and State sources.

Mayor Mossar said she remembered month's prior, the County went to the unions and said take reductions in salary and other benefits. The union said they would rather have layoffs.

Mr. Benest said the County could do little to avoid layoffs and they went dramatically into their reserves.

Vice Mayor Beecham clarified the City Manager did not cut a deal of furloughs in exchange for no layoffs. Layoffs were not recommended for 2003-04, but that could change in 2004-05. The Council retained the right to do layoffs under certain circumstances.

Council Member Lytle said the City's infrastructure spending for facilities had quietly been reduced or deferred. The facilities she was most concerned about were those that supported the core City services the Palo Alto community had valued as highest in community surveys, such as sidewalks, streets, libraries, storm drains, and parks and fields. She asked how the City was going to address infrastructure investment.

Mr. Benest said staff found they needed to continue to invest in the Infrastructure Reserve (IR) and Capital Spending in order to get the City's facilities and infrastructure back to where they should be and to maintain them over time. The Council had previously decided in a few cases that it was appropriate to take new Capital Spending. Staff's commitment to infrastructure had doubled.

Council Member Ojakian asked how staff honored Government Accounting Standards Board (GASB) 34 if the City was selective in its infrastructure repair. If the City had a building that needed seismic repair, how did staff justify delaying the project.

Mr. Benest said staff had tried to focus on clearly visible community service needs. In the previous year there were six park renovations. The City had a number of invisible kinds of repairs that came to the front, which were being dealt with.

Council Member Ojakian said GASB 34, a critical statement that came out several years' prior required cities to show how they were going to repair their various facilities and roads. He asked whether staff used a formula or had a more comprehensive approach.

Mr. Benest said the City had a comprehensive inventory of its infrastructure, which was set out in the 5-year CIP and conformed to GASB 34.

City Auditor Sharon Erickson said GASB 34 allowed the City to choose two methods of valuing assets: 1) the maintenance effort; and 2) inventory the assets and depreciate them. Staff chose the second route, which allowed them the opportunity to be flexible on what assets were repaired at what time. It did not require, on an annual basis, the maintenance of effort for accounting purposes.

Council Member Ojakian asked whether there was a time schedule for repairs.

Ms. Erickson said there was a depreciation schedule, which showed those buildings that had depreciated over 50 years. Those assets that had depreciated were injected with funds into the repair of those assets to offset the depreciation.

Mr. Yeats said the City's assets had been set up into systems. The street system had a value. The City reinvested in the street improvement system based upon a certain amount over the lifecycle of that system. The same type of system was in place for the sidewalks.

Council Member Lytle asked why in terms of service cuts and infrastructure priorities, was the City not using a community-based budget, as well as the engineering and GASB background to prioritize the facility maintenance and repair of projects that people were finding needy first as other communities were structuring their budgets.

Mr. Benest said staff tried with the dialogues, the surveys, and the budget outreach meetings to get input and feedback.

Council Member Morton spoke regarding to the parking lot improvements to the Baylands. The Baylands Master Plan called for the changes. It was learned at the Finance Committee, the parking lot improvements were entirely funded by grant monies. The Finance Committee approved it because it involved grant funds.

Council Member Freeman said her recollection was the vote at the Finance Committee on that issue was 2-2, and not unanimous.

Mayor Mossar clarified there was disagreement with the Finance Committee on that item.

Council Member Lytle said 14 new Enterprise positions were added in the last year's Mid-year adjustment. She understood those positions, which were committed to making money, in fact were losing money. She asked why those programs were not cut if were not revenue generating.

Mr. Benest said some of those contracts took time to negotiate and get started. In IT, there were five outside contracts. Funds were also being generated from the training program and Human Resources (HR) recruiting program. In addition, the City of Sunnyvale wanted to contract with Palo Alto for animal services and pay the City \$50,000 to enroll their employees in the City's training program at no additional cost to us.

Council Member Lytle said the latest formula from the State was a pro rata share for cities to repay the bonds to fulfill the debt obligation, which would stretch the City's commitment for 15 years into a \$15 million take, as opposed to the \$3 million take that was assumed in budget projections. She asked why the Council should remain optimistic about the Enterprise functions when the economy and government processes could be affected even more severely.

