



POLICY AND SERVICES COMMITTEE TRANSCRIPT

Special Meeting
Tuesday, February 14, 2017

Chairperson DuBois called the meeting to order at 6:02 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

[First 34 minutes recorded on a digital device]

Chair Wolbach: Alright, let's call bring this meeting of the Policy and Services Committee to order.

Present: DuBois, Kniss, Kou, Wolbach (Chair)

Absent:

Vice Mayor Kniss: Four present, exhausted Council Members.

Oral Communications

Chair Wolbach: Do we have any members of the public that would like to speak? Looks like we don't have any oral communications.

Agenda Items

1. Community Services Department: Fee Schedule Audit.

Chair Wolbach: Let's move onto our first action item of the evening. (Inaudible) Community Services Department Fee Schedule Audit. I'll turn it over to our City Auditor.

Harriet Richardson, City Auditor: Thank you. Good evening Mr. Chair and members of the Committee. Harriet Richardson, City Auditor. We're here to present the audit of fee schedules in the Community Services Department. Houman Boussina, who's sitting beside me was the lead auditor on that and we also had a Stanford intern, [phonetics] [Mercer Lynn] who worked on that with us. She couldn't attend tonight but she as a great asset to our office this past summer. Then, we also have Community Services Center to answer questions after. The audit objective was whether the fees –

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community service fees for their projects cover the cost of services provided as expected. We focused the audit on CSD primarily, because other departments we identified that have fees for services had had some recent fee studies and CSD had not. CSD implemented a cost recovery policy in 2007 and in May 2015, the City adopted a Citywide user fee cost recovery level policy to set cost recovery goals for City services. We looked at the extent which CSD's fee setting practices might need to be updated to align with the newer Citywide Cost Recovery Policy and because cost recovery data was not available for individual classes, we focused our assessment on cost recovery for CSD divisions and programs overall. I am going to turn the presentation over to Houman, who's going to go through the audit (inaudible) findings and recommendations.

Houman Boussina, Senior Performance Auditor: The Audit Report has one finding. Most CSD programs recover cost (inaudible) with City policy, however, CSD does not consistently apply its cost recovery policies and procedures. We found that CSD's total cost recovery has ranged from a high of 34 percent in Fiscal Year '11 to a low of 28 percent in Fiscal Year '15 and '16. The decline is mostly due to lower golf revenues. CSD has developed policies and tools to meet cost recovery objectives...

Council Member Kniss: Can I just ask quickly? Are you on Packet Page 16? Do you know where you are? (crosstalk) Am I following along with the right one?

Ms. Richardson: Did you get the handout?

Vice Mayor Kniss: Yes. It should be the same.

Council Member DuBois: Page 32 for the findings.

Mr. Boussina: What I'm reading is (inaudible) bullets.

Ms. Richardson: He's using the PowerPoint notes. Yes.

Vice Mayor Kniss: Ok, good.

Mr. Boussina: Alright...

Council Member Kniss: We're still waiting (inaudible) with the bouncing ball here.

Ms. Richardson: I think you have – yeah, you have the separate hand out there.

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Mr. Boussina: CSD has policies and tools to meet cost recovery objectives but has not updated them since 2007 or consistently applied them. CSD has a 2007 cost recovery policy but has not yet updated that to align with the City's 2015 User Fee Cost Recovery Level Policy which was expected to be used starting with the Fiscal Year '17 budget process. The City's 2015 User Cost Recovery Policy limits fee the City can charge to 100percent of service costs, however, Prop. 16 (inaudible) recreation programs such as golf and facility rentals, from the cost recovery limits where market pricing may provide revenues that exceed costs. Staff reports presented to Council when the City was developing its Cost Recovery Policy, misstated the requirements of the law, which influences decisions regarding the policy. As (inaudible) cost was another area we looked at. We found that they are not aligned with the program revenues and expenses. Calculating cost recovery by program area including appropriately allocating a direct cost requires a manual process currently (inaudible) cost centers to program areas. The audit report includes three recommendations. These include coordinating with the City's Attorney's office and ASD who provides the City's Cost Recovery Policy and Questica procedures by which fees are not subject to laws limiting fees to cost recovery. Creating a procedure to implement the City's User Fee Cost Recovery Policy and incorporating (inaudible) in useful elements from CSD's existing Class Cost Recovery Policy which then can be rescinded and working with ASD and the IT Department to configure SAP to include a requirement for the proposed new ERP system to align cost centers with CSD programs. Just the correction, I may have said Prop. 16 instead of Prop. 26 as what exempts recreational grounds from the cost recovery limits. Alright...

Ms. Richardson: That concludes our presentation and we'll answer your questions and the departments here to answer your questions.

Chair Wolbach: Ok, we'll turn to Committee Members for questions or comments. Liz, (inaudible) you have some questions?

Council Member Kniss: Under – on Packet Page 16, you indicate that cost recovery rates for the Junior Museum and Zoo is less than the policy (inaudible) which the City doesn't currently charge an admission fee for that facility which is great. (Inaudible) remember that. Just for the mic, I'm on page 16 and close to the bottom of the page. How do we go about making that kind of, somewhat subjective decision? This is a community benefit and therefore, I'm guessing that golf is not a community benefit because we recover far more of the cost there. My question is, how do we make that subjective decision...

Ms. Richardson: I think...

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Council Member Kniss: ...of does somebody else make it for us?

Ms. Richardson: I think it is somewhat subjective. If you look at Packet Page 22, the City policy is there and (inaudible) cost recovery percentages in ranges which allow for some room within those ranges for the cost recovery should be. It can... as a community benefit – primarily a community benefit, the expectations at that – it might not recover anything or it might recovery up to 30 percent of the cost. When it's an individual personal benefit, the expectations that it would likely cover 70 to 100 percent of the cost. There's room within each of those ranges for some decision making and they aren't hard set ranges.

Council Member Kniss: You fit them into these and make the best decision you can, right?

Ms. Richardson: Correct.

Council Member Kniss: Golf is probably pretty easy. Maybe the Zoo is pretty easy. Which ones are hard to decide whether or not they're being a good benefit? Is that your decision Rob?

Rob de Geus, Community Services Director: Yeah, we look at the policy to give us guidance. Rob de Geus, Director of Community Service (inaudible) she's the senior analyst for the department. The Junior Museum – this is a little tricky one. When we looked at that – (inaudible) we looked at the whole of the Junior Museum and Zoo and some of the programs within the Junior Museum (inaudible) may fit into different categories within the (inaudible). For instance, the exhibit in the Zoo is free and I think that's going (inaudible) for the City, right? It's not in that range of 30 percent-70 percent at least it hasn't been the policy until now. While the summer camps and the classes and the fee-based programs in the schools – are fee-based and they fall within the range of the 30 percent-70 percent but the way the audit was done, they looked at the whole of the Junior Museum (inaudible) one program.

Council Member Kniss: One of the things that we're always discussing is cost recovery. That's one of our (inaudible). It just seems that there must be times when it's somewhat difficult. I remember this decision a long time ago at the Children's Theater and whether that was community or whether that was individual. I'm not making any new decisions or asking you to. I'm just curious as to how you made those and where the cost recovery does fit in. Glad (inaudible) – I don't play golf so it's good to see (inaudible), pretty well on the golf.

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Ms. Richardson: We had – but golf is an example of where you can actually collect market rate and policy – the City policy right now, goes only up to 100 percent so one of our recommendations does focus on the recognition that you can go above that. This policy should be revisited to allow for opportunities where revenue can be generated for the City based on what the market will allow.

Council Member Kniss: Good thanks.

Chair Wolbach: Lydia.

Council Member Kou: I'm just trying to understand, being new to all of this. Which of the CSD programs – can your kind of elaborate a little bit more about how these programs fall into the recovery fee level policy – I mean the community wide – first there's private benefit and then they're 1, 2, 3, 4 over there on page – Packet Page 21.

