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ADJOURNMENT: The meeting adjourned at 10:57 p.m. in memory of retired Battalion Chief Mick McDonald who had recently passed away. He spoke of Chief McDonald's instrumental work in Emergency Preparedness and the PANDA Program.....30

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:50 p.m.

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

ORAL COMMUNICATIONS

Lynn Krug spoke regarding employee issues.

SPECIAL ORDERS OF THE DAY

1. Resolution 8534 entitled "Resolution Expressing Appreciation to Ashok Aggarwal Upon His Retirement"

MOTION: Council Member Beecham moved, seconded by Kleinberg, to approve the resolution.

MOTION PASSED 9-0.

Ashok Aggarwal said he enjoyed working for the City of Palo Alto and found the community to be caring. He also found the members of the various boards, commissions and committees to be helpful. He cherished the relationships he had built over the years and wished everyone well.

Council Member Kishimoto said during Mr. Aggarwal's tenure, the community had struggled to make a difficult and profound transition from having roadways that allowed automobiles to get through to the value of having a walkable and bikeable community. She expressed her appreciation for the expertise and professionalism he had demonstrated.

Council Member Mossar said she knew Mr. Aggarwal best through the Parking Committee of the Chamber of Commerce and the color-zoned parking.

Council Member Beecham said he had worked with Mr. Aggarwal for approximately 15 years, and found him to be a calm individual. He appreciated what he had done for the community and how he steadily advanced the cause. He extended him best wishes for the future.

Mayor Burch said in addition to Mr. Aggarwal's expertise, he appreciated him as a warm and good human being.

2. Vote and Appointment of Candidates to the Utilities Advisory Commission

FIRST ROUND OF VOTING FOR THE UTILITIES ADVISORY COMMISSION

VOTING FOR GEORGE BECHTEL: Beecham, Burch, Cordell, Freeman, Kishimoto, Kleinberg, Morton, Mossar, Ojakian

VOTING FOR RAMARAO DEGUMARTHI:

VOTING FOR WALTER LOWENSTEIN: Cordell, Freeman, Kishimoto

VOTING FOR JOHN MELTON: Beecham, Burch, Kleinberg, Morton, Mossar, Ojakian

City Clerk Donna Rogers announced that George Bechtel was appointed with nine votes and John Melton was appointed with six votes on the first ballot.

APPROVAL OF MINUTES

MOTION: Council Member Morton moved, seconded by Mossar, to approve the minutes of May 16 and May 24, 2005, as submitted.

MOTION PASSED 9-0.

PUBLIC HEARINGS

3. Public Hearing: Adoption of the 2005-2006 Budget, Adoption In-Concept of the 2006-2007 Budget and Approval of a Budget Adoption Ordinance, Including 1) Exhibit A -The City Manager's 2005-2007 Proposed Budget; 2) Exhibit B - All changes Detailed in the Amendments to the City Manager's 2005-2007 Proposed Budget; 3) Exhibit C - Proposed 2005-2006 Municipal Fee Schedule; 4) Exhibit D - Revised Pages to the 2005-2006 Table of Organization; 5) Exhibit E - Amendments to the 2005-2006 Proposed Municipal Fee Schedule (CMR:290:05)

City Attorney Gary Baum stated four of the Council Members were conflicted on different parts of the proposed budget. Staff split up the budget into different motions. The motions with conflicts would be stated at the start of each matter.

Council Member Freeman asked how would a Council Member vote on an entire section of the budget where there was a difference of opinion on two departments.

Mr. Baum said the Council could divide the section further if they chose.

City Manager Frank Benest said City staff was pleased to submit to the Council for consideration the 2005-2007 budget, as recommended by the Finance Committee. Palo Alto experienced an ongoing financial crisis due to three reasons. First, the City continued to be in the midst of an ongoing recession. Sales Tax and Transient Occupancy Tax (TOT) revenues were down from the level in 2000-01 by \$12 million. The City was back to a level of revenues that

was seen in 1998-99, which meant that Palo Alto government had to be resized to that level. The second reason was health care and pension costs. The City participated in the Public Employees Retirement System (CalPERS) and the statewide system. The statewide program provided both the pension and health care programs. That program increased by approximately 50 percent. The third reason was the City continued to experience State takeaways of property tax and other taxes. The State had an \$8-\$10 billion deficit and would continue to look for creative ways to shift revenues away or shift costs to the City. The Long Range Financial Plan (LRFP) showed the City had a \$5.2 million structural deficit where anticipated expenditures were greater than anticipated revenues. If no action were taken, the City would be faced with nine years of deficits with a cumulative draw of \$46 million on the Budget Stabilization Reserves (BSR); however, there was only \$21 million available. The Council and staff did a masterful job managing the retrenchment. The \$14.5 million reduced the expense base, and 40 positions were eliminated. The span of control was expanded, and a hiring freeze was imposed. A two-tier retiree medical program and an unpaid employee furlough were instituted. The Council refinanced the debt on City Hall, which saved \$1.5 million in debt service, and extended the replacement schedules for cars and equipment. Processes were streamlined and services were sold to other communities. Budget outreach included coffee meetings with constituents, the Mayor and City Manager, a Cable TV call-in show, meetings with neighborhood groups, and a citizen budget idea website. Staff had to consider how to make logical choices. Service cuts were based on priority criteria from the Council, citizen survey, community outreach, and professional judgment. Expenditures were growing faster than revenues, which resulted in reduction in base. The base was reduced by \$4.3 million permanent, ongoing expense reductions, and 32.2 regular, permanent positions were eliminated.

