Mayor Filseth called the meeting to order at 5:09 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: DuBois, Filseth (Chair), Kniss

Absent:

Oral Communications

None.

Agenda Items

1. Review of Responses to Request for Proposals (RFP) for an Evaluation of Organizational and Resource Options for the City Auditor’s Office and Discussion of Recommendations to the City Council.

Adrian Brown, Chief Procurement Officer, reported the Council Appointed Officers Committee (Committee) individually should have scored the responses to the Request for Proposals (RFP). The Committee may have brief conversations about their scores and areas where their assessments disagreed.

Council Member DuBois requested clarification of the scoring process. He inquired whether there were three ratings for Proposal Number 1.

Mr. Brown reviewed the criteria for the proposers.

Council Member DuBois noted the first table on Page 2 contained the three ratings for Proposal Number 1. He asked if the rows were in a different order than shown on the scoring sheet.

Beth Minor, City Clerk, replied yes. When the information was uploaded to PlanetBids, one of the sections, Quality of the Proposal, was inadvertently omitted. Consequently, Staff inserted the section at the bottom of the bid.
Council Member DuBois advised that he had rated each category on a scale of 1-10. He was attempting to identify the evaluator number assigned to him by the points shown in the tables.

Cassie Coleman, Assistant City Attorney, indicated each criteria had a weight, which was the maximum point score.

Council Member DuBois clarified that he was Evaluator Number 2.

Ms. Coleman asked if Council Member DuBois weighted the criteria at a maximum of 10.

Council Member DuBois noted that he had scored Criterion 1 as a 5. He thought his weights and scores were correct. When it said a weight of 5, the total score could be 50. Each criterion could be rated from 1 to 10 and then weighted.

Mr. Brown reported giving a criterion a score of 10 in a 5 point system would cause the criterion to receive the full 5 points.

Ms. Coleman explained that the maximum scoring for the first criterion was 25.

Council Member DuBois clarified that the scale was 1-10, and the weight was 5.

Ms. Coleman stated there was no 1-10 scale for Criteria 1, 2, 5, 6. Those criteria could receive a maximum of 5 points.

Council Member DuBois asked how the score could reach 50 points.

Ms. Coleman suggested the weighted score was multiplied by 10, but she did not know what the weighting was based on.

Council Member DuBois suggested a score of 10 would be multiplied by a weight of 5 to reach 50 points.

Ms. Minor related that the scoring sheet listed the maximum number of points for each criterion. Council Member DuBois' scoring had remained within the parameters of those numbers.

Council Member DuBois inquired whether the proposal numbers matched those given to the Committee.

Ms. Minor responded yes.
Council Member DuBois noted he had ranked Proposer Number 5 second highest, but that was not shown in the scores for Evaluator Number 2, if he was Evaluator Number 2.

Ms. Minor indicated Council Member DuBois' second highest ranking was given to Proposer Number 3 based on the information he submitted electronically.

Chair Filseth noted Council Member DuBois and he had ranked Proposer Number 2 the highest. Council Member Kniss rated Proposer Number 1 the highest with Proposer Number 2 a close second. He suggested the Committee discuss Proposer Numbers 1 and 2.

Council Member DuBois indicated he had ranked Proposer Number 1 fifth.

Chair Filseth requested the proposer Council Member DuBois had ranked second.

Council Member DuBois responded Proposer Number 3.

Council Member Kniss requested the amount Proposer Number 2 charged because she knew the proposers by the amount they charged.

Chair Filseth replied $25,000.

Council Member Kniss suggested the Committee not consider the last three proposers.

Council Member DuBois suggested the Committee drop the three proposers with the lowest total scores.

Mayor Filseth noted the three proposers with the lowest total scores were Proposer Numbers 3, 4, and 5.

Council Member Kniss did not see any problem with Proposer Number 2. In fact, she was enthused about Proposer Number 2 because the proposal was not pages long.

Mayor Filseth concurred.