Ms. Richardson: As far as – our office would not make that decision. Rob – someone answered already. It really depends on a bit on who – a lot on who's benefitting for it. Is it really a community-wide benefit? Is there some community benefit mixed with some individual benefit? Is it all individual benefit? Those are the types of things they would look at as they decide which one of these categories to fit it into. That's where – when the CSD policy was established back in 2007, the City policy didn't exist. The audit is really focusing on recommending that CSD, now that there's a City policy. Look at the city policy and realign their programs to match.

Council Member Kou: What is the percentage between resident and non-resident that uses all of these services?

Mr. de Geus: It varies from program to program. It's on average, I think, 70/30, 70 percent residents. With our summer camp program and swim lessons, it's very high residents, 90 percent-95 percent. Some of our art programs for instance – studio – adult art program is really a regional (inaudible). We have almost 50 percent non-residents, 50/50. The Junior Museum and Zoo also sees a lot of non-residents because there's not something like it nearby so we get people coming from a long way away. The golf course is the other example. We get a lot of non-residents which is not – which is typical for a golf course to see. (Inaudible)

Council Member Kniss: Could I piggyback on that because that's really interesting.

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Chair Wolbach: Tom, do you mind if Liz just ends (inaudible) (crosstalk).

Council Member Kniss: I promise – just a follow up (inaudible) because I think that's just a good question, the resident versus not. In return, do many of our residents go to Mountain View or Melow Park (inaudible) could swim program and so forth? Is there any exchange there like we belong to the same club and therefore, we go back and forth because residency is so interesting? Are we – the real question I think would eventually be, are we subsidizing other communities to our own – for our own cost? I didn't want to say the word.

Mr. de Geus: There aren't too many programs or any that I can think that is predominately non-resident. Actually, they're majority resident and when we get non-residents they pay a little more. They don't get the first...

Council Member Kniss: They do pay a little more.

Mr. de Geus: ...opportunity to register. Yeah, so residents get the first chance. Usually, it helps the bottom line to have -- to fill the class, fill the program.

Vice Mayor Kniss: I didn't realize they paid a little more. That's good. We're cost recovering. Thanks, Tom.

Chair Wolbach: Tom.

Council Member DuBois: First of all, Houman, thank you for the audit. It looks like it was a good audit. There was the finding about the SAP System I guess. I don't know how quickly we're going to get our new system but do we have a way to track requirements that we want to put into the new system?

Ms. Richardson: One of the things that happening right now is that the new (inaudible) system is in the requirement development phase and the Department of Information and Technology has hired a consultant, [phonetics] [Plant Meran], who has met with all the departments and collected information about requirements. Now they're re-meeting with departments and reviewing those requirements. We have been doing this, trying to identify in our audits some things that we know. I had requested a specific meeting with Plant Moran and IT – on what was that, about 5 or 6 months ago? Where we actually sat down with them and just talked about issues we identified in audits so that they would pick up on those things in case...

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Council Member DuBois: Is there an ongoing way? Does Rob have to add it to the list for CSD or when you find something new that you want in the (inaudible) system? How do we make sure it doesn't get lost?

Ms. Richardson: I think the primary way is when the – we're hoping departments can keep track but I think the primary way is when the RFP is ready to be issued, we are going to be looking at that and when we see that, we'll do a cross check with some of our – with all of our outstanding recommendations and say, is there something we identified that we're still missing? In some ways, the RFP will identify things in a very broad way and we might not be able to exactly say that's a direct match but as they implement, there'll be more discussion to make sure that that happens.

Council Member DuBois: Ok. That would be great if the departments owned it in some way and just added it to their requirements.

Mr. de Geus: I was just going to say, we expressed that same thing. We looked at the new system, what we would like to see and we would like to see a robust system that allows us to tie direct cost to programs so when we get questions about how much does it cost to run the pool? We can easily and quickly report.

Council Member DuBois: This could be really helpful for you. What kinds of programs can go over 100 percent legally?

Terence Howzell, Principal Attorney: Terence Howzell, City's Attorney's Office. Just direct your attention to Packet Page 11 which kind of lays out the legal framework and I think that accurately sets forth what the law is. Responding directly to your question, we can go – given that this is the services that are the subject of this audit, are excepted from the Prop. 26 requirements that we've all discussed at other context. Given these are (inaudible) recreation programs, we can exceed those...

Council Member DuBois: So, all of these?

Mr. Howzell: All of these that are subject to – of the audit.

Council Member DuBois: Then can you include overhead and capital replacement fund as part of the cost recovery?

Mr. Howzell: You can as long – I think the only real challenge is making sure that you are just competitive in whatever market you're in but that – those are really the limits.

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Council Member DuBois: Ok. It doesn't even really apply to this?

Mr. Howzell: No.

Council Member DuBois: I did see one place where we offer classes when we have more than or less than the minimum amount. How did we decide to do that?

Mr. de Geus: We did look at that. That was one of the findings that surprised us in the department to and we took a closer look and said, why is that happening? So many that seem to go forward with less than the minimum and so we looked into that further and we found a couple things. One, when classes were canceled – effectively canceled, they didn't have any enrollment. They were not being subsequently canceled in the system. You actually have to go into the system and official cancel the class and so when we ran the numbers or the auditor ran the numbers, those classes came up as still active, even though they were effectively canceled. That was a big portion of why that number was there. In addition to that, what we found was several program areas had minimums that were really just too high. We have group lesson for products as an example, where if we get two out of four, we will go ahead with the class but we had set the minimums at three. I'm not sure why we did that because we would always go forward if there are two kids in that class. I think we need to relook at (inaudible) and make sure that they're accurate.

Council Member DuBois: Cool, thanks. I guess with the new Junior Museum, I think the plan is they are going to charge – start charging fees, right?

Mr. de Geus: That's correct.

Council Member DuBois: That will... I mean overall, I think we make the right choices. I'm pretty comfortable with the levels of recovery and what we offer for free. I do think – do we have a golf course management company when the fold course opens?

Mr. de Geus: We – (inaudible) to ask because we currently have three firms that we work with. We have Brightview Maintenance that does the maintenance at the golf course. Brad Lozares does the golf professional services and (inaudible) that own the restaurant. The (inaudible) makes sure everybody is working together. All of those contracts expire in April of 2018. We are currently thinking about how we might proceed with a new operator. Do we extend the contracts of the existing 3 or do we put out an RFP and bring in a new operator? One operator which we think is more effective ultimately. Have them come in before we re-open in November and

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(inaudible) council or something on that soon because that's the direction (inaudible) now or the next couple months so we can have someone on board.

Council Member DuBois: Yeah, this seems like a really interesting pricing question. It's going to be (inaudible) of a golf course. Probably want to be the high end of the market rate I would think but you want it to be used, right? Some kind of expert like a golf course management company; seem like they could figure that out.

Mr. de Geus: That's the balance – we've been working closely with National Golf Course Foundation which is an organization that helps with price setting and finding a good operator. We will be working with them again as we put out this RFP if that's the direction we go. We will have a discount for residents, certainly. To make sure that that's (inaudible).

Council Member DuBois: It will probably be – once brand new, it will probably be the highest and with that over time it's (inaudible). I know it's not in here, I'm just curious, the airport is not considered community service at all, right? Those fees?

Mr. de Geus: Not yet.

Council Member DuBois: Ok. I mean, wow. Is it just (inaudible) something at this point?

Mr. de Geus: It's kind of Public Works I think. We have an airport manager that's managing it, Andy – I forget his last name...

Male: Swanson.

Mr. de Geus: ...Swanson. (Inaudible)

Council Member DuBois: I mean it's off topic, do you guys know if we manage that as market rate for fees and things?

Khashayar Alaei, Management Analyst: There's a study underway to look at all the fees of the airport as well. I don't know the specifics about it. From what I understand that those are being looked at too. In addition to the leases at the site.

Council Member DuBois: Thanks.

