

Regular Meeting
June 13, 2006

Chairperson Cordell called the meeting to order at 7:10 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Barton, Cordell, Drekmeier, Morton

1. Oral Communications

None.

2. Public/Private Partnership Policy Update

Carolyn Tucher, 4264 Manuela Way, spoke about the Palo Alto Art Center Foundation. A guideline can benefit both the City and the nonprofits. Many of the organizations in the community were trying to maximize beloved programs by bringing private support. The draft Public Private Partnership Policy was intended to encourage development of public/private partnerships. The policy offered City aid in facilitating the regulatory process and offered the possibility of fee waivers and contributions of City funds, to the extent that a program fell within something already approved by the Council. The set of guidelines provided clarity and assigned responsibilities for costs at the outset. The guidelines helped organizations have a sense of equity because everyone followed the same set of guidelines. The guidelines were a benefit to the City to the extent that funding and support for City programs and activities were increased. The big concern was whether the bar would be set too high for nonprofits. Concerns were as followed: who took on the risks of inflation, quality control, delay, and change orders; who paid related costs for design, furniture, and equipment; and who paid for inherent increases in the City's operating budget. Staffing was the biggest concern. The guidelines did not include much detail on alliances, which was where the Art Center was placed. Asking nonprofits to speak first with City staff was reasonable. Demonstrating a certain strength of administration and finances by the organizations made sense. The 50 to 100 percent funding required of an agency and the possibility of the agency having to bear the same percentage of costs in overruns was a

concern to nonprofit agencies. A feasibility study was being conducted to understand what a reasonable sum of money was to expect from a fund raising drive. The City did not want to take the whole responsibility of cost overruns.

Normal Carroll, 425 High Street #120, said public/private partnerships had occurred in the City for at least six years. A major partnership was with Friends of the Library. Questions were raised recently about how HSRAP funding was used in the City. Those were joint ventures defined in the staff report (CMR:268:06) and provided a service needed by the City. In keeping with the City's desire to start and maintain joint ventures, questions about HSRAP or Community Development Block Grant (CDBG) funding were questions that were already answered. Services were provided for a fee. The City had the right to review whether the services were provided and, if services were not provided, contracts could be terminated. The guidelines supported the ventures already entered into by the City; those provided by the HSRAP funding were areas where most of the public was ignorant of the services provided, as demonstrated in the Auditor's survey the prior year. Those programs supported seniors, youth, and low income people.

Robert Moss, 4010 Orme Street, said the basic concept of partnerships was a good idea. The alliance section needed clarification. When looking at the contribution of the nonprofit to a City program, other things besides dollars needed to be studied.

Director of Community Services Richard James said the Council had a discussion a month prior which gave him direction to talk to staff about public/private partnerships. What came out of the discussion was a real need to define types of public/private partnerships for the current time and in the future. The partnerships were defined three ways; Joint Ventures, Alliances, and Co-sponsorships. There were two types of joint ventures: 1) where an outside organization came to the City and asked the City to participate in a partnership that benefited the City, and materially benefited the organization; and 2) where the City initiated the joint venture. Alliances came from different friends groups, foundations, and individuals. The difference between an alliance and a joint venture was that the alliance party did not materially benefit from the agreement. The alliance gave funding to support City programs and took nothing in return. Co-sponsorships were organizations that supported City activities and programs by providing services that further the mission of the City in consideration of the provision of in-kind or other promotional benefits.

Council Member Barton said he had gone through a number of partnerships as a Palo Alto Unified School District (PAUSD) member and the requirement was that all overruns were covered by the donor party.

Chairperson Cordell questioned whether the cost overruns were specific only to joint ventures.

Mr. James said the cost overruns were specific to joint ventures initiated from the outside.

Council Member Barton said building cost overruns into projects was important. The policy should identify key Council priorities. The policy should include that recognition of a large gift did not give the gift-giver policy-making ability. The organization of the draft wandered from policy to administrative regulation and back into policy.

Mr. James concurred and said staff would organize the policy.

Council Member Morton said the Policy and Services (P&S) Committee had to be careful not to confuse the City with the PAUSD. The PAUSD had schools with poorer parents competing for schools with richer parents. The City did not have that type of conflict, and it was a mistake to build that into policy. The City had a policy where services were provided on a Citywide basis. The City did not want a policy that prevented gifts to the City. The policy statement from 2003 was more concise and stated up front the role of the City was to be somewhat passive. The sound and the feel of the document should not make groups feel they had to conform to a set of City regulations that discouraged them from participating. Under "Alliances" on page 1 of Attachment A to the staff report (CMR:268:06), the donor or Friends' groups supported the City program. The wording, "and does not expect any direct benefit in return" should be deleted. A better example of Co-sponsorships was Youth and Children's Services (YCS) where there was an independent organization offering to run a club. The Palo Alto Tennis Club was not viewed as a co-sponsor because the City provided the facility that used by the Tennis Club.

Chairperson Cordell asked where the Tennis Club would be included.

Council Member Morton said the Tennis Club was a lower order Friends group.

Mr. James said the Tennis Club was a co-sponsorship that provided tennis classes for children.