Director of Administrative Services Carl Yeats said Palo Alto's General Fund Revenue (GFR) was at 1998-99 levels, and expenses needed to be adjusted to that level. The same concept was proposed with staffing. In 1998-99, there were approximately 679 General Fund (GF) employees. With the reductions proposed since 2002-03, the total would be about 644 GF employees, plus the adjustment of Information Technology staffing charged back from the Technology Fund. The adjusted total was approximately 678 employees. He then highlighted the changes to the Utility Rates. Electric Service rates increased 19.5 percent as a result of an increase in commodity costs, and gas service increased 15 percent. Refuse rates increased 8 percent because of a cost increase in the program, due to the SMaRT station costs and operational costs. Sewer rates increased 17 percent, and water service increased by 5 percent due to the charges that came from San Francisco Muni and the Hetch-Hetchy improvements. The average residential utility bill went from a total of approximately \$217 per month to an average total of approximately \$253 per month.

Mr. Benest said staff strived to attain a balanced budget; achieve additional

permanent cuts in the operational base to eliminate a structural deficit; eliminate positions of which the majority were management or administrative support positions; maintain commitments to essential services, maintain the budget stabilization reserve, infrastructure, and invest in local education; and propose a “sustainable” budget plan for the next decade.

Council Member Ojakian, Chair of the Finance Committee, stated the Finance Committee concurred with staff that the issue before them was not just shortfalls, but a structural deficit that could not be a one-time reduction in costs or some other immediate measure. On the positive side the General Fund Reserve had not been touched, the Capital CityWorks project had been retained, and the Reserve of \$18 million in the Retiree Health Benefit Fund was still intact. A Capital Improvement Program (CIP) project was added in for the Charleston/Arastradero corridor as well as minimal funding to get it started. CIP Projects were also included from the Storm Drain election. Changes to the Municipal Fee Schedule were due to cost-of-living or inflationary adjustments, and included an increase in the Children’s Theater tickets. The addition of \$5,000 for Project Sentinel would be taken from the Council’s discretionary fund. He expressed thanks to the budget staff and the Finance Committee.

Mayor Burch declared the public hearing opened at 7:45 p.m.

Mary Carlstead, 147 Walter Hays Drive, recommended a public commission to assist Council with the budget and financial issues.

Joy Wagner recommended additional funding Urban Ministry of Palo Alto funding for meals for the needy.

Brooke Scharnke said the City’s hot meal and Family Harvest programs would be at risk if funding were no longer provided.

Phil Plymale, Palo Alto employee, expressed concern about the Service Employees International Union (SEIU) employees who were yet to be placed in current vacant positions.

Craig Allen, 315 Melville Avenue, said the increase in green fees and the loss of one maintenance staff member at the Palo Alto Golf Course could result in a loss of revenue to the City.

Norman Carroll, 425 High Street #120, concurred with the comments of Joy Wagner and Brooke Scharnke.

Aileene Roth, 2015 Middlefield Road, expressed opposition to a parking fee at Foothills Park.

Linda Lenoir, 387 James Road, asked the Council to restore the \$30,000 to the Urban Ministry Envision program.

Enid Pearson, asked the Council not to impose a parking fee on Foothills Park and Arastradero Preserve.

Herb Borock, P.O. Box 632, believed a Council Member should step down from the dais if they had a conflict anywhere along the process. As a cost-saving measure, the now vacant Chief Planning Official position should be eliminated.

Marcie Brown, 4290 Manuela Way, encouraged the Council to accept the Finance Committee's recommendation to include six months of funding for a Full Time Equivalent (FTE) in the Family Resources budget.

Lee Wieder, representing the Chamber of Commerce, said the Chamber was sensitive to staff's comprehensive approach to fee increases, such as the Transportation Impact Fee and the potential business license fee, and want to encourage the latter in the years ahead.

Penny Ellson, 513 El Capitan Place, said the Greenmeadow Community Association (GCA) supported the Charleston/Arastradero CIP placeholder with \$100,000. However, the GCA wondered how reductions in the Transportation Division staff would affect its ability to achieve transportation goals for the year, specifically related to the Charleston/Arastradero trial.

Jeff Rensch, 741 Chimalus Drive, asked the Council to consider restoring the \$31,000 funding to Envision Urban Ministry.

Jean Olmsted, 240 W. Charleston Road, asked the Council to reject the \$5 parking fee for Foothills Park and Arastradero Preserve.

Shauna Wilson, representing Project Sentinel and the Palo Alto Mediation Program, said Project Sentinel had been underwriting the Palo Alto Mediation Program for years and took on the mandatory response program without additional funding from the City. Santa Clara County cut Project Sentinel's funding by 20 percent. Having the money reinstated to previous levels would allow the level of service of prior years to continue.

Ben Stolpa, 1365 Forest Avenue, concurred with the comments of Marcie Brown.

Robert Moss, 4010 Orme Street, recommended the Council use the prospect of State funds from the vehicle license fees (VLF) to restore positions in the City.

Trina Lovercheck, 1070 McGregor Way, asked the Council to restore the \$31,000 for Urban Ministry's hot meal program.

Emily Renzel, 1056 Forest Avenue, expressed opposition to parking fees at Foothills Park and Arastradero Preserve.

Mayor Burch declared the public hearing closed at 8:25 p.m.

- A. The Finance Committee Recommends the City Council Approve Funding from the 2005-07 Council Contingency in the Amount of \$4,492 for Human Services Resource Allocation Process (HSRAP): Project Sentinel, One-Time Funding for Two Years and the Ordinance Portions Related Thereto.

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

MOTION: Council Member Ojakian moved, seconded by Freeman, to accept the Finance Committee recommendation to approve funding from the 2005-07 Council Contingency in the Amount of \$4,492 for HSRAP: Project Sentinel, one-time funding for two years and the ordinance portions related thereto.

Vice Mayor Kleinberg asked whether the \$31,000 for the Urban Ministry Envision was a HSRAP expense.