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Chair Wolbach: Any other questions or comments? Let's go back to – do the second round. Would either you want to go ahead then...

Council Member Kou: Chair, I still have questions is that ok?

Chair Wolbach: Sure.

Vice Mayor Kniss: Only one per night.

Council Member Kou: I was just wondering what programs are here that are unique to Palo Alto within – different from say, Mountain View or Los Altos, that would draw in more out of towners and non-residents so we have that cost recoupage?

Mr. de Geus: We have a number of unique programs and assets in Palo Alto because the Council and Communities invested in for many decades in parks and recreation services. I think the Children's Theater – dedicated Children's Theater are very, very unique. You don't see that in other Cities. Even a municipally run Art Center in Palo Alto is also quite unique. Junior Museum and Zoo is another example of something that you don't see in neighboring Cities and so it draws people from the region. Palo Alto is definitely an attraction. People come here to use our facilities, to come to our theaters. We have three theaters which is unusual for a town of our size.

Council Member Kou: Three?

Mr. de Geus: Yeah, the Community Theater, the Children's Theater and the Cubberley Theater. They all have different – they operate differently from one another. Then we have playgrounds like the Magical Bridge Playground that gets people coming from Santa Cruz to the north end to participate in that universally accessible playground that has hundreds of people every day. (Inaudible) gets at your question but Palo Alto is a draw or a lot of the different activities and programs that we have; which has an impact on wear and tear and other thing but most of the fee-based programs across the realm non-residents pay and they pay more than Palo Alto residents. They stay in Palo Alto and hopefully spend a little money in Palo Alto. They get lunch or dinner or spend some money (inaudible).

Council Member Kou: I guess what I'm trying to figure out is are we taking full advantage of the cost recovery for those that we can charge for? I know Magical Bridge is not – there's not cost there.

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Mr. de Geus: There's no cost. The City covers the full cost of the Magical Bridge Playground and it's not inconsiderable because it wears down because of the amount of use it gets there.

Council Member Kou: I met with Magical Bridge people and they said that they like the show. Every other City who wants to have one, they come here to look at it and then there is definitely that wear and tear. When the...

Vice Mayor Kniss: We should charge those other Cities.

Council Member Kou: ...the Junior Museum, when it comes back is there the cost – there's a fee charge. Is it going to be the same where non-residents are going to have a high fee?

Mr. de Geus: Yes.

Council Member Kou: Ok. Very good. Thank you.

Chair Wolbach: Liz, you had another question to?

Council Member Kniss: Yeah. (Inaudible) because we went late last night and I'm not totally absorbing some of it. The theater, music and dance; we've got three theater groups. We've got Theater Works. We've got Palo Alto Players?

Mr. de Geus: Yep.

Council Member Kniss: Ok, Theater Works, Palo Alto Players and

Mr. de Geus: West (inaudible)

Vice Mayor Kniss: (Inaudible) that's the one I hadn't thought about. Those are – when you say they don't meet the City's \$90,000 revenue target or in those (inaudible) provides to the City so on and so forth. Then you talk about the value annually. Why am I having some trouble with my math here? The theater group has to meet the \$90,000 revenue target for annual sales and if they did meet it – even though it's the \$500 on the next that's kind of (inaudible) me a little.

Ms. Richardson: I can tell you what was explained to us during the audit. They have a target to generate a certain amount of revenue from each ticket that gets contributed to the City; that's the \$90,000. We're at the bottom of packet page 16, top of page 17. At \$500,000 is the value of the City's subsidies and that takes into consideration the cost of maintenance of the

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facility; utilities that are provided and that sort of thing. There isn't right now an expectation where the portion of the ticket sales that the City gets to offset – to fully offset that – those cost so that's where your \$90,000, \$500,000 are.

Council Member DuBois: Does that include theater Staff as well? Yep. That's probably the biggest part of it.

Vice Mayor Kniss: Does that also include – Theater Works is kind of interesting because they go back and forth between two theaters. Does that alter anything or not?

Mr. de Geus: When we – the theaters come in and its pre-scheduled throughout the year and they each have approximately (inaudible) (crosstalk)

Council Member Kniss: You figure it out...

Mr. de Geus: Yeah.

Council Member Kniss: ... is what you're saying.

Mr. de Geus: Their participation and attendance have not been growing. That's been a challenge for the theater groups that they have shared with us. Theater Works does pretty well but the other two...

Council Member Kniss: I know.

Mr. de Geus: ...they struggle a little bit.

Council Member Kniss: How about the Children's Theater? Have you listed that separately somewhere? I just remember one awful year we tried to raise the ticket prices a dollar and needless to say, we never did.

Mr. de Geus: I think that's here, right?

Council Member Kniss: Yes.

Mr. de Geus: The Children's Theater...

Council Member Kniss: Pardon?

Mr. de Geus: There's a policy or a philosophy – I'm not sure what you call it but the Children's Theater does not have a pay to play program. Kids sign up

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to be in a play, they don't need to pay for that. The parents do pay for costumes, they pay for tickets to go see the play but we do not (inaudible) charge the kids to participate in the Children's Theater and that's been a long stand tradition...

Vice Mayor Kniss: It has been, right.

Mr. de Geus: ... at the theater.

Vice Mayor Kniss: I think it's worth reiterating because there's really no cost recovery there and – but there is a cost to maintaining the theater. Just what Tom has talked about the Staff and the backstage crew.

Mr. de Geus: The Children's Theater has some cost recovery. Those kids also take acting lessons and singing lessons and all of those are fee-based programs. We have the friends of the Children's Theater. By the way, we have five friend's groups in community service that support – they are tremendous in what they do for the department but the friends of the Children's Theater -- is that when that topic came up, should we charge pay to play? The friend's group stepped up and said, we will pay. We will raise money and pay. They pay, I want to say \$50,000 or something annually to support the theater.

Vice Mayor Kniss: There's no appetite for charging Children's Theater anymore that we do, I know there isn't.

Ms. Richardson: I just want to add something. When Rob mentioned the friend's group, that reminded me of another thing where with – during the audit, there's not a clear way to identify where those subsidies from the friend's groups are coming into offset program cost. The new ERP system could potentially help with that so you could really get a full sense, not just of what the cost of a program is? What's revenue are being generated through fees? What costs the City is paying because you really have three revenue sources; fees, general fund and those friend's groups and being able to link those altogether would give a much better picture of what's going on.

Council Member DuBois: Are those friends amount showing up in here? Not at all?

Ms. Richardson: No, we couldn't identify how they (inaudible)(crosstalk)...

Council Member DuBois: The theaters at 30 percent but the friend's money is on top of that?

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Mr. de Geus: Yes.

Council Member DuBois: Great. Yeah, it would be good to see that.

Mr. de Geus: Some of it is really considerable. It's remarkable what the friends of the Junior Museum have been able to do. They just now hit their 25-million-dollar goal rebuilding...

Council Member Kniss: Astonishing.

Mr. de Geus: Yeah. Amazing residents and non-residents that just love the program and are willing to put that much into it and spend money and ask for money to support a City program like that. The Palo Alto Art Center Foundation is the same way. I mean, they raised over 4 million dollars to renovate -- as you know, is the Palo Alto Art Center. They raised \$100,000 or more a year to support programs which are also not represented here.

Council Member DuBois: Well, that's pretty big.

Council Member Kniss: They -- at least the Art Center has a paid developer. I don't know about Theater Works whether they do or not.

Mr. de Geus: Each of the friend -- every friend's group or most have some type of Staff to help the development...(Crosstalk)

Council Member Kniss: Somebody who attracts that development work.

Mr. de Geus: Particularly ones that have a membership program like the Junior Museum and Zoo. They have a robust membership program. The Art Center does as well. The Recreation Foundation not so much in the friends of Palo Alto parks. They are really project based. They raise money for a specific park or playground.

Council Member Kniss: You know that would be fun to know Tom, is how many friend's groups there are because I have a feeling there are 20 or 25.