Mayor Mossar said the strategy of offering services for other cities was cited as an effective strategy. It helped those cities that could not afford to do things, as well as those cities that could contract for those services to increase their revenues.

Council Member Lytle said she had heard the same comments about offering services to other cities. She questioned whether now was the time to embark on enterprises, or was it better to hold back when the economy was as unpredictable and potentially negative as it was.

Mr. Benest said contracts were in place because of the benefit to Palo Alto and to other cities. In assuming the worst, the City would need to reopen its budget and do some rather dramatic and negative things that would effect both the organization and the community. Management was prepared to do that if necessary.

Council Member Morton clarified the vote on the parking lot improvement for the Baylands was 3-1 at the Finance Committee.

**AMENDMENT:** Council Member Ojakian moved, seconded by Burch, to add the language, "to include a listing with explanations of all job duties for those individuals," to the Finance Committee recommendation that the City Council direct staff to report by midyear 2003/04 on a Citywide organizational structural review including all management/supervision positions of four (4) or fewer direct reports.

Council Member Ojakian said having been in management for a number of years and being involved in layoffs; during the down cycle came the concept of "span of control". When used, there was a preconceived notion that positions would immediately be cut. One study looked, not only at how many people reported to an individual, but whom they worked with, how much cross-functional involvement was there, and what other duties were being assigned. He wanted a thorough vetting of the whole concept, and not just brought up as a concept to reduce people based on the number of persons who reported to them.

Council Member Burch said occasionally there were some people who only reported to one person.

**AMENDMENT PASSED 9-0.**

**AMENDMENT:** Council Member Ojakian moved, seconded by Freeman, to direct the City Manager to report back to the Finance Committee on how printing and mailing funds could be reduced.

Council Member Ojakian said printing and mailing funds was a classic area whose overhead did not provide services to resident or non-resident users. Although a large portion of the cost was the mailing of the utility bills, it was still an area worth looking at. The idea of outsourcing needed to be vetted, as well as keeping in line with sustainability concepts and policies.

Council Member Freeman said she was glad to see the printing and mailing issue resurface.

Council Member Lytle said printing and mailing funds was a legitimate place to look for cost reductions.

Council Member Kleinberg agreed with Council Member Ojakian. She asked whether the intent of the amendment included looking across the board at all cuts, not just how to reduce it, but whether actual mailings were unnecessary.

Council Member Ojakian said he had phrased the amendment in such a way as to allow staff the latitude to return with different avenues and options.

**AMENDMENT PASSED 8-1, Morton "no."**

Council Member Kishimoto said there were a number of CIP's she wanted to register a "no" vote on. She asked whether she could express that at the time of the general vote.

Mayor Mossar said yes.

Council Member Lytle said she wanted to register a "no" vote on El Camino Park.

Mayor Mossar said she believed the Council could vote on the main motion with the Finance Committee recommendations and amendments. After which, "no" votes and "not participating" votes could be taken.

Council Member Freeman asked if it was written somewhere that the restructuring would return to the Council at midyear. She believed the timeframe was late December 2003.

Mayor Mossar said midyear was in January.

Council Member Kleinberg asked whether the motion included the VTA Bus Shelter revenues.

Mayor Mossar said yes.

### **Statements of Opposition**

Council Member Lytle said she had put a memo at places along with Council Member Freeman outlining the 10 points with questions that needed to be addressed. Two years ago Council directed structural revisions. There was a motion for a 10 percent reduction but a 5 percent structural reduction was approved. I believe we are inadequately investing in infrastructure, in particular, those facilities the community most values, like libraries. I think we've cut in service areas the community asked us to prioritize, such as Fire. I don't think we have a plan for storm drains. I'm concerned about the enterprise positions that we added and that we're not using technology as efficiently for saving money. We should be using community volunteers to supplement our own staff in a way to cut costs. I'm very concerned that we're spending money in investigations and pre-construction work for placing Municipal Utilities in our parklands when I'm fairly convinced that our Charter requires voter approval to do these things. I'm worried about our contract costs and the fact that we can't seem to account fully to public inquires about contracts and contingency costs and unspent CIP funds. I think we have not adequately anticipated what's coming from the state and we're going to be scrambling as the year goes by in order to compensate and could have anticipated it better. Two years ago, I did not support the budget because I didn't think it addressed our changing demographics sufficiently and we all committed to a real structural revision. I don't think we accomplished that in this budget process.