Council Member Kniss indicated she had ranked Proposer Number 2 second. Proposer Number 2 had done some work close to home.

Council Member DuBois noted a big difference between financial auditing companies. There were a couple of very large CPA firms, who listed many projects. He did not believe the Committee was looking for a CPA firm.
Some of the firms were more organization or management consultants. In Proposal Number 2, the price was directly related to hours. Proposer Number 2 had estimated 120 hours.

Council Member Kniss felt Proposal Number 4 was rather dramatic.

Council Member DuBois related that part of that was working out the statement of work. He inquired whether 120 hours was accurate compared to the high-end one. If the proposer talked to Staff, the number would probably be less. He liked that the company was fairly small, 12 people, and had worked for 30 years in California. Proposer Number 2 appeared to have conducted some performance auditing.

Council Member Kniss remarked that Proposer Number 2 was close to home, and its proposal was personalized and did not have a lot of unnecessary information.

**MOTION:** Chair Filseth moved, seconded by Council Member DuBois to recommend the City Council select Proposal Number 2.

Chair Filseth agreed with prior comments regarding Proposer Number 2. All the proposers were capable of this work; therefore, cost was a factor. Proposer Number 2 most closely matched the statement of work. The task seemed too small or simple for the large firms.

Council Member Kniss liked that someone would personally conduct the review.

Council Member DuBois asked how the Council would manage the Auditor's Office and this contract. As part of the statement of work, the proposer would come to the City. The Auditor's Office was on its own for the day-to-day stuff.

Chair Filseth believed a shorter and simpler engagement would be better in that type of environment.

**MOTION PASSED: 3-0**

Chair Filseth asked if the proposals would be presented to the Council.

Council Member DuBois inquired whether the Committee could discuss the work plan in more detail once it selected a proposer.

Mr. Brown advised that the committee would refine the scope of services and could assist in negotiating a contract.
Rumi Portillo, Human Resources (HR) Director, reported Staff would assist Mayor Filseth with negotiating the scope of work and contract. Staff could consult with the City Attorney's Office on contract negotiation and scope of work.

Council Member DuBois suggested the Committee review Proposal Number 2 for any concerns.

Council Member Kniss asked which part of the proposal he wished to review.

Council Member DuBois replied the Work Plan on Page 8.

Council Member Kniss inquired whether the Committee could learn Proposer Number 2's name.

Mr. Brown answered yes.

Chair Filseth commented that if the proposal needed to go to the Council, the proposal may need to be blind.

Council Member Kniss asked if the Council would vote on it.

Ms. Minor indicated the Committee's recommendation regarding the company and a contract would be presented to the Council. The Council would not have an opportunity to discuss all the proposals.

Mr. Brown recommended the Committee keep the name confidential in case negotiations broke down.

Chair Filseth felt the Committee could learn the names.

Ms. Portillo reported the City Attorney's Office had prepared an overview of the evaluation process. The Committee could discuss and decide whether to designate a representative to negotiate and prepare a contract for presentation to the City Council. The Committee would probably want to engage in discussions with Proposer Number 1 about entering into a contract. The Committee may want to agree that Mayor Filseth would be the Committee's designee and to select a Staff member as the Committee's designated representative to carry out the administrative functions. The Staff member could be someone from the Human Resources (HR) Department or from Purchasing. The Committee may review the scope of work and comment. It had been suggested that the HR Department not be involved in the RFP. A department that was not subject to an audit by the City Auditor should be involved in the RFP. Purchasing could be involved because it had oversight of the procurement process for the City. The City Clerk's office was exempt from auditing.
Chair Filseth suggested he could work with the City Clerk's office.

Council Member DuBois inquired whether the Committee should select an alternate proposer.

Council Member Kniss reiterated her desire to learn the name of the proposer.

Ms. Coleman indicated if conversations with the proposer went well, the City would issue an intent to award notice. At that point, the proposer would be named and the records would become public.

Council Member Kniss inquired whether the Committee's decision was confidential.