Mr. de Geus: We have many partners that support us like Save the Bay and Acterra, the two (inaudible) but there's 5 foundations that exist, non-profits, just to raise money for the City of Palo Alto in a specific program area.

Council Member Kou: Can you name them?

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Mr. de Geus: Yeah, there's the Friends of the Children's Theater, Friends of the Junior Museum and Zoo, Friends of Palo Alto parks, the Palo Alto Art Foundation, and the Palo Alto Recreation Foundation. They're the...

Council Member DuBois: That's a lot of (inaudible)

Mr. de Geus: They're a different department -- there is a Friend's of the Library, also raise a lot of money and sell used books and other things in generating a couple \$100,000 for the libraries.

Council Member Kniss: Theater Works has something called Their Inner Circle, where they raise money as well.

Council Member DuBois: Those are expenses we don't see (inaudible)

Chair Wolbach: Alright. Any other questions for now?

Council Member Kniss: Not at the moment.

Chair Wolbach: Tom, do you have a couple more?

Council Member DuBois: I would just make us move that we accept the audit for (crosstalk)

Chair Wolbach: Mind if I ask a couple questions first?

Council Member DuBois: Oh, certainly. Sorry. (crosstalk)

Chair Wolbach: I'll try to be quick because I know we all want to get out of here. It's Valentine's Day and we did have quite a meeting last night. Just a few questions. First, the goals on -- just stepping back a little bit, right, to think about the goals for a second on Packet Page 6. Ensuring financial stability -- I mean, obviously, that's something I think we want to be in favor of. Customers paying appropriate shares of the costs and (inaudible) programs are subsidized in accordance with the City's Cost Recovery Policy. I think these are generally pretty good goals but I just want to make sure we are all thinking about that in the context of this. I don't really have a question there but in that context, looking at a couple of other things here. On Packet Page 10 at the top listing the objectives of the audit. In kind of getting towards what the impact of the audit will be. Does this audit obligate CSD to seek more cost recovery or does it just offer a recommendation? Then it's totally up to the director or the City Manager to make that determination.

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Ms. Richardson: It doesn't direct them to seek new cost recovery. What it does is it makes a recommendation to ensure that they're – now that the City has a City-wide policy, that their cost recovery practices align with the City policy and that they look at the cost – the actual cost which was hard for us to really identify on a class by class basis. I don't think it's necessary that they identify it to class by class but they do need to know on a program level basis at least, what it's costing them so that they can set their fees appropriately. The goal is really and the recommendation is to really make sure that what they charge aligns with the City policy but before they can necessarily do that, that City policy needs to be revisited to allow for market level recovery when that's appropriate.

Chair Wolbach: Ok. Going – actually looking at Packet Page 20, Item C, where it talks about – it says, requires CSD to annually assess whether cost recovery levels achieved targets and addressed obstacles and opportunities to meet targets. I actually wonder if there are times where Council will actually want to be one of those obstacles, right? Really my question here is knowing that there may be times where – I really – let me step back a second and say, I think this audit is really useful because I think it does help get us towards a better understanding and help the department have a better understanding in coordination and alignment with the City policies. Then when it comes time to make a determination or make a decision about how much to charge for a program? Obviously, Council may have a sense about a particular program where we want to charge more or maybe even more likely, where we want to charge less than the director or the City Manager may recommend because we see an equity issue or we see some need in the community – a benefit to the community of having a lower fee for – especially for residents. I just wanted to check – as a reminder for all of us, what the process is for when Council wants to say, we actually want to see a lower fee? That would come to us as a separate – that would be a separate agenda item, right? Whether it's at Policy and Services or at full Council, talking about the Fee Schedule itself separately from the audit of the Fee Schedule.

Ms. Richardson: I would agree. Let Rob speak for a second but I also want to say, we didn't (inaudible) wrote that. We didn't envision Council as being the type of obstacle (crosstalk) (inaudible). We were thinking that more once there was some sort of agreement and there was something that was unexpected that caused them not to be able to meet – that they would look at that and say, why can't we meet this target. Kind of like a performance measure. What causes you not to meet that measure?

Chair Wolbach: Right. I was taking it a bit poetically, you say. Taking liberties but again, when Council wants to weigh in on the fees themselves.

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That will come back to us. Will that come to P&S or will that come to – does that come to full Council or does that come to finance.

Mr. de Geus: It goes to Finance...

Chair Wolbach: That's right.

Mr. de Geus: ...Committee. I think to you question Chair Wolbach, we – and we currently are preparing the '18 budget – and I see Kiely over there and we talk at length about fees and revenues and what is reasonable. What does the policy say? We know that costs are going up and so to keep up with even today's cost recovery level means fees need to go up to maintain that. What does that mean? Does that create a barrier for participation or not so there are some real trade-offs that we have to consider? You're right, it comes to the Finance Committee and the full Council as part of the budget process and the (inaudible) Fee Schedule.

Chair Wolbach: Right and I think that that's important for us to just remember that Staff, you guys will do your best to implement the policy but then, ultimately – I know you guys know that this Council is never afraid to weigh in if we wanted to tweak something in the details. My last question is, just as far as implementing the recommendations. I actually wanted to think about a few different departments here; CDS, ASD – I see a representative here (inaudible) and the City's Attorney's Office and IT, are all named in the recommendations. I was just wondering if we had a sense of what the administrative burden of implementing this audit might be in – even in a qualified rather than or qualitative rather than quantitative sense. I don't know if any of those departments want to weigh in or if there's any thinking on the administrative burden that Staff would like to share with us? Just so that we have a sense of what the implementation would look like.

Mr. de Geus: I can begin – that's a good question. I don't think it's a huge administrative (inaudible). I think most of it falls to CSD to manage. The cost recovery policy that was drafted and approved in 2007 is not very different than the one that the Council approved as the City-wide policy so there are some tweaks we need to make. The template tools and consistency, we've already begun working on that. We're going to be working closely with Office of Management Budget and ASD to make sure that that's going to work. I don't think – first of all, we agree with all the recommendations and I don't think it's a big burden. I would add and I was going to say this at the beginning but I'll just say it now. Thanks to the auditor for the work that they did. I mean, we – as you know, the department does a lot. Community Services does a great deal – all across the community and is very diverse and you don't always get the time to do

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deep dives into fee settings and other things. It's actually very helpful to have a report like this and we this will help us do our homework better.

Chair Wolbach: Great. Well, that's it for my questions.

Council Member Kniss: Just one last thing. What are you most popular...

Chair Wolbach: Don't forget your mic.

Vice Mayor Kniss: What are the most popular programs? I frequently hear parents say, I just never can get my kids into those summer programs or I can't get into the afterschool whatever it is or we waited in line – use to be for preschool family and things like that. So, that's school, not you but what do you – if you were going to expand what you're doing. Where would you do it?

Mr. de Geus: The two that come to mind that we see waitlist consistently is the Junior Museum and Zoo and the Palo Alto Art Center. I think largely a testament to the Staff that runs those programs, phonetics Karen Kienzel and John Aikin are the two managers. The unique facilities and they're constantly reinventing the program and it's a combination of fun but also science and education which just people love. They just do a really nice job with it and it's a unique facility. People want to be in Zoo Camp and there's only one Zoo and so there's only so much – that gets filled up immediately. Those are the two that come to mind that is really, really popular. Within the recreate division we have more opportunity to add kids and participants because a lot of the programs are in community centers and on athletic fields so we can have 30 or 40 or even more – Foothills Park we had 55 kids at every camp and we have several camps. We have over 150 children and they do fill up but there's just a lot of space whereas Zoo Camp, it's 12-15 kids and that's all we can really accommodate to make sure the experience is a quality one.

Council Member Kniss: Yeah, no it's an enormous and varied department and very visible in the community.

Chair Wolbach: Thank you. (Crosstalk) I think somebody was making a motion? Who wanted to go ahead and make it?

Vice Mayor Kniss: Tom did and I seconded it.