Council Member Kishimoto registered a "no" vote on the VTA Contract until alternatives are explored. I registered a "no" vote on the Foothill Communication Improvement Plan, which is EL04013. There is a third year that she supports, which updates existing equipment, but she does not want to increase capacity. She registered a "no" vote on WS02005 and WS02006. Those are the two El Camino projects and this is until staff comes back with a longer-term lease on the El Camino Park and until we see alternatives and an environment assessment.

Council Member Kleinberg registered a "no" vote on the VTA Bus Shelter matters. She said since the El Camino Park CIP projects involved negotiation with Stanford University, she would not participate in that item due to a potential conflict of interest because her husband's former law firm represented Stanford in land use matters.

Council Member Freeman registered a "no" vote on the Budget and on the VTA bus shelters. More focus should be on the infrastructure and the 10 items listed on the Colleague's Memo.

### **End of Statements of Opposition**

Mayor Mossar expressed support for the budget. Council Member Lytle was correct in saying the financial situation was likely to get worse as time went on. She was disappointed the budget came to the Finance Committee with several politically charged reductions that were not reductions at all and, in fact, were all restored. She hoped staff would rededicate their efforts to going back and looking deeper into things, which was much harder to do. She was willing to adopt the first cut, but future cuts would need to be deeper. She strongly believed there was a constituency for everything the community did. It would be a disservice to Palo Alto not to be open-minded and interested in all members of the community.

### **MOTION AS AMENDED PASSED 7-2, Freeman, Lytle "no."**

Council Member Lytle said she recalled there were several items in the budget that her colleagues registered "no" votes on, in which case did have sufficient votes to be included in the budget. She requested a recounting of those items.

Mayor Mossar said there were two Council Members who did not participate in El Camino Park.

Mr. Calonne said the budget required five votes or the majority of the total voting membership in order to pass. He suggested the Council vote separately on Item 12.

Mayor Mossar said it was included in the original motion.

Mr. Calonne said before the budget was passed, the Council needed to vote on whether to amend the budget by removing the CIP El Camino Park item. Individual Council Members might not have the choice of voting on the El Camino Park item separately than the budget.

**MOTION TO RECONSIDER:** Vice Mayor Beecham moved, seconded by Kleinberg to reconsider the motion in order to separate out for voting purposes the two CIP El Camino budget items and the VTA Bus Shelter item for adoption of the 2003-04 Budget.

**MOTION TO RECONSIDER PASSED** 9-0.

Mayor Mossar and Council Member Kleinberg left the meeting during discussion pertaining to Stanford lands items.

Mr. Calonne said if one of the Council Members wanted to oppose the El Camino Park and have that recorded, a motion was needed to amend the budget proposal by amending the CIP to remove that matter.

**AMENDMENT:** Council Member Kishimoto moved, seconded by Lytle, to remove the two CIP El Camino budget items (El Camino Park Reservoir and Pump and El Camino Park Well) from the current budget.

Council Member Kishimoto said she would like the staff to bring back to the Council an extended lease and an Environmental Impact Report (EIR).

Council Member Lytle concurred. She said she would also like to add a legal analysis as to whether the issue was permitted by City Charter without the vote of the people.

Mr. Calonne said staff had previously advised the Utilities Department that the El Camino Park Well proposals might require an election.

Council Member Morton clarified the item was being removed from the budget and voted on as a separate item.

Vice Mayor Beecham said the amendment would be voted on first.

Council Member Freeman said during the discussions in the Finance Committee, it was brought to their attention there were a couple of wells that were already available. She understood information would be given to the Council on the use of those wells instead of digging for others.