Director of Administrative Services Carl Yeats said one of the only ways to fund the hot meals program was to take it out of the Council's Contingency Fund.

AMENDMENT: Vice Mayor Kleinberg moved, seconded by Mossar, to allocate \$31,000 to the Urban Ministry from the Council Contingency Fund for one year.

Council Member Ojakian asked whether previous year funds were put in as a one-time expense.

Mr. Yeats said yes.

Council Member Ojakian said he was troubled by the dollar amount because in the previous year the Council gave a total of \$60,000 to the Urban Ministry and, currently, an additional \$31,000 was being added, while reductions had taken place in other social services.

Vice Mayor Kleinberg said she recalled the Council approved a one-time reinvestment in the La Comida program.

Mr. Yeats said that was correct. It was a one-time allocation of \$25,000 from the Council Contingency Fund for the Urban Ministry Food Safety Net.

Vice Mayor Kleinberg said it was fiscally prudent to allocate dollars in such a way that was practical and pragmatic in order to be extremely responsible for public dollars. On the other hand, the economy had not turned around, it was a jobless recovery, and there were people who were struggling to stay in the community. The people who partook of the hot meals and the Family Harvest

programs were among the City's most vulnerable residents. She found it hard not to allocate funds when there was a contingency fund that would cover it.

Council Member Mossar said one of her frustrations was the "add backs" the Finance Committee recommended for the budget without doing any significant "add backs" in the social services area. She expressed support for the amendment.

City Attorney Gary Baum asked if the proposal was a substitute motion rather than an amendment.

Council Member Mossar said no. It was an amendment.

Mr. Baum said an entity other than Project Sentinel was being funded, which made it a substitute motion and would allow Council Member Morton to participate.

Council Member Mossar said the Urban Ministry was in addition to Project Sentinel.

Council Member Freeman said funding the hot meals and Family Harvest programs was a worthwhile way to use the Council's Contingency Fund.

Council Member Cordell expressed support for the amendment and would like to see it altered a bit to allow for ongoing funding for the program. Palo Alto was an affluent city and most of the residents had incomes that enabled them to live comfortably. She strongly opposed reductions in funding that provided services to those who were disadvantaged or faced hardships in the community. As an option, she challenged her colleagues to relinquish their monthly Council Member stipend and put it back into the budget.

Council Member Ojakian asked whether five or six votes were required to pass the budget.

Mr. Baum said five votes were required to pass the budget. It took six votes to do a Budget Amendment Ordinance or other adjustment after the budget was passed.

Council Member Kishimoto agreed with Council Member Ojakian's comment that all agencies and services were told of the five percent decrease in HSRAP funding. She was troubled at giving 100 percent to the Urban Ministry and not going back to look at the larger budget, or at the least reduce their funding by five percent from the previous year. She was opposed to the increase of \$31,000.

AMENDMENT PASSED 5-3, Beecham, Kishimoto, Ojakian no, Morton not participating.

MOTION PASSED AS AMENDED 8-0, Morton not participating.

- B. The Finance Committee recommends the City Council Adopt Sections of the Community Services and Planning Department 2005-2006 Budgets and the 2006-2007 In-Concept Budgets as Modified, Pertaining to Nonprofit Entities, Including Community Development Block Grant (CDBG) and Human Services Resource Allocation Process (HSRAP) and the Ordinance Portions Related Thereto.

Council Member Morton would not participate in the item due to a conflict of interest because he provided, or had provided, services to those organizations receiving Community Development Block Grant Funds.

MOTION: Council Member Mossar moved, seconded by Ojakian, to accept the Finance Committee recommendation to adopt sections of the Community Services and Planning Department 2005-06 budgets and the 2006-07 in-concept budgets as modified, pertaining to nonprofit entities, including CDBG and HSRAP and the ordinance portions related thereto.

Council Member Mossar acknowledged the Finance Committee added back in the additional funding for Project Sentinel so they could continue to provide essential services for the community.

Council Member Freeman clarified the recommendation was for non-profit entities including the Community Development Block Grant (CDBG) and Human Services Resource Allocation Process (HSRAP) funds, and was not for the structure of the Community Services or Planning Departments.

Director of Administrative Services Carl Yeats said that was correct.

MOTION PASSED 8-0, Morton not participating.

- C. Resolution 8535 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules E-1, E-1-G, E-2, E-2-G, E-4, E-4-G, E-4-TOU, E-7, E-7-G, E-7-TOU, E-14, E-16, E-18, and E-18-G of the City of Palo Alto Utilities Rates and Charges Pertaining to Electric Rates"

Council Member Mossar would not participate in the item due to family holdings of Sempra stock.

MOTION: Council Member Morton moved, seconded by Ojakian, to approve the Resolution Amending Utility Rate Schedules E-1, E-1-G, E-2, E-2-G, E-4, E-4-G, E-4-TOU, E-7, E-7-G, E-7-TOU, E-14, E-16, E-18, and E-18-G of the City of Palo Alto Utilities Rates and Charges Pertaining to Electric Rates.

MOTION PASSED 8-0, Mossar not participating.

- D. The Finance Committee Recommends the City Council Adopt Sections of the Utilities Department 2005-2006 Budget and the 2006-2007 In-Concept Budget as Modified, Pertaining to Electric Purchase Contracts and the Ordinance Portions Related Thereto.

Council Member Mossar would not participate in the item due to family holdings of Sempra stock.

MOTION: Council Member Ojakian moved, seconded by Morton, to accept the Finance Committee recommendation to adopt sections of the Utilities department 2005-06 budget and the 2006-07 in-concept budget as modified, pertaining to electric purchase contracts and the ordinance portions related there.

MOTION PASSED 8-0, Mossar not participating.