Chair Wolbach: Tom, let's just make it official.

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MOTION: Council Member DuBois moved, seconded by Council Member Kniss to recommend the City Council accept the Community Services Department Fee Schedule Audit.

Vice Mayor Kniss: Amen.

Chair Wolbach: Seconded by Council Member Kniss.

Vice Mayor Kniss: Yes.

Chair Wolbach: Any discussion? Alright.

Vice Mayor Kniss: Thanks, guys.

Chair Wolbach: All in favor of the Motion? Alright.

Vice Mayor Kniss: Good job.

MOTION PASSED: 4-0

Chair Wolbach: Looks like it passes unanimously. Thank you all.

Vice Mayor Kniss: Go forth and raise the fees.

2. Auditor's Office Quarterly Report as of December 31, 2016,

Chair Wolbach: Alright and I think our City Auditor is going to remain here for Item Number 2 which we will not move onto. I thank everybody who came for Item Number 1. Let's move on to Item 2-Auditor's Office Quarterly Report as of December 31, 2016, Again, I'll turn it over to our City Auditor to give us a presentation on this.

Harriet Richardson, City Auditor: Thank you. As you know, we do a quarterly report. Four of them a year, obviously, so that we can just update the Council on what we're doing. Progress we're making on our audits. This represents the second quarter of the Fiscal Year; Fiscal Year 17' for the period October – December 2016. Highlights during the year. The first one was that I was notified in December that I'm receiving a National award from the Association of Local Government Accountants for excellence in government leadership. I don't have that award in hand yet but it's on its way. That award is to recognize one State local or tribal public profession annually, who over the course of their public career has exemplified excellence promoted, excellence in government, outstanding leadership,

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high ethical standards and innovative management procedures. I was very happy to be notified that I'm getting that. (Crosstalk) Thank you. We also completed and presented to the Finance Committee the City's financial statements and reports. We actually present them on behalf of (inaudible) [phonetics][O'Connell], who is the external financial auditor. Those were presented to the Finance Committee in November and then we published the fee schedule audit which we just presented to you. Getting into the audit set in progress, these statutes – these are the status as of December 31st, so some of these have progressed beyond that at this point. The first one is continuous monitoring audit. We call it Procure to pay which is really accounts payable, where we're looking at whether data analytics and using some sort of continuous monitoring of those data analytics. This can help the City identify potential duplicate payments to vendors or duplicate vendor records. We're moving along with that. That is in the reporting phase and is pretty close to being done. It will be done much sooner than June but because of scheduling, it won't be presented to Policy and Services until June. I'm expecting that it will be done – we have February on here but most likely it will be March. Then I'm going to skip the next one since we just presented that. We have the utilities, water billing accuracy audit and that one is to determine whether utility customers have been accurately billed for their water services. That one is in progress and the auditor working on that is drafting the report now. That is scheduled for presentation to Policy and Services in April 2017; this year. We're on track but depending on how much conversation there is back and forth regarding the audit findings, it could potentially get delayed until June. I'm not scheduling anything for May Policy and Services from the auditor's office because I won't be in town on that date so if we miss April, we'll be going in June. The next one is our continuous monitoring of overtime where we're looking at whether or not – if departments have more details about the when and why they use over time, that they could be able to manage it more effectively and that one is in the reporting phase also and it scheduled to be presented to Policy and Services in June. We're also in the process of wrapping up an audit of sustainable purchases which is looking at the purchasing practice to determine on a City-wide basis, how well the City complies with green purchasing requirements in our City policies. Those include the Environmental Preferred Purchasing Policy, the Extentor Producer Policy, the Recycled Paper Policy and those types of things. That one is very close to being finished and should be on time for the April Policy and Services Committee. We're also looking at the Hydromax Cross spore Contract. That was work that was – that was a contract to do sewer line inspection work and report back to the City what it was finding as far as cross spore gas lines crossing through the sewer lines and looking at whether or not the City got the required information from that contract which – the contractor wasn't able to finish that work under the existing –

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the contract that was originally in place. The City's manager's office asked us to actually look at that to see before they implement a – execute another contract to finish the work -- whether or not they got the data they were supposed to and whether or not the City allocated an appropriate level of contractor over the site. As of December, that audit was in the field work phase. It's actually now in the reporting phase. The report is being drafted now and we expect to present that one to Policy and Services in June also. A non-audit service that we are doing is looking at – we've been providing some advisory services to the Department of Information and Technology as it's developing the requirements for the new enterprise resource management system. I have one auditor who is doing that work. She's participating in all of the technical and strategic planning meetings that IT is holding with the departments. We've had one -- written communication with the department on to kind of clarify what are role is and what our role isn't in this process. One of the other things that she did was some research on where government IT project, ERP systems in particular -- what the biggest risks are for successfully implementing such a system and we summarized those and gave that to the department also. Right now, they're in the process of having a change in the project manager. I'm not quite sure how that's going to affect the work but the project manager we'd been working with just went out on maternity leave so there's a new one in place. Then the National Citizen Survey, as you know we presented that and the annual performance report at the Council retreat on January 28th. As of December 31st, we were still compiling all of the information and analyzing the results of the Citizen Survey but those are both complete now. We also do sales tax and monitoring work where – and we have a consultant who assists in that work. Where we look at business records for Palo Alto to identify where a business may have under-reported or potentially missed allocated their sales or use tax to another jurisdiction. Really looking at trends. We see oh, a business had sales tax for a period of time and then all of a sudden there's none or there's a big drop. It's kind of an indicator for us to look and see was there a potential under-reporting or miss allocation. Under-reporting typically happen more with new businesses that haven't got their procedures in place yet. The miss allocations are usually errors on the part of the business and how they reported in that particular period. For the second quarter, we received \$12,120 in additional sales tax. Thirty-four hundred of that was from our – my office's efforts and \$8,700 were from the consultant's efforts. To date – year to date for the first two-quarters, we've received an additional \$274,000 and right now, there's 62 – what they call them is short forms. It's the form that gets filed with the State Board of Equalization for them to initiate the work to look at that sale tax and determine if there really was a miss allocation. There are 62 of those forms sitting with the State on behalf of Palo Alto right now. Twenty of those are from our office and 42 are from the consultant. Then we also do some

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routine advisory roles. We participate in the Utilities Risk Oversight Committee, the Information Securities Steering Committee and Information Technology Governance Review Board which really looks more at when new projects are coming up. We provide advice if we see something from an audit perspective that we might want to provide some input on. Moving onto the status of audit recommendations. A couple of years ago, I believe it was 2014 when I came here...

Chair Wolbach: Yeah. If there are any questions about that section. Go for it.

Council Member Kniss: Yes, just about that...

Ms. Richardson: The sale tax?

Council Member Kniss: Right now, I am on Number 2 of what you just finished. Maybe there's no connection here but the issues that arose with the school district last year regarding the amount that they anticipated coming from Stanford and what actually came was pretty startling. Does this have anything to do with that in particular? Were you monitoring that or was that something they were monitoring?

Ms. Richardson: That was what they monitor. I wasn't...

Council Member Kniss: (Inaudible) anything to do with us?

Ms. Richardson: Right. We get sale tax from the hospital construction project because it was a very large project. We made arrangements to be able to get the sales tax for materials purchased for that purpose; allocated directly to the City and, so I actually have some numbers here. Over the course (crosstalk) – that's supposed to be through...

Council Member Kniss: That was a good negotiation.

Ms. Richardson: Yes. Over the course of – it happened before I came here so I can't take credit for it. Over the course of time that the construction been going on – and it will – it went up and then it's going to gradually go down again. In 2011 it was about \$10,000. Last year it was \$884,000 – almost \$885,000. So far, we've received about \$2 million in sales tax revenue as a result of that effort.

Council Member Kniss: Do we just put that into the General Fund or is it set aside (inaudible)(crosstalk)

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Ms. Richardson: It goes into the General Fund. It's just general sales tax money.