Mr. Brown related that the name would remain confidential until Staff and Chair Filseth held discussions with the proposer. Normally, the name remained confidential until a contract was placed on the Council's Agenda. Under this scenario, the City could negotiate more favorably with the proposer.

Council Member DuBois noted the Work Plan of Proposal Number 2 included five hours of meeting with City officials. He asked with whom the proposer should meet.

Council Member Kniss questioned whether the Committee or the Committee's designees should determine that.

Mr. Brown indicated the negotiations would be different from refining the scope of services. Once Staff felt the firm was acceptable, Staff would work with the Committee to refine the scope of services.

Council Member Kniss inquired whether Staff rather than the Committee would meet with the proposer.

Mr. Brown advised that the Committee could be involved in the conversations because the City Auditor reported directly to the Committee. Perhaps after a conversation with the proposer, only three hours of meetings would be needed. In that case, Staff and the Committee could refine the scope of work to three hours of meeting.

Council Member Kniss asked if the Committee should refine the scope of work at the current time or after a conversation with the proposer.

Chair Filseth suggested the Committee's designees would suggest revisions to the scope of work.
Council Member DuBois felt the Committee should drive the scope of work through policy decisions. He inquired whether the proposer would meet with the Acting City Auditor or the former City Auditor.

Council Member Kniss presumed it would be the Acting City Auditor.

Council Member DuBois commented that there could be some value in speaking with the former City Auditor to understand the issues with the Auditor's Office.

Chair Filseth related that there was no guarantee the former City Auditor would meet with the proposer.

Council Member Kniss felt a meeting with the former City Auditor would defeat the purpose of an evaluation of the office.

Council Member DuBois asked if the proposer should meet with the Committee, Committee designees, or the City Manager.

Council Member Kniss suggested the proposer could spend an hour or two with elected officials. Three elected officials, the Committee, could meet with the proposer simultaneously. Certainly, the City Manager should be involved and perhaps the City Attorney.

Ms. Coleman inquired whether the proposer should meet with Council-Appointed Officers or all elected officials.

Council Member Kniss responded all Council Appointed Officers with the exception of the City Clerk.

Council Member DuBois suggested the proposer meet once with the Committee, with the City Manager, and maybe with Ms. Portillo.

Mr. Brown advised that if additional hours were needed for meetings and the proposal remained within range, the Committee could increase the meeting hours. The Committee needed to decide with whom the proposer would meet.

Council Member Kniss believed the proposer should meet with the Committee, the City Manager, the City Attorney, and the Acting City Auditor.

Council Member DuBois requested the rationale for the proposer not meeting with Ms. Portillo.

Council Member Kniss recalled Ms. Portillo stating the HR Department should not be involved.
Council Member DuBois clarified that the HR Department should not be involved in negotiating the contract.

Ms. Portillo agreed to participate in a meeting to the extent that HR's perspective regarding the proposer's experience could be helpful. The concerns regarding HR's involvement pertained to negotiating and managing the contract.

Chair Filseth believed the intent of the evaluation was to determine the industry's standard practices and apply them to the City Auditor's Office.

Council Member DuBois viewed the evaluation as an organizational evaluation to benchmark the City Auditor's Office and to understand the current situation. Meeting with Ms. Portillo would be useful, but speaking with the City Attorney may not be useful.

Council Member Kniss remarked that the City Attorney knew considerably more than just the legal aspects.

Chair Filseth added that the proposer could have ideas about officials it needed to meet.

Council Member DuBois questioned whether Alameda, Berkeley, and San Jose were appropriate cities for benchmarking. They seemed large in comparison to Palo Alto.

Mr. Brown commented that the proposer may have conducted audits of those cities.

Council Member DuBois suggested Chair Filseth inquire regarding cities closer to the size of Palo Alto during a meeting with the proposer.

Council Member Kniss remarked that the proposer probably had worked with many cities the size of Palo Alto.

Council Member DuBois asked if the Committee wanted the proposer to recommend organizational structure and other improvements.