Mr. Benest said while it was conceivable over a period of time to obtain access, staff believed they needed exclusive call on emergency water, which could not be had through the Stanford Wells.

Council Member Morton clarified if the majority of the Council voted "no", the item would stay in the budget.

Mr. Calonne said the Council needed five votes to pass the budget; therefore, if a four-member majority rejected the amendment, it would fail to carry.

Council Member Morton clarified if the amendment failed to carry, it would stay in the budget.

Mr. Calonne said no. If the amendment failed by a five-vote margin, then the item would stay in the budget. A vote of four to three to defeat the amendment would not be sufficient to pass the CIP.

Council Member Lytle said if the City were willing to pay enormous amounts of money on the notion of water reservoirs on the parkland, it would require a vote of the people in order to proceed.

**AMENDMENT PASSED** 3-4, Beecham, Burch, Morton, Ojakian “no,” Kleinberg, Mossar “not participating.”

Mr. Calonne noted the amendment passed because budget items required a majority of the Council. The item would need five votes in order to stay in the budget.

**AMENDMENT:** Council Member Ojakian moved, seconded by Beecham, to approve the staff recommendation for Item No. 12 as follows:

1. Approve the City’s participation in the Santa Clara County Valley Transportation Authority’s (VTA) Transit Shelter Advertising Program;
2. Authorize the Mayor to execute the Implementation Agreement (Attachment C of CMR:320:03) with VTA for the Transit Shelter Advertising Program;
3. Introduce the ordinance (Attachment D) amending the Sign Ordinance of the Palo Alto Municipal Code to provide for bus shelter advertising;
4. Rescind the current VTA Agreement dated March 6, 2996; and
5. Approve expansion of the existing Transit Shelter Advertising program to allow for additional Palo Alto shelters.

Ordinance 1<sup>st</sup> Reading entitled “Ordinance of the Council of the City of Palo Alto Amending Chapter 16.20 (Sign Ordinance) of the Palo Alto Municipal Code to Provide for Bus Shelter Advertising”

**AMENDMENT PASSED** 5-4, Freeman, Kishimoto, Kleinberg, Lytle “no.”

**MOTION FOR 11 (PART A) regarding the 2003-05 BUDGET ADOPTION AS AMENDED PASSED** 7-2, Freeman, Lytle "no."

**MOTION:** Council Member Morton moved, seconded by Ojakian to continue Item Number 11 (Part B) regarding Future Steps after the Consent Calendar.  
**MOTION PASSED** 9-0.

CONSENT CALENDAR

Mayor Mossar announced that Item No. 12G (Old Item 8) would be removed from the Consent Calendar at the request of staff.

Council Member Kleinberg stated she would not participate in the Intermodal Transit Center Consultant Contract portion (Attachment 2 of CMR:321:03) with regard to Item No. 12I (Old Item No. 10) due to a potential conflict of interest because her husband's former law firm represented Stanford in land use matters.

Mayor Mossar stated she would not participate in the Intermodal Transit Center Consultant Contract portion (Attachment 2 of CMR:321:03) with regard to Item No. 12I (Old Item No. 10) due to a conflict of interest because her husband was employed by Stanford University.

Council Member Freeman requested that Item No. 12I (Old Item 10) be removed.

Council Member Lytle registered a "no" vote on Item No. 12F (Old Item No. 7).

**MOTION:** Council Member Morton moved, seconded by Ojakian, to approve Consent Calendar Item Nos. 12A, 12B, 12C-F, and 12H.