Council Member Kniss: Good. Thanks.

Chair Wolbach: Do we do that for all construction project in Palo Alto?

Ms. Richardson: No. We typically would only do it if it's a very large construction project. We had talked with ASD and Tommy Fehrenbach before he left about doing some – looking – being more aware of some of those projects but until someone is more active in that role in the City's Manager's Office, we probably won't know about those – I won't know about those projects but I think once that position is filled. We'll get more – have more communication about how we might go about identifying some of those projects.

Chair Wolbach: Just a thought on that is maybe to connect with – actually, Peter Pirnejad in the Development Center as a point along the way.

Council Member Kniss: Good idea. They got a great award last night.

Ms. Richardson: Excuse me. Moving on to the status of audit recommendations. In 2014, when I came here and I wanted to modernize our ordinances and some other things in the office. One of the things that came up was the status of audit recommendation. My office use to gather information from departments once a year and we'd present the status of the old – outstanding recommendations to the Council and then the Council wanted the City Manager to start reporting directly. We didn't get a good process in place. I think we have one now that will start moving these along so I've been working with June on a new process. We're actually – my office is going to start initiating the process but they will still be City Manager reports and instead of coming just once a year, they will start coming every 6-months like they're supposed to. My office is going to establish the schedule and send out the notifications to keep departments on track because as you'll see here, all of these – most of them were past due as of December 31st, there's another one as of tonight, is past due and another one that as of the next Policy and Services Committee meeting will be past due. So, we're initiating this and you should start seeing these come through – I would guess probably beginning with the April Policy and Service – April, May, June Policy, and Services Committee meetings. Also, one that has been – two that have been a particular concern where the inventory management and utility meters' audits. My office met with ASD and utilities two weeks ago, to talk about how to move those two sets of audit recommendations forward and I think we have a common understanding now of what the

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expectation is. I think that those ones will be coming forward pretty quickly too.

Council Member Kniss: Through you Cory, November/December we had long conversations about issues with sufficient Staff to meet these goals. Does that continue?

Ms. Richardson: One of my – you're talking about my Staff where one was out ill? That particular auditor was out ill again for a different reason. She's been back to work but I know that she's still not completely well but she is at work right now.

Council Member Kniss: So, you're back to full Staff at the moment?

Ms. Richardson: Yes.

Council Member Kniss: Ok. Thanks.

Chair Wolbach: I have a couple questions but I want to turn to others. Any other questions on this item?

Ms. Richardson: I do have the hotline to talk about.

Chair Wolbach: I'm sorry. No, please go ahead. I'll let you finish your report.

Ms. Richardson: Ok, yeah. That's just the last part. As you know, we administered the Fraud, Waste and Abuse hotline in – to date in 20 – Fiscal Year 2017, we've received 7 complaints; 5 of them are closed, 2 of them we're expecting to be resolved in January so they should be closed as of the next reporting period. Only one of those was substantiated. The others have not been substantiated. That does conclude my presentation.

Chair Wolbach: Tom or Lydia, do you have any questions?

Council Member DuBois: (Inaudible)

Chair Wolbach: Alright...

Council Member DuBois: I'm sorry. I will go ahead.

Chair Wolbach: Oh, yes. Please go ahead. Go for it. (Inaudible) (Crosstalk) After you Tom.

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Council Member DuBois: I actually had a couple maybe suggestions on the report because I think often times we have similar questions. On the open items, it might be good to know which of these would be fixed – activity versus (inaudible) waiting for the new ERP system because we see a total of 75 open items and no fixes in the last quarter but I think a lot of those items are just waiting for the new ERP system.

Ms. Richardson: I think it's a small number waiting for the new ERP system. Much smaller number than just open recommendations but I have had a lot of conversation with the departments and ASD in particular, about if a recommendation is so old that it was really supposed to be a change in SAP, that we will close it out now and reopen it as we do some of our ERP planning audits.

Council Member DuBois: I mean I think this is the second quarter when no changes and so...

Ms. Richardson: It's more than that.

Council Member DuBois: Ok. Again, I'd like to understand why? If some of these open things are just never going to be fixed, we might want to take them off or understand that.

Ms. Richardson: Right and I've been pretty clear with departments that I'm open to that. If we need to revisit a recommendation for it being overburdensome because it depended on the – it's dependent on the new ERP system. Whatever reason that we can discuss that and I'm open to revisiting that. We actually did do that with some of the older ones that we were able to close out already.

Council Member DuBois: Ok. Then, you might have answered the question – it wasn't really a question but the chart here on implemented recommendations.

Ms. Richardson: Yes.

Council Member DuBois: It might be good to show the previous three-quarters plus the current quarter versus (inaudible) 2017.

Ms. Richardson: Right. You're talking about the number implemented?

Council Member DuBois: Yes.

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Ms. Richardson: You actually have that there it's just in zero, zero, zero because...

Council Member DuBois: Again, it might be good to show rolling past history.

Ms. Richardson: Yeah, it's been no progress for a period of time.

Council Member DuBois: Then you're talking about your award and stuff triggered a thought. Last year you did a lot, I don't know if your Staff did too, but rotations to other Cities. I forget what you call that where you go...

Ms. Richardson: The peer review.

Council Member DuBois: Peer review. You might just want to have a section in where you list those.

Ms. Richardson: We haven't had anyone go on one recently but when we do, we do put it in our activity highlights.

Council Member DuBois: On the sales tax, a couple things there. Again, the cost recovery seems to have dropped off a lot in the last year. I think 2015...

Vice Mayor Kniss: (Inaudible)

Council Member DuBois: The sale tax. Yeah, I'm jumping around a little bit. The sale tax cost recovery – again, just my feeling is it has been pretty low the last several quarters. Again, it might be good just to get an annual chart that you could show us?

Ms. Richardson: Just like this?

Council Member DuBois: Yeah.

Ms. Richardson: Just like that. Well actually, I had someone do this today because those questions come up a few times recently...

Council Member DuBois: It comes up a lot.

Ms. Richardson: ...so I said, can you go back and create this. On Fiscal Year '16 was low but the previous – 1, 2, 3, 4, years, it was over \$100,000. This year we had one really high recovery that we weren't anticipating. It was about \$240,000 from way back in 2007 and it was a miss allocation that went to a City down south and really – a huge miss allocation and should have been distributed throughout the State and Palo Alto's share of that was

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\$240,000. Our consultant worked through a pretty significant appeal process with the State Board of Equalization to recover that money on behalf of its clients. If we took that out, we'd be at about \$30,000 – yeah, about \$30,000 for this year to date.

Council Member DuBois: I know it's kind of lumpy and unpredictable but it just feels lower and there's a backlog there but...

Ms. Richardson: That backlog has been growing. I went back and looked at the numbers for the last 4-quarters. A year ago, at this time, the backlog was 52 and now we're at 62 and so it has grown in between there. It was 52 in December last year or a year ago, 56 in March, 63 in June, 65 in September and 62. I – the State has told us that they've been under Staffed and I think that's why those are taking so long for them to get through their review to determine if there is a miss allocation.

Council Member DuBois: Then the last one I was just curious. I looked at this link here in the quarterly sales tax reports.

Ms. Richardson: Yes.

Council Member DuBois: The last one up on the web was June of 2016. I think we published at least one more since then, right?

Ms. Richardson: Yes. They're always delayed a little bit. Those actually come from the consultant and then we do a little summary on the top but they missed a quarter and had to catch up. There's June 16th.... (Crosstalk)

Council Member DuBois: (Inaudible)

Ms. Richardson: ... I think is the most recent – right. We should be getting the September one fairly quickly. There's always a lag in those because of the timing of the State giving the – the consultant being able to get the information from the State and putting it together with their report.

Council Member DuBois: It sounds like – yeah, I just wanted you to be aware that it sounds like there's one missing. It sounds like you're going to catch that up. Ok, thank you.