Council Member Morton said fitting all groups into one of the three partnerships was not as important as it was to make the tenor of the policy positive. The City should include wording such as, "the organization should be prepared to commit a significant portion of the necessary funding." A contingency was not a cost overrun but was a budget mechanism to protect both parties from the cost overrun. Contingencies often were less than what the overrun might be. The

issue of cost overruns and contingencies should be jointly discussed. If the City required that a nonprofit accept an unknown burden up front, no one would come forward under those conditions.

Mr. James said partnerships also included organizations for profit.

Council Member Morton said partnerships for profit were handled through contracts rather than a policy document.

Council Member Drekmeier said most groups wanted to partner with the City because there was a benefit to the groups. Along with the fee waiver, wording might be added that when there was a project that had a partner, the project would get fast tracked. The document might include a list of the steps necessary to get started.

Mr. James said each partnership needed its own steps.

Council Member Drekmeier referred to Attachment C of the staff report (CMR:268:06), page 2, and said requirements such as a business plan timeline, a budget, and a fund raising plan should be added. Termination of a contract should be spelled out. Guidelines with regard to corporate money might be added.

Chairperson Cordell said the tone of the document should not be set up as to create obstacles. People should be encouraged to participate. Attachment A of the staff report (CMR:268:02), under "*co-sponsorship*" on page 4, indicated, "Each department incorporating co-sponsorships in its program will develop administrative regulations that specify the guidelines..." The question was how many departments were involved.

Mr. James said two to three departments.

Chairperson Cordell said the document on page 4 also indicated "These regulations will be approved by the City Manager before they are reviewed by the Council." Staff was asked whether the Council reviewed all the regulations for departments.

Mr. James said the Council had 30 days in which to get back to the City Manager in the event of a disagreement.

Chairperson Cordell said she did not have a major concern with the notion of cost overruns in the joint ventures but the document needed to be clear. The notion of cost overruns in the joint ventures, particularly private parties, was not a major concern. The notion of fast tracking for Council priorities was

avored. The geographical, regional balance issue was worthy of discussion but not necessarily to be placed in a document. If the issue were put in the document, it should be done in a noncontroversial way. The document should be general but provide enough direction and encouragement. The notion of including a chart with each of the types of partnerships was suggested.

Assistant to the City Manager Chris Mogensen asked whether the term, "fast tracking for Council priorities" was used loosely or specific to the Council Top Three Priorities.

Chairperson Cordell said the intent was for whatever the priorities were for a given year.

Council Member Barton said he shared the idea of keeping the document inviting and simple.

Council Member Morton said the distinction between accepting a proposal and encouraging a proposal needed to be separated. Contractual language such as termination should not be in a request for proposal because that was discouraging. The Council was looking for a policy that encouraged proposals. Wording needed to be added in the event staff received a proposal that it did not like, that the proposal would go to the Council.

Chairperson Cordell agreed and said the Council should know what was received. The Council should have the last say.

Mr. James said he thought the language was included in the document.

Council Member Barton said the language was listed only under joint ventures.

Council Member Morton referred to page 3 of attachment A to the staff report (CMR:268:06), "City staff will request approval of Council only after staff first determines that the project has merit and sufficient benefit redounds to the City" and added that even if staff did not agree, the proposal went to the Council.

Chairperson Cordell said the next sentence on page 3 of attachment A indicated that "The party may appeal to the Finance Committee."

Mr. James said there were many times when staff talked to a group about a project, and the group might say it could not get the funding. That would not go to the Council.

Chairperson Cordell said only the joint venture proposal would go to the Finance Committee.

Mr. James said most of the alliance proposals were worked out. If a group wanted to fund raise that would be worked out between staff and the group.

Chairperson Cordell said if a joint venture had a problem, an appeal would go to the Finance Committee. If rejected by the Finance Committee, the appeal would go to the Council.

Council Member Drekmeier questioned whether the appeal was an opportunity or requirement.

Council Member Morton recalled that staff rejected a \$100,000 contribution toward a portable for the Library. That type of rejection should go to Council.

Chairperson Cordell favored the language, "The summary and recommendation to the Council..." (as noted on page 2 of attachment B to the staff report (CMR:268:06)).

Council Member Morton referred to page 4 of attachment A to the staff report (CMR:268:06), "Should the Joint Venture be approved, scheduling of the project will be determined by the Council with staff input." The suggested wording was "Scheduling of the project will be determined with consideration to be given to schedules and staffing capacity."

Chairperson Cordell clarified most joint venture proposals would be nonprofit.

Mr. James said that was correct.

Council Member Morton said the Council needed to recognize the document was important to people who contributed to the community.

Chairperson Cordell asked whether there was a naming rights policy.

Mr. Mogensen said there was a policy.

Council Member Morton said the naming rights policy was somewhat restricted and gave general favor to deceased persons.

Chairperson Cordell said the partnership policy would be reworked and brought back to the P&S Committee.

No action taken

Staff to return to P&S with a revised policy at a future date.

3. Discussion for Future Meeting Schedules and Agendas

Assistant to the City Manager Chris Mogensen said the next meeting was scheduled for July 11, 2006, and was scheduled as the Council retreat follow up. The items on the agenda included the staff revolving door policy, codifying the Colleague's Memo rule, and review of the Council Liaison policy with regard to Boards and Commissions.

ADJOURNMENT: Meeting adjourned at 8:20 p.m.

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