LEGISLATIVE

12A. (Old Item No. 1) Ordinance 4794 entitled "Ordinance of the Council of the City of Palo Alto Amending Title 18 [Zoning] of the Palo Alto Municipal Code to Amend Chapters 18.10 [Residential Estate District Regulations], 18.12 [Single-Family Residence District Regulations], 18.30 [Neighborhood Preservation Combining District Regulations] and 18.71 [Open Space District Regulations] Pertaining to Second Dwelling Units" (*1<sup>st</sup> Reading June 2, 2003, Passed 9-0*)

12B. (Old Item No. 2) Ordinance 4795 entitled "Ordinance of the Council of the City of Palo Alto Adding Chapter 9.73 to Title 9 [Public Peace,

Morals and Safety] To Establish City Policy Against Arbitrary Discrimination" (1<sup>st</sup> Reading June 2, 2003, Passed 9-0

ADMINISTRATIVE

12C. (Old Item No. 4) Annual Adoption of the City's Investment Policy

12D. (Old Item No. 5) Adoption of the Final Appropriation Limit Calculation Resolution for 2003-04

Resolution 8312 entitled "Resolution of the Council of the City of Palo Alto Determining the Calculation of the Appropriations Limit of the City of Palo Alto for Fiscal Year 2003-04

12E. (Old Item No. 6) Amendment No. 1 to Contract No. C3146047 Between the Palo Alto Housing Corporation and the City of Palo Alto for Fiscal Year 2002-03 for the Below Market Rate Program Administration in the Amount of \$30,000 Increasing the Total Agreement Amount from \$75,000 to \$105,000; and Agreement Between the Palo Alto Housing Corporation and the City of Palo Alto for Administration and Consulting Services for the Below Market Rate Program in the Amount of \$105,500 for each of Fiscal Years 2003-04 and 2004-05

12F. (Old Item No. 7) Approval of Resolutions Amending SEIU Memorandum of Agreement and Compensation Plan to Add Side Letter Agreement on SEIU Furlough

Resolution 8313 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Classified Personnel (SEIU) Adopted By Resolution No. 8056, and Amended by Resolution Nos. 8059, 8141, 8180, 8242 and 8251, to Add Furlough Provisions"

Resolution 8314 entitled "Resolution of the Council of the City of Palo Alto Amending Section 1401 of the Merit System Rules and Regulations Regarding the Memorandum of Agreement Between the City of Palo Alto and Local 715A, SEIU, AFL-CIO, CLC, to Add Furlough Provisions"

12G. (Old Item No. 8) Amendment No. 3 to Existing Contract No. C8100757 Between the City of Palo Alto and Indus Utility Systems (INDUS) in the Amount of \$146,500 for Software Design Services for Utilities Customer Information System

12H. (Old Item No. 9) 2002-03 Annual Report on City Sustainability Program

06/16/03

**MOTION PASSED** 9-0 for Item Nos. 12A-E, and 12H.

**MOTION PASSED** 8-1 for Item No. 12F "no" Lytle

12I. (Old Item No. 10) The Finance Committee recommends to the City Council on Fiscal Year 2003-05 Contract Scopes of Professional Services Agreements Greater than \$65,000 the following:

The Council review the contract scopes of service of 2003-05 professional services agreements greater than \$65,000, for all Infrastructure Management Plan and Non-Infrastructure Management Plan projects, and its proposed changes, and direct staff to proceed with the approved scopes of services

Council Member Freeman asked whether the City had obtained an agreement with the City of Sunnyvale for the Animal Shelter Expansion and Renovation.

City Manager Frank Benest said Sunnyvale had formally notified City staff they wanted to enter into the contract, which would be presented in September 2003.

Council Member Freeman said the Council had received an email, which discussed that Cubberely Building "I", being leased to Foothill College and in need of air-conditioning replacement was completed. She asked why the \$175,000 project was still listed.

Director of Public Works Glenn Roberts said replacement of the chiller was completed earlier in order to avoid a failure and shut down of the system. What remained to be done was the replacement and upgrading of all the ductwork and control systems and the other elements of the heating/ventilating system beyond the chiller.

Council Member Freeman clarified the Council was being asked to approve a \$365,000 item that Sunnyvale was presently not a recipient of.

Mr. Benest said that was correct. The work would not be done until there was a contract in hand.

**MOTION:** Council Member Ojakian moved, seconded by Morton, to approve the Finance Committee recommendation to the City Council for proposed changes to the consultant scope of services of Project Fire Stations 3 and 4 Replacement Feasibility Study (CMR:285:03, Attachment 1-ExhibitB). The scope of work that was initially submitted to the Finance Committee included

the consultant analyzing existing and new sites for replacing Fire Stations 3 and 4, as well as eliminating one of the stations or combining the two stations into one. The scope was revised so the consultant will now only analyze replacing each of the existing stations at their current sites. The consultant will not include study of new sites to include green building opportunities in the study. Changes to the revised scope are shaded in Attachment 2.