Chair Wolbach: Lydia, any questions or comments?

Council Member Kou: (Inaudible) On the – first I want to say congratulations on your award.

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Ms. Richardson: Oh, thank you.

Council Member Kou: Thank you. Precreative pay so if it did happen that we had duplicate payments to vendors. Can we get that back?

Ms. Richardson: Yes, and the department does identify some on their own. We identified some and they identified some. Right now, our biggest concern is really with duplicate vendor files because that creates an opportunity for someone or a lot – and a lot of unused vendor files. They haven't been used for many years. That creates a lot of opportunities for bad things to happen and as we move into the new ERP system, that's when things will be recommending pull over only active vendor files and have a process for weeding out vendors or achieving them I would say. Archiving vendor records that aren't being used.

Council Member Kou: There's a lot of cleaning up to do?

Ms. Richardson: Yes.

Council Member Kou: Second question was about the abuse hotline. That's for employees (inaudible)(crosstalk)

Ms. Richardson: Correct. It's an internal hotline.

Council Member Kou: Internal hotline. Ok, thank you.

Council Member Kniss: You might say a little more about the hotline just because it has in the past been an interesting topic.

Ms. Richardson: Yes. As you can see, we don't get a lot of complaints but one of the concerns that I've had is that a lot of the complaints that we do receive – for example, if you look at 2015, you say oh – 2016 you say oh, wow. People are starting to use the hotline. Nine of those complaints were basically different versions of the same complaint and when you read them they sounded like they were coming from the same person. They are unanimous but the writing style, you can kind of tell it sounds like it coming from the same person so I'm in the process of working on the protocols – revisiting the protocols and we're supposed to come back to Policy and Services in March to look at what can we do to make the hotline a more effective tool and not have it be where someone is calling in to complain because they don't like a decision their manager made. When it's really not a fraud, waste or abuse issue. Possibly doing some publication of what – as I call it marketing because you don't want to be soliciting calls unless the real fraud, waste, and abuse calls but really putting some information out to

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employees about what the hotline is and what it isn't. There's a lot of good examples out in the public arena for what works and what doesn't work. I'm working on that now and expect to come back in March with a report.

Chair Wolbach: Any other questions, Liz? Ok. I've actually got one questions and it kind of ties into the next meeting or item on our agenda which is future meetings and agendas. In – that is, 2 of the items that you are talking about bringing to Policy and Services Committee.

Ms. Richardson: Yes.

Chair Wolbach: I would actually suggest – you should probably go to Finance but I wanted to discuss it while you're still here. Those are the water billing accuracy audit and also the Hydromax Cross Bore Contract and my reason being that generally, Finance Committee should handle utilities related items. I just wanted to raise the possibility of those two going to the Finance Committee rather...

Ms. Richardson: Can I address that?

Chair Wolbach: ... Yeah – I just want – that's why I'm bringing it up so I wanted to open that up (inaudible)

Ms. Richardson: When I worked on updating our Ordinance back in 2014, One of the issues that came up was how does the office decide what goes to Policy and Services and what goes to Finance? It was pretty much random. It was like oh, it's time for finance to get one. Oh, Policy and Services hasn't had one and there weren't some real clear criteria for how they were deciding what when to which Committee. Then Policy and Services recommended and Council adopted a decision that all audits would go to Policy and Services and Policy and Services would act as the Audit Committee. It doesn't specifically use the term Audit Committee in the ordinance but that was the reason behind it and it is the best practices – best practice from an audit perspective to have an Audit Committee where one Committee hears the reports. If we wanted to do that – we did make a change when we did the annual services audit because initially, Finance Committee had asked us to do some work in – I put it on our audit plan but the Finance Committee was very interested. It was asking the City's Manager's Office to look at the financial situation in animal services so we made, I think Policy and Services made a recommendation to move that to finance and we did that. On a routine basis, it was really attended to be that Policy and Services would serve as the Audit Committee.

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Chair Wolbach: Interesting. Ok. I don't know if my Colleagues have any thoughts on that or whether we want to revisit that or just accept that as an explanation and move forward.

Council Member DuBois: I have a quick comment. I mean, we've certainly done utilities in the past; the gas meter audit and the inventory audit. I'm interested in that and I'm also very interested in the Hydromax Audit.

Chair Wolbach: Let me be clear, I'm very interested in hearing them. I just didn't want to take something away from Finance (crosstalk) (inaudible)

Council Member DuBois: I think it makes sense for the auditor interface with (inaudible)

Chair Wolbach: I appreciate that, that feedback.

Council Member Kniss: Often they are two different functions. You just help me turn it on. There are times when we've looked at audits and then said, you know this probably should go to Finance as well because they will look at it differently. So, we've seen that happen in the past as well. I think – I understand just what you're saying. This is the Audit Committee.

Ms. Richardson: Yes.

Council Member Kniss: Then, I think sometimes at the end of that you might say, this probably needs to have a – at least a fly by with...

Ms. Richardson: We actually had that discussion with Cable Funds Audit and the advice from the City's Attorney's office – I don't know if Terence wants to step in on this at all. I was talking with Molly – was that it's really best to keep it with one Committee and then move to Council rather than having – I – since I've been here, I haven't gone from one Committee to another. We had that discussion with the Cable Audit but then we ended up not doing that.

Vice Mayor Kniss: Any comments from...

Terence Howzell, Principal Attorney: No further comment. I think that adequately describes Molly's direction.

Khashayar Alaei, Management Analyst: I think one thing to add just from the City's Manager's perspective and I know we've talked to Harriet about this and certainly I think Harriet and Jim could finalize it. I think where Jim is coming from is that, he wants to make sure that both Committees have an

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adequate workload and that one doesn't have too many items in one year and that one Committee doesn't have that many items in the same year. I don't think it's something that necessarily we need to resolve this year but I do think it's a topic that may come up at your next retreat. To look at the workload of both Committees and even the discussion of the Committee structures in itself and as a whole. I think that's where some of the discussion is coming from but again, certainly Harriet and Jim would have to finalize that.

Council Member Kniss: What do other cities do?

Mr. Alae: I don't know off the top of my head.

Ms. Richardson: From an audit perspective?

Vice Mayor Kniss: Yeah.

Ms. Richardson: I've always only reported to one Committee.

Vice Mayor Kniss: Good to know.

Chair Wolbach: Tom?

Council Member DuBois: I was just going to suggest that maybe we close this item and talk about future agenda since we seem to be hitting (inaudible)

Chair Wolbach: I'll open to a motion.

Vice Mayor Kniss: So, moved.

Council Member DuBois: Noted.

Chair Wolbach: Do you want to clarify the Motion or does the City Clerk need us to clarify the Motion?

Jessica Brettle, Assistant City Clerk: Right now, I have it to accept the Auditor's Office Quarterly Report as of December 31st, 2016,

Chair Wolbach: Do we have a second? Second by – Motion by Kniss and seconded by Kou. Alright. Any more discussion?

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MOTION: Vice Mayor Kniss moved, seconded by Council Member Kou to recommend the City Council accept the Auditor's Office Quarterly Report as of December 31, 2016.

Vice Mayor Kniss: I have a 5-minute...

Chair Wolbach: Seeing none. All in favor? Passes unanimously. Thank you very much, Harriet, for two excellent agenda items.

MOTION PASSED: 4-0

Future Meetings and Agendas

Chair Wolbach: Let's move on quickly before we adjourn, to future meetings and agendas. I've done some communicating with the – well, actually, does Staff want to say anything here?

Khashayar Alae, Management Analyst: Yeah, the first thing – if we could do if there is a little time crunch. City Clerk, Beth Minor, sent you guys a Doodle Poll today for March meeting so there is a way we can determine the date tonight? That would be really helpful for us. (Crosstalk)

Vice Mayor Kniss: Why don't we do it right now?

Council Member DuBois: I couldn't make it. I just responded.