Chair Filseth questioned whether the Committee wanted recommendations or options and analysis.

Council Member Kniss noted the proposer had been an elected city auditor.

Mr. Brown reported Chair Filseth, Ms. Minor, and he could describe the City's refined scope of work during a preliminary discussion, and the proposer
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could adjust its proposal as needed. After receiving a revised proposal, contract negotiations could begin.

Council Member Kniss asked if the three designees would return to the Committee with a revised proposal.

Mr. Brown indicated the designees could present a refined scope of work to the Committee after a discussion with the proposer.

Council Member DuBois noted the quick timeline for executing a contract. He preferred the Committee refine the scope of work at the current time.

Council Member Kniss believed it could be beneficial for the Committee's designees to refine the scope of work with the proposer and present the refined scope of work to the Committee.

Council Member DuBois would agree as long as the refined scope could be accomplished quickly.

Chair Filseth requested other concerns that the Committee's designees should address with the proposer.

Council Member DuBois felt the Committee should state specifically the recommendations that the proposer should make. Proposal Number 2 was good, but the final recommendation was vague.

Chair Filseth did not envision the proposer making many recommendations. The proposer would present some data and pros and cons, and the Committee would sort through that.

Council Member DuBois wanted a recommendation for organization, staffing, and the expected performance of the Auditor's Office. One proposal he favored included a recommendation of future allocation responsibilities, location of operations, staffing and resourcing, and practices to implement.

Chair Filseth inquired regarding a possible date to meet with the proposer.

Mr. Brown suggested the following week at the earliest.

Chair Filseth requested a meeting as soon as mutually convenient.

Mr. Brown agreed to contact the proposer and learn its available dates and provide those to Chair Filseth and the City Clerk.
Council Member DuBois understood the proposer had some concerns about the liability requirement. He inquired whether the City generally changed the liability clauses within contracts.

Mr. Brown advised that occasionally the City would agree to certain changes. He would seek the City Attorney’s review of requested changes. Changing the ownership of work product was fairly typical.

Council Member DuBois noted the proposer wanted to limit its liability to the amount of the contract.

Ms. Coleman remarked that the few requested changes were a positive sign for contract negotiations. She would obtain and review the proposer’s requested changes and advise Mayor Filseth.

Council Member DuBois indicated the proposer requested a revision in the amount of liability insurance and some other things.

Ms. Coleman reported the liability limits could be negotiated. The scope of work did not appear to be high risk; therefore, she was reasonably confident a mutually agreeable limit could be negotiated.


Deb Figone, Municipal Resources Group (MRG), reported the Council Appointed Officers Committee (Committee) previously requested a list of comparator agencies and core competencies. The performance evaluation for 2019 would likely utilize the existing core competencies with some revisions.

Rumi Portillo, Human Resources (HR) Director, advised that she did not have the historical data that indicated the reasons for using the cities listed. Staff typically relied on survey experts to define a comparable agency. Over time, fire and police, utilities, population, daytime population, workforce size, and budget had all been factors in selecting comparator agencies. County government was traditionally included in surveys.

Ms. Figone recalled that the Committee had reviewed survey data in prior years but had not relied on it. The Committee usually considered the City’s budget, labor union contracts, the economy, the individual’s performance, and the Management Plan in setting compensation. The Committee could utilize the current agencies in a salary survey and in the fall discuss policy considerations for selection of comparator agencies. Alternatively, the Committee could omit the salary survey for 2019 and utilize other criteria.
Council Member DuBois requested the number of comparators typically used in a survey.

Ms. Portillo indicated the number had varied between three and twelve. Eight or ten would be a high number.

Council Member DuBois assumed the comparator agencies had been selected many years ago. Generally, City policies directed compensation toward the area median. The comparator agencies influenced the median compensation. Perhaps the Committee could utilize the same comparator agencies for a 2019 survey and begin work on selection of agencies for a 2020 survey. Using comparator agencies with utilities was appealing. Population, number of services, staffing exclusive of utilities staff, and proximity were factors in selecting comparator agencies. He inquired whether the number of agencies affected the cost of a survey.