**MOTION PASSED** 8-1, Freeman "no."

12J. (Old Item No. 3) Adoption of a Park Improvement Ordinance for Construction of School Use Improvements of Tennis Courts, Paths and Driveway Areas, and Use of Terman Park Athletic Fields and Tennis Courts Associated with the Palo Alto Unified School District (PAUSD) School Re-Opening (*Item Continued from June 9, 2003*)

Approving and Adopting a Plan for Improvements to Terman Park"

Assistant City Manager Emily Harrison said the item was agendaized for the City/School Liaison meeting scheduled for June 25, 2003. It would address the items that were taken out of the original ordinance, such as the access issues and the tennis courts.

Mayor Mossar clarified the item before Council that evening was an ordinance without the tennis courts and the access issues.

Ms. Harrison said that was correct. The ordinance did include a fire access road and the turnaround area for the school bus.

Rita Giles, Terman Middle School PTA, said it was important for the Council to vote in favor of the revised ordinance. A bus turnaround ensured that those children who did not live close enough to walk or bike to school had a safe way to get there without being in single passenger vehicles.

Seth Birnbaum, 3909 G Middlefield Road, agreed that incoming students at Terman Middle School should have two new basketball courts. He did not agree; however, that the existing tennis courts should be modified to provide for those additional courts. He suggested constructing two new basketball courts outside and alongside the existing tennis courts beyond the playing area of the soccer field. It was an area seldom used by the public.

Bob Moss, 4010 Orme Street, said the staff report (CMR:311:03) referenced the agreement with the Palo Alto Unified School District (PAUSD) in use of the fields, which stated Terman Middle School would have first call of the playing fields between the hours of 7:30 a.m. to 3:30 p.m., while school was

in session. The PAUSD would not have the right to routinely exclude members of the public. He interpreted that to mean the City would not schedule Little League games or other formal use of the playing fields, but it was a public park that people could access while school was in session. He saw that as a potential for problems with the fields.

Monica McHenney, 769 Los Robles Avenue, expressed concern about construction taking place during the school season. It would make it difficult for the children to get to school safely. She requested the Council approve the revised ordinance in a timely manner in order to expedite the beginning of construction.

Mandy Lowell, 1423 Hamilton Avenue, said the issue before the Council was the fire lane and other needed improvements in order to reopen the site in August 2003. She expressed support for the item. It would help the school open on time.

Eddie Keating, 3553 Alma Street, #5, expressed support for the issue that was before the Council. She said the public was looking forward to the City/School Liaison meeting. They were interested in the best solution to allow Terman use of the basketball courts, and the public use of the tennis courts. She hoped City staff would be able to address the legality questions of what could be done on parkland versus school property at that meeting.

Mayor Mossar asked if her comments were from a personal perspective or a report from the PARC.

Ms. Keating said personal.

Lynn Chiapella, 631 Colorado Avenue, expressed support for the revised ordinance. She hoped the murky process of knowing the rules for usage of the tennis courts and the park ordinance would be shorter and clearer.

**MOTION:** Council Member Ojakian moved, seconded by Kishimoto, to introduce the Ordinance approving and adopting a plan for improvements to Terman Park.

Ordinance 1<sup>st</sup> Reading entitled "Ordinance of the Council of the City of Palo Alto Approving and Adopting a Plan for Improvements to Terman Park

Council Member Ojakian said he believed the City negotiated a good-faith agreement with the PAUSD with the intention of getting the Terman School opened on time. He wanted his City/School Liaison Committee colleagues to

keep in mind; he was on the committee that formed the middle school basketball program, which was run by the City.

Council Member Kishimoto expressed support for the revised ordinance.

Council Member Lytle expressed support for accelerating the approval of the revised ordinance. She hoped the City could straighten out any legality issues.