- E. The Finance Committee Recommends the City Council Adopt the 2005-2006 Budgets for the Police and Fire Departments and the 2006-2007 Police and Fire In-Concept Budgets as Modified and the Ordinance Portions Related Thereto.

Council Member Cordell stated she would not participate in the item due to a conflict of interest because she was employed by Stanford University.

Council Member Mossar stated she would not participate in the item due to a conflict of interest because her husband was employed by Stanford University.

MOTION: Council Member Morton moved, seconded by Ojakian, to accept the Finance Committee recommendation to adopt the 2005-06 budgets for the Police and Fire departments and the 2006-07 Police and Fire in-concept budgets, as modified, and the ordinance portions related thereto.

Council Member Freeman asked whether the increase in salaries for the Police and Fire Departments had been approved by the City Council.

City Manager Frank Benest said yes.

Council Member Freeman asked whether they were included in the budget.

Mr. Benest said yes.

Council Member Kishimoto said she previously voted against the Police budget because of the code enforcement issue. She asked whether the two budgets could be handled separately.

Director of Administrative Services Carl Yeats said the Council could split the Police and Fire budgets into two separate motions.

POLICE AND FIRE BUDGETS SEPARATED WITH THE CONSENT OF THE MAKER AND SECONDER

Council Member Mossar asked whether she and Council Member Cordell could participate in the Police budget because their conflict pertained to the Fire budget.

Mr. Yeats said the Police Department also had contractual issues with Stanford University related to enforcement activities for their football games and communications.

Council Member Kishimoto said her no vote on the Police budget centered on the removal of one of two code enforcement positions. The Council had passed various ordinances and regulations including the leaf blower noise, which were quality of life and safety issues.

AMENDMENT: Council Member Kishimoto moved, seconded by Freeman, to add the second Community Services Officer position back in the Police Department.

THE MAKER OF MOTION WITHDREW HIS CONSENT TO SEPARATE POLICE AND FIRE BUDGETS

Council Member Ojakian requested the cost of the Community Services Officer (CSO) position.

Mr. Yeats said the cost was approximately \$78,000.

Council Member Ojakian asked Council Member Kishimoto where she believed those funds would come from.

Mr. Benest said it would be an ongoing addition to the operational base.

Council Member Kishimoto said the monies would probably come from the Council's Contingency Fund for the current year or the bottom line of the budget. She was open to having a half-time position.

Council Member Ojakian said even with a CSO in place there were a lot of complaints in the community. He expressed opposition to the motion.

Mr. Yeats clarified the actual cost for the CSO position was \$74,000, which included benefits and pension.

Council Member Freeman said the residents of Palo Alto had repeated issues with code enforcement, and perhaps the current structure to enforce ordinances and regulations in the City could be enhanced. Removing it completely did not aide the situation.

Council Member Morton encouraged his colleagues not to add back the CSO position.

AMENDMENT FAILED 2-5 Freeman, Kishimoto yes, Cordell, Mossar not participating.

MOTION PASSED 7-0, Cordell, Mossar not participating.

Council Member Ojakian requested the meeting be adjourned in memory of retired Battalion Chief Mick McDonald who was a very good City employee and a wonderful man.

Mayor Burch said services for retired Battalion Chief Mick McDonald would be held on June 23, 2005, at 10:00 a.m. at Stanford Memorial Church.

- F. The Finance Committee Recommends the City Council Adopt the City Manager's Office 2005-2006 Budget and the 2006-2007 In-Concept Budgets as Modified and the Ordinance Portions Related Thereto.

Vice Mayor Kleinberg would not be participating in the item due to a conflict of interest because she was employed by Joint Venture Silicon Valley that had initiatives that involved City Managers of which Palo Alto participated.

MOTION: Council Member Ojakian moved, seconded by Mossar, to accept the Finance Committee recommendation to adopt the City Manager's Office 2005-06 budget and the 2006-07 in-concept budgets, as modified, and the ordinance portions related thereto.

Council Member Morton asked whether the City Manager's budget contained a contingency.

Director of Administrative Services Carl Yeats said the City Manager's Contingency was located in the non-departmental portion of the General Fund.

Council Member Morton expressed support for the motion.

Council Member Freeman asked whether the City Manager's budget included potential increases for management and professional staff.

City Manager Frank Benest said no.

Council Member Freeman asked how many years had the Public Communications Manager position been in effect, and what was done before that.

Mr. Benest said the position was originally created in the City Clerk's budget because the Council felt the City needed to better communicate with the residents and the business community. In later years it was transferred to the City Manager's Office. Subsequently, a Deputy Public Communications Manager was added, a position that was now being eliminated in the proposed budget.

Council Member Freeman asked whether other departments such as Police and Fire had public information officers that worked part time.

Mr. Benest said other departments used the Public Communications Manager and her deputy for their expertise. They included battalion chiefs, sergeants and detectives who might be a public information officer at an incident. The Public Communications Manager was also used to assist the Community Services Department send out press releases. The Utilities Department and the City Manager's Office were the only two departments in the City with professional communications expertise.

Council Member Freeman indicated she had not yet seen a document that addressed the issue of the manager's span of control, and how many of the recommendations that were made from the City Auditor's report had been adopted. She expressed concern the City Manager's budget had managers that had no direct reports, were in a different classification with different benefit structures and options.

Mr. Benest clarified both manager and professional employees had the same benefit structure. In the industry, the person who performed the duties of public communications was generally called a manager. In terms of a comprehensive look at how the City had implemented the City Auditor's span of control, progress had been made and it would be available when the City Auditor completed her report in fall 2005.

Council Member Freeman said the City's restructuring was a great start, but she also believed reclassification should be part of that restructuring. She asked why contract services, supplies and materials, and general expenses had increased more than 100 percent in the adjusted budget for 2004-05, what rents and leases were, and why allocated charges in 2006-07 had doubled from 2005-06.