Ms. Portillo answered yes.

Council Member DuBois remarked that utilizing the same cities for each CAO would be good. Sunnyvale, Mountain View, and Redwood City should definitely be comparator agencies.

Chair Filseth preferred including a couple of larger cities to set an upper limit.

Council Member Kniss related that talking with other cities could provide some insights into factors for selecting comparator agencies. She was not interested in evaluating each of the agencies to determine the degree to which they aligned with the City of Palo Alto. She inquired whether the Committee reviewed the salary survey for compensation only.

Ms. Figone responded salary and benefits.

Ms. Portillo answered total compensation.

Council Member Kniss asked if cities with utilities were a more direct comparison to the City of Palo Alto.

Ms. Portillo explained that cities with utilities could be a more direct comparison, but cities with utilities were usually located outside the survey area.

Council Member DuBois wanted to reduce the number of agencies.

Ms. Figone advised that the City having utilities added complexity to the City Manager’s and City Attorney’s roles.
Council Member DuBois clarified that 21 cities for the City Manager was a lot. He suggested the Committee review the cities, consider the factors for comparison, and reduce the number of comparator agencies to ten or twelve.

Chair Filseth cautioned the Committee about eliminating comparator cities wholesale because some of the CAO positions could be left with only three comparator cities.

Ms. Figone recommended the size of an agency's budget as a factor for selecting it. The variety of cities for each CAO position may be based on whether the council appointed the position. Most city attorneys reported to the council, but not all city clerks reported to the council. Very few cities had performance auditors on staff. Many cities utilized contract city attorneys. The level of complexity of the city should be another factor.

Chair Filseth wanted some factor for the size of the city, perhaps budget or headcount.

Council Member Kniss noted a great deal of Staff time was spent engaging with the community. Some factors could not be objectively determined and included in a chart.

Ms. Figone recommended the Committee consider the usefulness of the survey data to the Committee.

Council Member DuBois felt the ability to benchmark Palo Alto compensation with other cities was useful.

Chair Filseth inquired whether Council Member DuBois was suggesting reducing the list of agencies to ten total cities or ten cities without and seven cities with utilities.

Council Member DuBois answered: 12 total.

Chair Filseth commented that 12 total cities would mean five cities without utilities for the City Manager, and that seemed small. He assumed there would be a bimodal distribution for the City Manager depending whether the city did or did not have utilities because the number of staff would be larger.

Council Member DuBois suggested seven cities with utilities and at least five cities without utilities.

Chair Filseth felt the problem with the seven cities with utilities was their distance from Palo Alto.
Ms. Figone advised that Berkeley and Davis had likely been comparators because they were homes to universities.

Chair Filseth did not believe being home to a university would be a bigger factor than budget size.

Council Member Kniss asked if the universities were located within the cities.

Ms. Figone responded yes. She inquired whether the Committee wanted a survey of the agencies in 2019.

Chair Filseth answered yes.

Ms. Figone suggested she work with Staff or a consultant to review the criteria for comparator agencies and recommend Bay Area agencies that would fit the criteria.

Ms. Portillo reported Staff could draft a recommendation and work with a consultant to validate the recommendation. The cost of living for the seven cities with utilities listed for the City Manager could be standardized. She had expected Fremont, Mountain View, Redwood City, San Jose, and Sunnyvale to be comparator agencies. For the City Attorney position, one of the comparator cities did not have a comparable city attorney, which would leave 11 agencies on the list.

Chair Filseth expressed concern that seven out-of-area agencies and five local agencies would skew the data. The Bay Area was different from the rest of the state, and the City competed in the Bay Area for employees.

Council Member Kniss questioned whether comparator agencies required their CAOs to live within the city. A number of the agencies did not offer housing for their CAOs.

Ms. Portillo explained that the Committee received separate data for cities with and without utilities.