Mr. Alae: Yeah, so the dates that she had proposed are Wednesday, March 22nd, Tuesday, March 28th or Wednesday, March 29th?

Jessica Brett, Assistant City Clerk: I have a start time for either 6:00 or 7:00 on those nights.

Chair Wolbach: I'm available for all of them.

Vice Mayor Kniss: Hang on while I look.

Council Member DuBois: What were those dates again?

Mr. Alae: The 22nd, 28th, and 29th of March.

Chair Wolbach: Starting at either 6:00 or 7:00.

Mr. Alae: Six or 7:00 depending on your schedules.

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Council Member Kou: Usually how long does it take? An hour and a half?

Mr. Alae: Two hours to some time it goes to 3 depending on the (crosstalk)

Chair Wolbach: You'd want to block three hours on your calendar.

Council Member Kou: It's 3 hours?

Chair Wolbach: Just to be safe.

Council Member Kniss: 3 hours?

Council Member DuBois: I could do the 22nd...(crosstalk)

Chair Wolbach: I'd recommend blocking that.

Council Member DuBois: ... if we start at 7.

Vice Mayor Kniss: Why? Did I miss something?

Chair Wolbach: Just to play it safe.

Vice Mayor Kniss: I can't do it – it says here I'm giving a speech on the 29th which I certainly forgot about but the 28th is ok and the 22nd is ok. I think is the 22nd...(crosstalk)

Chair Wolbach: Tom...(crosstalk)(inaudible)

Council Member DuBois: I can do the 22nd if we start at 7:00.

Chair Wolbach: Lydia, how does the 22nd at 7:00 P.M look for you?

Council Member Kou: I'd have to give up my drumming lessons.

Council Member Kniss: You're what?

Council Member Kou: My drum lessons. I guess I can do it.

Council Member Kniss: You shouldn't have to give up stuff if we're moving stuff around. What works better for you?

Council Member Kou: The 28th works for me but it's another thing that I have to give up so either way, I'm giving up something.

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Vice Mayor Kniss: Giving up something, right? Which would you rather give up? I can do the 28th too, though.

Chair Wolbach: Tom, could you do the 28th or just the 22nd for you?

Council Member DuBois: I have to check my other schedule. Yeah, I think I can do the 28th as well.

Vice Mayor Kniss: Could you do the 28th at 6:00? That's always so much easier.

Council Member DuBois: Yes.

Council Member Kou: I think we might have a date.

Council Member Kniss: Is that one you can give up more easily than drumming?

Council Member Kou: (inaudible)

Chair Wolbach: Sounds like we're going to go with the 28th at 6:00 P.M. for our next meeting.

Mr. Alae: Ok, that is really helpful for us to know now and get the reports queued up.

Chair Wolbach: Thanks for raising that.

Mr. Alae: Just along those lines. I've got a document up on the screens – apologies I didn't print any out but right now we're looking to bring the hotlines protocol discussion and then the update to the fiber and wireless projects that night.

Council Member Kniss: That's a big one.

Mr. Alae: You can see April is looking at the utility water rate and billing audit, sustainable purchases and then potentially the taxi cab license ordinances.

Council Member DuBois: Is that an update or what is that?

Mr. Alae: That is the – focused around the ride share like Uber and stuff. I don't think – I think it's a continuation and potentially new ordinance from what I understand but I just want to caution you that we seem to be having

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a rolling schedule here and so this is very tentative. I'm pretty certain we're set for March in the sense of Harriet's ready to bring the hotline protocols and utilities. IT are ready to present on the fiber so we're pretty certain on those two items for March. I think the other ones are just tentative.

Council Member DuBois: Could we throw out some ideas too?

Chair Wolbach: Yeah, well I was going to suggest a couple that we've been talking about with Staff. (Inaudible) discussed with the City Manager and with Cash and then see if you guys had any additional ones. Do you mind if I kick off?

Council Member DuBois: Sure.

Mr. Alae: Just before you kick it off Chair. I can certainly take the notes of the items but just to be clear that we don't have authority to schedule those, right? That would either be a direction from the City Manager to add these items to the agenda and/or the full Council has to direct any of these items to be added to the agenda but I can certainly take the notes. Share them with Jim and the Chair can do that with the Mayor as well.

Chair Wolbach: Right. There are a few things that I thought there's a good chance they might come that are not currently listed here but I think there's a high likely hood that they'll be raised; possible in this next calendar year or in the current calendar year. One is the issue – any rule changes around marijuana growing in the City because we do have an Ordinance that is scheduled to sunset at the end of the year and we may want to establish some ongoing regulation. That's one that might come to this Committee. Also, campaign finance rule for Palo Alto. There's a Colleague's Memo currently under construction. It hasn't been submitted yet but it's expected soon. Also, another one that's a possibility for this Committee, another Colleague's Memo that's under construction is or undergoing work is regarding a TCE and other – potentially other ground water contamination. Then a couple things relating to maybe possible follow-ups to the Resolution that the City passed in December around an inclusive Community, relating to women's rights and also potentially relating to immigrant rights. I know that as a Resolution as a whole is going to Human Relations Commission. I think there is a chance – those are a couple items that might be directed by Council back to this Committee so I just wanted us to be thinking about that and put that out there for the conversation. Again, these are ones we've talked about a little bit with Staff as well. Any others from other Committee members? Tom?

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Council Member DuBois: I'd be interested and I don't know if it should come here or to the full Council but kind of an update on the Magical Bridge and that program. They're trying to franchise and expand Nationally. Cubberley Master Plan update might come to P&S first. Town Hall – update on Town Hall schedule. Jet noise, I think has come to this before.

Vice Mayor Kniss: (Inaudible) take that up in this Committee, right?

Council Member DuBois: Well, it started here and I think now it the time for Council to get it active so it would be good for us to maybe get it update.

Vice Mayor Kniss: I have followed through on the request you made as well.

Council Member DuBois: Kind of related to that and maybe it needs to go to Council first but the Airport Operating Plan. The last one was, I think – well surveillance came to us and I think Staff pulled it back for more work so I think it would just come back to us again.

Mr. Alae: That's the Data Collection and Privacy Policy.

Council Member DuBois: Oh, ok.

Mr. Alae: It's kind of coming tentatively for May 9th.

Council Member DuBois: Ok, good. That was it.

Chair Wolbach: Any others?

Vice Mayor Kniss: Could I ask just one question because I know the Magical Bridge folks have been around and probably talked to all of us of what they have done so far. When you requested that, what in particular did you want for information? What goal – sort of what process or goal did you have?

Council Member DuBois: I think it would be interesting to get an update from them and then maybe hear if there are things they can use from Community Services or not. We have kind of the showcase pilot playground for them. I think it would be good just to understand what they're doing and if – how we can support them. They seem to have a pretty good base of donors and things but I think it is a Palo Alto owned park so I think we should be aware of what's going on.

Vice Mayor Kniss: Well, I know they've kind of really done full court press on PR though which is interesting because that hadn't – I've known about it for

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a long time but I haven't – they haven't come into the community quite with the same intent...

Council Member DuBois: Right.

Vice Mayor Kniss: ...previously. So, that's why I was curious.

Chair Wolbach: Lydia, do you have any other items? Ok. For reach of those – both the ones I mentioned and the ones that Tom mentioned. I'm open to whether they – there's – it will be determined later whether that's going to come to this Committee or go to full Council or just be worked on at Staff level but I think there's a good chance that any of those could come before us and we can continue to talk about how to bring those forward and schedule them.

Mr. Alae: I'll certainly update (inaudible) and Jim on your requests on the ideas.

Chair Wolbach: Great. If – oh, Harriet.

Harriet Richardson, City Auditor: Just a reminder you should have these 8 audit status reports coming at some time within the next few months too.

Chair Wolbach: Great. Ok, wonderful. Well, concluding that. Let's adjourn the meeting and enjoy the rest of Valentine's Day. Thank you.

ADJOURNMENT: Meeting was adjourned at 7:26 P.M.