Mr. Yeats said one of the budget saving ideas from 2004-05 was to reduce the charge back for the Technology Fund to zero because the reserve in the fund was sufficient to fund operations for that period of time. Currently, the Technology Fund reserve was drawn down to a level where it needed refunding.

In addition, staff had proposed changes to their work plan due to the projected layoffs in the Information Technology (IT) Division.

Council Member Freeman asked whether doubling would be less rapid than it had been in the past.

Mr. Yeats said yes it would when going from zero.

Council Member Freeman said the figures in front of her went from \$60,000 to \$120,000.

Mr. Yeats said in 2003-04, the actual allocated charges were \$87,000, and would be \$60,000 in 2004-05.

Council Member Freeman said the allocated charges were \$120,000 in 2006-07.

Mr. Yeats said in 2006-07, the Technology Fund would revert back to its past funding level.

Council Member Freeman expressed concern over the lack of benchmarks for the manager of Economic Development position. She believed it was needed to see whether it had accomplished the goals that were set out. She understood there was one such position in the City Manager's office.

Mr. Benest said that was correct.

Council Member Freeman asked whether the salary and benefits for the one Economic Development Manager was \$202,516.

Mr. Yeats said it was actually the salary allocation for 1.15 persons. There was presently an administrative staff person being allocated to that function as well.

Council Member Freeman agreed with the SEIU person who stated it was not the fault of the employees that health benefits had soared; however, something needed to be done. The City could either reduce the number of employees or restructure staff through reclassification. She expressed her opposition to the City Manager's Office budget.

Council Member Ojakian said the assumption that the title of manager meant someone reported to you was fallacious. Sometimes a person managed people, and other times a person managed projects. He clarified the benchmark for the Economic Development staff person was located on page 88 of the Adopted Budget under Effectiveness.

Council Member Freeman said she stood corrected.

Council Member Ojakian said a person from the Chamber of Commerce spoke about economic development. In fact, most people want more services in that area, and in many ways the economic development staff person had been overworked to get the maximum amount of work done.

Council Member Mossar concurred with Council Member Ojakian's comments. She clarified that an individual's job title was separate from one's job classification. Palo Alto had the unfortunate misnomer of a classification entitled Management and Professional employees.

MOTION PASSED 7-1, Freeman no, Kleinberg not participating.

- G. Resolution 8536 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules G-1, G-2, G-3, G-4, G-6, G-10, G-11, and G-12 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates".

MOTION: Council Member Morton moved, seconded by Ojakian, to approve the Resolution Amending Utility Rate Schedules G-1, G-2, G-3, G-4, G-6, G-10, G-11, and G-12 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates.

MOTION PASSED 9-0.

- H. Resolution 8537 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 Collection Rates"

MOTION: Council Member Morton moved, seconded by Mossar, to approve the Resolution Amending Utility Rate Schedules S-1 and S-2 of the City of Palo Alto Utilities Rates and Charges Pertaining to Wastewater Collection Rates.

MOTION PASSED 9-0.

- I. Resolution 8538 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 and Amending the Rules and Regulations Governing Utility Services"

MOTION: Council Member Ojakian moved, seconded by Mossar, to approve the Resolution 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 and Amending the Rules and Regulations Governing Utility Services.

Council Member Freeman asked for an explanation of the eight percent increase.

Director of Public Works Glenn Roberts said the agreement with the City of Sunnyvale called for the three involved cities: Sunnyvale, Mountain View, and Palo Alto to proportionately pay their share in the cost of the SMaRT Station, including replacement of the equipment. The City of Sunnyvale had informed City staff of equipment that had prematurely worn out and needed replacement. Palo Alto was obligated to participate in replacement costs.

Council Member Freeman asked whether the \$154,000 was for a consultant to prepare the plans and specifications for the replacement of sorting lines and the equipment at the SMaRT Station, with an additional \$119,778 for the increase to the equipment replacement schedule, and \$94,090 for the Consumer Price Index (CPI) increase.

Mr. Roberts said that was correct. The first two amounts were related to equipment replacement. The latter amount was the annual adjustment paid to the City of Sunnyvale based upon the living index factor.

Council Member Freeman asked when single stream recycling would begin in Palo Alto.

Mr. Roberts said 20 percent of the City had already been using single stream recycling for the past two years. Staff anticipated delivery of the carts to residents beginning in July, and the program would be phased in between July and September 2005.

Council Member Freeman clarified that once the recycling program was up and running Palo Alto would no longer use the SMaRT Station because it did not handle single stream recycling.

Mr. Roberts said that was not correct. Palo Alto would continue to use the SMaRT Station to process the City's garbage, and to pick out additional recyclables, which residents may not have sorted by themselves.

Council Member Freeman clarified the sorting lines were only for sorting garbage, and not for recycling.

Mr. Roberts said that was correct. The sorting lines would only process refuse.

Council Member Freeman clarified single stream recycling had nothing to do with using the SMaRT Station.

Mr. Roberts said that was correct.

Council Member Freeman said she believed the SMaRT Station would be used for some sorting of recyclables.

Council Member Kishimoto said she would vote no on the motion as she did at the Finance Committee. She believed the rate increase could have been delayed, and possibly reduced.

MOTION PASSED 6-3, Cordell, Freeman, Kishimoto no.

- J. Resolution 8539 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Management and Professional Personnel and Council Appointed Officers Adopted by Resolution No. 8455 to Add a New Classification and to Make a Title Change on Classification Title"

MOTION: Council Member Ojakian moved, seconded by Morton, to approve the Resolution Amending the Compensation Plan for Management and Professional Personnel and Council Appointed Officers Adopted by Resolution No. 8455 to add a new classification and to make a title change on classification title.