**MOTION PASSED 9-0.**

**CONTINUED DISCUSSION OF ITEM NO. 11 (PART B) REGARDING FUTURE STEPS**

**MOTION:** Council Member Morton moved, seconded by Lytle, to continue Item No. 11 (Part B) regarding Future Steps to the July 7, 2003, regular City Council meeting.

Vice Mayor Beecham asked how much would be discussed on the continued item.

**SUBSTITUTE MOTION:** Vice Mayor Beecham moved, seconded by Ojakian, to direct the City Auditor to provide answers to questions in the Colleagues memo dated June 10, 2003, from Mayor Mossar and Vice Mayor Beecham and to return to the Finance Committee with recommendations.

Council Member Lytle said she had seconded the original motion because she felt the item deserved the full attention of the Council. She wanted to make sure the Mayor, who was a co-author of the memo and not a member of the Finance Committee, was comfortable with the Substitute Motion.

Mayor Mossar said she was comfortable having the City Auditor bring the information and report back to the Finance Committee.

Council Member Kleinberg asked whether the Substitute Motion would preclude the second half of the Mayor's suggestion.

Mayor Mossar said because of the late hour, it would not be a productive conversation to have that evening.

Council Member Kleinberg said she was careful not to explain her "yes" vote on the budget because she was assured the Council would have the opportunity to discuss a more optimum kind of budget and what those desires might be. The Council was now in the situation of having to vote to preclude their explanations going on the record.

Mayor Mossar proposed to her colleagues that the City Auditor return to the Finance Committee with answers to pertinent questions, and that Item No. 11 (Part B) be agendaized for July 7, 2003, to allow the Council the opportunity to talk about what was important to them.

Council Member Freeman said when Item 11 (Part B) went back to the Finance Committee, the Council would have asked the City Auditor to do something the Finance Committee had already discussed and voted on.

Mayor Mossar said there were items in the budget document that were not discussed at the Finance Committee meetings.

Council Member Freeman asked whether the items to be discussed in the budget document precluded what the Council had already voted on.

Mayor Mossar said it was more about asking the City Auditor her opinion on how to monitor a process.

City Auditor Sharon Erickson said she interpreted the memo as a clarification of her role as the City Auditor and to answer several other questions about possible organizational reviews.

Vice Mayor Beecham said the answer to Council Member Freeman's question was "no".

Council Member Morton suggested allowing the City Auditor a little more time beyond July 7, 2003.

Mayor Mossar suggested continuing Item No. 11 (Part B) to July 7, 2003.

**SUBSTITUTE MOTION RESTATED:** Vice Mayor Beecham moved, seconded by Ojakian, to direct the City Auditor to provide answers to questions in the Colleagues memo dated June 10, 2003, from Mayor Mossar and Vice Mayor Beecham and to return to the Finance Committee with recommendations; and that Item 11 (Part B) be continued to the July 7, 2003, regular City Council meeting.

**SUBSTITUTE MOTION PASSED** 8-1, Morton "no."

#### COUNCIL COMMENTS, QUESTIONS, AND ANNOUNCEMENTS

Council Member Burch noted that the Sustainability Program on the Consent Calendar was an excellent report.

Council Member Lytle said she was looking for information on the IKEA Contingency Plan.

Council Member Kleinberg said much of the budget was encouraging, but she would have liked to see more on the budget. In the spirit of compromise she approved the budget, and looked forward to the July 7, 2003, Council meeting for more discussion on Item 11 (Part B) regarding Future Steps.

Council Member Ojakian noted residents saved monies due to the budget and decided to become part of Green Energy Program in the City.

ADJOURNMENT The meeting adjourned at 11:45 p.m.

ATTEST:

APPROVED:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

NOTE: Sense minutes (synopsis) are prepared in accordance with Palo Alto Municipal Code Sections 2.04.180(a) and (b). The City Council and Standing Committee meeting tapes are made solely for the purpose of facilitating the preparation of the minutes of the meetings. City Council and Standing Committee meeting tapes are recycled 90 days from the date of the meeting. The tapes are available for members of the public to listen to during regular office hours.