**MOTION:** Council Member DuBois moved, seconded by Council Member Kniss to use the current survey parameters for this year and then look at reducing the list for next year.

**MOTION PASSED:** 3-0

Ms. Portillo reported Staff had developed a sample list of competencies for the Executive Leadership Team (ELT). Eventually, the list could be included in the evaluation process. The list was being used to focus professional development and engage in conversation with the ELT. She requested
direction regarding grouping core competencies so that they could mesh with the rating categories. Very few rating categories were consistent across the CAOs. She was disadvantaged by not knowing the factors that led to the inconsistency. She requested direction from the Committee as to whether it wished to revise core competencies and whether revised competencies should align with those used across the organization.

Council Member DuBois asked if the Committee could change to the competencies used across the organization.

Ms. Portillo clarified that the core competencies had been introduced to the ELT, but they were not used for ratings yet.

Council Member Kniss remarked that the new competencies appeared robust.

Ms. Portillo added that the City Manager had been active in vetting the competencies.

Council Member DuBois suggested the Committee begin work on the competencies in 2019 and implement them in 2020.

Council Member Kniss asked if the list of competencies was too extensive to utilize at the current time.

Ms. Portillo explained that Staff had not worked through how to assign a rating to the competencies.

Ms. Figone indicated the question for the Committee was whether all the competencies lent themselves to ratings for the CAOs. Most of them probably lent themselves to ratings. Some may need refinement.

Council Member DuBois suggested the Committee continue with the current competencies but discuss the proposed competencies during evaluations. In 2020, the Committee could choose to implement the new competencies.

Ms. Figone believed the current competencies could be used with some revisions. As Staff works on the new competencies, the Committee could bring them into its evaluation process.

Council Member DuBois proposed revisions to competencies that would allow the first six rows to apply to all CAOs.

Ms. Figone recommended revising the labels but retaining the language specific to each CAO.
Chair Filseth concurred. The Council had debated the differences between some labels.

Council Member Kniss hoped to revise the evaluation process so that all Council Members would participate. If revising the performance categories could accomplish that, she favored it. She questioned whether the evaluation process was too complicated.

Ms. Figone reported she would emphasize interviewing all Council Members if they were available. If Council Members preferred an electronic interview, she would provide them with a Word document to complete rather than an online survey. Hopefully, a telephone or in-person interview could reduce the verbiage and make the evaluation easier for Council Members. The questions from the prior online survey would be asked via interview or a Word document.

Council Member Kniss requested an approximate amount of time to complete the interview.

Ms. Figone estimated 90 minutes. Council Members would receive the packet in advance of the interview. If Council Members did not have time for an interview, they would receive the interview questions in a Word document.

Council Member Kniss felt Ms. Figone could provide some guidance during an interview.

Ms. Figone hoped an interview would be helpful. The interviews were scheduled during the Council’s recess. The interviews were held during the recess in 2018 as well, and the results were no different than in prior years. Staff would revise the labels, the typographical errors, and some of the language without changing the spirit of the document. She recommended monitoring Staff’s progress with the proposed competencies and introducing the new competencies to the Council. At a minimum, Staff could return with the proposed competencies as the 2019 evaluation process ended.

Council Member DuBois suggested introducing the new competencies during the final 10 minutes of interviews.

Ms. Figone advised that she could circulate the new competencies among the Council and request their thoughts about the new competencies during the interviews.

Council Member Kniss felt Council Members may be more willing to respond with only three CAOs to review.
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Ms. Figone added that the City Manager's review would be more goal setting than review.

Council Member Kniss inquired about alternate ways to evaluate CAOs that could be more effective than the Committee's process.

Ms. Figone commented that the Committee's process was more complex than she had experienced. The Committee was engaged in the process and allocated a great deal of time to the process. The Committee had to decide if it wanted to trade off some components of the process. She was impressed with the level of feedback provided to CAOs.

**ADJOURNMENT:** The meeting was adjourned at 6:50 P.M.