MOTION PASSED 6-3, Cordell, Freeman, Kleinberg no.

- K. Resolution 8540 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Classified Personnel (SEIU) Adopted by Resolution No. 8452, by Changing Three Employee Classifications and Changing One Employee Classification Salary"

MOTION: Council Member Mossar moved, seconded by Ojakian, to approve the Resolution Amending the Compensation Plan for Classified Personnel (SEIU) Adopted by Resolution No. 8452, by changing three employee classifications and changing one employee classification salary.

MOTION PASSED 8-0, Kleinberg absent.

- L. The Finance Committee Recommends the City Council to Direct Staff to Report Back to Them, One Year from the Date of Actual Implementation of the Day Use Fee, Regarding the Possibility of Expanding the Fee to Include the Baylands Preserve. This Report Shall Also Include an Analysis of the Payment of the Day Use Fee by Residents and Non-Residents.

MOTION: Council Member Mossar moved, seconded by Kishimoto, to accept the Finance Committee recommendation to direct staff to report back one year from the date of actual implementation of the day use fee, regarding the possibility of expanding the fee to include the Baylands Preserve. This report shall also include an analysis of the payment of the day use fee by residents

and non-residents.

Council Member Morton said he did not believe the City could collect the amount staff had budgeted, and felt it would damage more people than it helped.

SUBSTITUTE MOTION: Council Member Morton moved, seconded by Kleinberg, to delete the park fee from the current budget and to deduct \$25,000 from the fee collection stations.

Council Member Morton said he did not believe it made economic sense.

Vice Mayor Kleinberg said there was a fundamental principal about the enjoyment of Palo Alto's parks and Baylands, and believed they should remain free.

Council Member Freeman concurred with Vice Mayor Kleinberg's comments.

Council Member Kishimoto clarified the park volunteers would be exempt from having to pay a fee.

Director of Community Services Richard James replied yes.

Council Member Kishimoto expressed support for the original motion. She felt it was a structural issue the Council would face again in the future.

Council Member Mossar expressed support for the original motion. The community paid to acquire the open space lands, but had not paid to maintain them. The City needed to accept its stewardship responsibility for its open space holdings.

Council Member Beecham expressed support for the substitute motion.

Council Member Cordell expressed support for the substitute motion.

Mayor Burch said he had frequented a number of community and regional parks and trails without having to pay a fee. He expressed support for the substitute motion.

SUBSTITUTE MOTION PASSED 7-2, Kishimoto, Mossar no.

- M. The Finance Committee Recommends the City Council to Direct Staff to Bring Alternatives, by Mid-Year 2005-2006, on How to Slow the Increase of Benefits and Lessen Their Impact on Infrastructure and Other City Priorities.

MOTION: Council Member Morton moved, seconded by Kishimoto, to accept
06/20/05

the Finance Committee recommendation to direct staff to bring alternatives, by mid-year 2005-06, on how to slow the increased cost of benefits and lessen their impact on infrastructure and other City priorities.

Council Member Kishimoto said a large portion of the General Fund was spent on salaries and benefits, while there was a general decrease in the amount spent for infrastructure and City services.

MOTION PASSED 9-0.

- N. The Finance Committee Recommends to the City Council on Fiscal Year 2005-07 Contract Scopes of Professional Services Agreements Greater than \$85,000.

MOTION: Council Member Ojakian moved, seconded by Morton, to accept the Finance Committee recommendation on Fiscal Year 2005-07 Contract Scopes of Professional Services Agreements Greater than \$85,000 as per the following (CMR:257:05):

The Council Review the Contract Scopes of Service of 2005-2007 Professional Service Agreements Greater Than \$85,000, 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 for the prior agreement amount.

Director of Administrative Services Carl Yeats said it was \$65,000. It was approved as part of the purchasing ordinance for the threshold for contracts to go from \$65,000 to \$85,000.

MOTION PASSED 8-1, Freeman no.

- O. The Finance Committee Recommends the City Council Adopt the Remaining Items in the 2005-2006 Budget and the 2006-2007 In-Concept Budgets as Modified and the Ordinance Portions Related Thereto.

MOTION: Council Member Ojakian moved, seconded by Morton, to accept the Finance Committee recommendation to adopt the remaining items in the 2005-06 budget and the 2006-07 in-concept budgets, as modified, and the ordinance portions related thereto.

Ordinance 4876 entitled "Ordinance of the Council of the City of Palo Alto Adopting the Budget for the Fiscal Year 2005-06 and In-Concept Approving of the Budget for Fiscal Year 2006-2007"

Council Member Freeman said she believed the biggest issue facing the City was the cost of staffing including benefits and salaries. According to the LRFP, staffing costs would continue to rise. She suggested when staff returned to the Council at Mid-Year 2005-06 with alternatives to slow the increase in benefits that they looked at reclassification of positions. She also recommended a clarification of the staffing reductions with an explanation of vacant, frozen and eliminated positions. She suggested the creation of a true organization chart that showed reporting relationships, qualitative benchmarks, and budgeting to a solid sustainable number rather than guessing at economic fluctuations.

Council Member Ojakian said the one matter that did not get resolved during the budget hearings involved the Family Resources operation. County Board Supervisor Liz Kniss and the County of Santa Clara had agreed to give Palo Alto \$20,000.

Vice Mayor Kleinberg said she took a call from Board Supervisor Liz Kniss that evening wherein Ms. Kniss agreed to increase the amount by another \$5,000 to \$10,000.

Council Member Ojakian hoped the City could provide another \$10,000 to cover the position with the County's \$30,000 for the year. He included a caveat that it would not be funded again beyond the current year in order to give the Family Resources operation an opportunity to raise money to self-fund its operation in the future. He asked whether it could be incorporated into the motion.

Mr. Benest said yes.

INCORPORATED INTO MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to extend the Family Resources position for one year with Santa Clara County providing \$20,000-\$25,000, and to provide an additional \$10,000 from the Council Contingency Fund.

Council Member Mossar asked where the money would come from.

Council Member Ojakian said it would come from the Council Contingency Fund.

Council Member Mossar said she understood from staff during the Finance Committee meetings that Family Resources only needed funding for six months because they had a plan in place. She asked where the idea to provide funding for one year came from.

Director of Community Services Richard James said Family Resources, with the additional six months, was given an opportunity to try to raise funds within that amount of time. Staff would have an idea after the first six months what would be committed.

Council Member Mossar asked whether in staff's opinion, a year was better than six months.

City Manager Frank Benest said staff's proposal was to eliminate the Family Resources program. He believed six months was reasonable, and the department could work with the community to raise the additional funds.

Council Member Mossar said the process troubled her and although people lobbied for something there was no reason the Council should vote for it.

Council Member Morton said the Finance Committee reluctantly agreed to the six months because staff had indicated the County would only be able to offer \$20,000. A discussion ensued as to whether funding could be extended beyond the six months if the County came up with more money. He expressed support for Council Member Ojakian's incorporated motion. He complimented those people who dedicated countless hours to bring the budget back to zero without dipping into reserves and while maintaining the City's infrastructure commitment.

Council Member Ojakian said the commitment to Family Resources was equivalent to a public/private partnership.

Council Member Kishimoto said the framework she used in looking at the budget fell into three segments: 1) adequate maintenance; 2) efficiency or productivity investments, such as automation and personnel training; and 3) strategic investments, such as the Charleston/Arastradero corridor.

Mayor Burch complimented City staff and the Finance Committee for their work on the budget.

MOTION PASSED 8-1, Freeman no.

CONSENT CALENDAR

Council Member Freeman asked for an explanation of Item 22A, the suspension of the vehicle impound fee.

Assistant City Manager Emily Harrison said it had to do with the expected demonstration on June 25, 2005.

Council Member Freeman clarified vehicle owners would be required to pay to have their car towed but not impounded. She asked what use was served by posting no parking signs.

Ms. Harrison said there might be people who were not properly notified in time for the event. It also served to protect their property.

Council Member Freeman clarified no parking signs would not be posted.

Ms. Harrison said that was correct.

Council Member Kishimoto said the Midpeninsula Community Media Center's (MCMC's) contract had been reduced in the past from \$160,000 to \$140,000, and was being reduced again by another \$40,000 to \$100,000. She asked what services were being eliminated as a result of the reduced contract.

City Manager Frank Benest said one of the eliminated positions previously produced the City Beat cable show, which reduced the budget for the Community Media Center.

Council Member Mossar stated she could not participate in Item No. 7 due to a conflict of interest because she was an employee of the Community Media Center.

Council Member Morton stated he could not participate in Item Nos. 11 and 20 due to a conflict of interest because he provided or had provided services to those organizations receiving Community Development Block Grant Funds.

MOTION: Council Member Beecham moved, seconded by Cordell, to approve Item Nos. 4-23 on the Consent Calendar.

LEGISLATIVE





4. Adoption of Proposed Appropriation Limit Calculation Resolution for 2005-2006

Resolution 8541 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 2005-06"

5. Resolution 8542 entitled "Resolution of the Council of the City of Palo Alto Authorizing the City Manager and the Director of Human Resources to Act on Behalf of the City of Palo Alto with Regard to Disability Retirements of City Employees; Establishing a Procedure for Industrial Disability Retirement Determinations of Local Safety Officer Employees who are Members of the Public Employees' Retirement System; and Rescinding Resolution No. 7157"

ADMINISTRATIVE

6. Annual Adoption of the City's Investment Policy
7. Request for Approval of Agreement with Midpeninsula Community Media Center, Inc., in the Amount of \$100,000

8. Approval of Software Support Services Contract Renewals with Oracle Corporation in the Amount of \$316,185 (3 Years at \$105,395 Per Year)
9. Approval of Professional Services Agreement with Geodesy in the Amount of \$102,950 for Development Support of New Computer Applications Linked to the Geographic Information System (GIS)
10. Approval of an Agreement with Community Housing, Inc., in the Amount of \$109,695 for Funds Allocated During Fiscal Year 2004-2005 Under the Community Development Block Grant (CDBG) Program
11. Approval of Amendment to Agreement with Project Sentinel for Funds Allocated During Fiscal Year 2004-2005 Under the Community Development Block Grant (CDBG) Program
-  12. Agreement with Palo Alto Housing Corporation (PAHC) Housing Services, LLC for Administration and Consulting Services for the Below Market Rate Housing Program in the Amount of \$130,000 for Fiscal Year 2005-2006 and \$135,000 for Fiscal Year 2006-2007
13. Agreements with the Cities of East Palo Alto and Los Altos for Information Technology Services
14. Approval of an Enterprise Contract with Clean Harbors Environmental Services, Inc. in the Amount of \$340,000 for Household and Conditionally-Exempt Small Quantity Generator Hazardous Waste Management Services, with an Option to Renew for Two Additional Years
15. Approval of an Enterprise Fund Contract with Kelly's Stump Removal Company, Inc. in an Amount Not to Exceed \$150,000 for FY 2005-2006 Stump Removal Project
-  16. Approval of Amendment #2 to Contract No. C3144644 with Huntsman Architectural Group in the Amount of \$868,009 for the Civic Center Infrastructure Improvements Project – Capital Improvement Program Project PF-01002
-  17. Approval of a Contract with Spenco Construction, Inc. in the Amount of \$809,789 for FY 2005-2006 Sidewalk Replacement Phase 1 Project – Capital Improvement Program, Sidewalk Replacement Project PO-89003
-  18. Approval of Contract with O'Grady Paving Incorporated in the Amount of \$1,621,753 for the 2005 Street Maintenance Program Phase 2 Capital Improvement Program Project PE-86070
19. Approval of an Enterprise Fund Contract with Power Engineering Contractors in the Amount of \$390,150 for the East Palo Alto Sanitary

District Meter Installation Project (Capital Improvement Program Project #WQ80022)

20. Approve and Authorize the Mayor to Execute the Human Services Resource Allocation Process (HSRAP) 2005 Through 2007 Contracts Over \$85,000 with the Following Agencies: Avenidas, \$420,216; Palo Alto Community Child Care, \$425,720; and, Adolescent Counseling Services, \$90,000.
21. Authorization to Renew Purchase Orders with Baker & Taylor for the Second and Third Years for the Purchase of Library Books, Audio Visual Items, and Library Continuations
22. Rejection of Bids and Authorization to Re-solicit Bids for Wastewater Collection System Rehabilitation and Augmentation Capital Improvement Program (WC-03003 Project 16)
- 22A. Request to Suspend Vehicle Impound Fee in Response to Demonstration on June 25, 2005

COUNCIL COMMITTEE RECOMMENDATION

23. The Finance Committee Recommends Approval of the Proposed Milestones for the FY 2005-2007 Council "Top 5" Priorities

MOTION PASSED 9-0 for items 4-6, 8-10, 12-19, and 21-23.

MOTION PASSED 8-0 for Item No. 7, Mossar not participating.

MOTION PASSED 8-0 for Item Nos. 11 and 20, Morton not participating.

THE CITY COUNCIL ADJOURNED TO A SPECIAL MEETING AT 10:28 P.M. AS THE PALO ALTO REDEVELOPMENT AGENCY, AND RECONVENED AS THE CITY COUNCIL AT 10:30 P.M.

COUNCIL MATTERS

24. Colleagues Memo from Vice Mayor Kleinberg and Council Member Ojakian Regarding Request to Discuss Future of Palo Alto Airport

MOTION: Vice Mayor Kleinberg moved, seconded by Ojakian, to direct staff to agendize discussion of the Palo Alto Airport for the Council meeting of July 11, 2005.

Darin May, San Francisco, said he appreciated Council's interest in maintaining the Palo Alto Airport as a viable resource to the community. It not only served the City of Palo Alto, but also the cities and counties in the immediate Bay Area.

One of the efforts of the Aircraft Owner's and Pilot's Association (AOPA) was to reach out to the community and help educate them as to the importance of the airport so as not to enter into an adversarial relationship with the residents.

Peter Carpenter, Chair, Joint Community Relations Committee (JCRC), said the Palo Alto Airport was a terrific asset. Presently, the airport was leased to someone else, but in 12 years it would revert back to the City. He applauded the makers of the motion and looked forward to the meeting scheduled on July 11, 2005.

Ralph Britton, 240 Rinconada Avenue, President of the Palo Alto Airport Association, indicated the Association was eager to assist the Council in determining the airport's future, as well as offer economic plans.

Council Member Mossar expressed discomfort with the Colleague's Memo. She found it predetermined and a bit too directive. She said when future discussions were held, the Council would benefit from input from the Santa Clara County Airport Commission, the City of East Palo, and the Caltrans Development and Planning Guidelines that involved airports. She hoped the conversation would be managed in such a way as to allow for grant funding.

Council Member Morton asked whether the meeting scheduled for July 11, 2005, would permit City staff the time to both talk to the County and the Federal representatives about the possibility of reinstating grant funds.

City Manager Frank Benest said he believed so; however, staff would not have time to do any analysis. The County would be invited to present to the Council the key elements of the Master Plan.

Council Member Kishimoto asked whether Federal grant funding was an annual application.

Mr. Benest said he understood there was an annual grant cycle.

Council Member Kishimoto said she was unfamiliar with the economics of an airport, or how it fit into the larger regional and security issues.

Mr. Benest said the County would be in a better position to inform the Council how the Palo Alto Airport fit into the regional program.

Mayor Burch said the Colleague's Memo asked the Council to direct staff to return on July 11, 2005, with what could be determined and bring forth updates.

Mr. Benest said he did not want the Council to expect City staff to come back with a lot of analysis about airports.

Mayor Burch said that was not his expectation; however, he hoped City staff would be able to determine whether Federal grants were available.

Vice Mayor Kleinberg asked for a current update from the JCRC at the meeting of July 11, 2005.

Council Member Ojakian said he had heard from Congresswoman Anna Eshoo that Palo Alto could still get Federal grant funds for the current year. The Airport Master Plan was slated for discussion with the County Commission in August 2005, which would allow for information to be made available. He said he hoped his colleagues would join in the motion to have the meeting to discuss ideas and options for the Palo Alto Airport.

Council Member Beecham expressed support for the motion, and looked forward to a future discussion on how the City of Palo Alto could make the best use of the airport.

Council Member Mossar stated it was possible that nothing might be done at the Council meeting of July 11, 2005 that gave anyone any reassurance, but she would welcome the conversation.

MOTION PASSED 9-0.

COUNCIL COMMENTS, QUESTIONS, AND ANNOUNCEMENTS

Council Member Ojakian requested the meeting be adjourned in memory of retired Battalion Chief Mick McDonald who had recently passed away.

Council Member Morton spoke regarding the impacts of the leaf blower ban.

ADJOURNMENT: The meeting adjourned at 10:57 p.m. in memory of retired Battalion Chief Mick McDonald who had recently passed away. He spoke of Chief McDonald's instrumental work in Emergency Preparedness and the PANDA Program.

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.