



POLICY AND SERVICES COMMITTEE FINAL MINUTES

Special Meeting Council
March 21, 2018

Chairperson Fine called the meeting to order at 6:00 P.M. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: DuBois, Fine (Chair), Holman, Wolbach

Absent:

Oral Communications

Chair Fine stated that there were no oral communications from the public.

Agenda Items

1. Recommendation That Policy and Services Committee Recommends the City Council Accept the Status Updates of the Audits for the Citywide Cash Handling and Travel Expense, Audit of Cable Franchise and Public, Education and Government (PEG) Fees and the Continuous Monitoring: Payments Audit.

Harriet Richardson, City Auditor announced that Administrative Services Department (ASD) would be giving an update on three audits. The first was the update on Continuous Monitoring of Payments, the second was on Cash Handling and the third was the Cable Audit.

David Ramberg, Assistant Director of Administrative Services Department gave a brief update on the three audits that Ms. Richardson introduced, which was the continuous conversations with the Media Center to address recommendations in the Cable Audit. In regards to Accounts Duplicate Payment Audit, progress was made and more recommendations will be filled once the new Enterprise Resource Planning (ERP) System comes onboard. The new system allowed the department to better address and stop duplicate payments as well as supplied a cleaner vendor database.

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Chair Fine wanted to start with Cable Franchise and Public, Educational, and Governmental Access Channel (PEG) Fee Audit questions.

Council Member Holman asked if the City of Palo Alto (City) was exploring the Media Center proposal for the use of the PEG funds to purchase the Media Center's facility.

Mr. Ramberg said the idea of purchasing the Media's Center facility was brought up when the audit was first reviewed by the Policy and Services Committee (Committee) in 2015. The PEG Fees were only used by law to purchase capital equipment or capital facilities. If the Media Center where to use the PEG Fees to purchase their facility, then other fees could be used for operations.

Council Member Holman asked if PEG Fees were used for capital maintenance.

Ms. Richardson answered no and explained that maintenance was considered an operating expense.

Council Member Holman remarked that if PEG Fees were not used for operations, then a year was lost talking about purchasing the facility.

Mr. Ramberg stated that it was a very complicated process to use PEG Fees to purchase the Media Center facility. Staff wanted to fully flush out the concept before bringing it forward to the Committee and City Council.

Council Member Holman asked if purchasing the facility was explored since it was first brought up in 2016.

Mr. Ramberg answered yes.

Ms. Richardson noted that when the audit took place the Auditor identified that the Media Center was using the PEG Fees for operating expenses. One recommendation was to explore how PEG Fees can be used according to Federal Law.

Council Member Holman asked how this concept helped the Media Center.

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Ms. Richardson explained that from an audit perspective it didn't. Buying the Media Center Facility didn't make the Media Center whole but it allowed the City to have a legal basis for using the funds.

Mr. Ramberg added that the City was the lead agency for the Joint Powers Authority (JPA). Other agencies in the JPA included the City of Menlo Park, the City of Atherton, East Palo Alto, and the Stanford Campus. These agencies received PEG Fee revenue from residential bills and in terms of Palo Alto; all those PEG Fees were transferred to the Media Center. Once the City took ownership of the facility, the revenue was no longer a PEG Fee and the Media Center was able to use those funds for operational expenses. This was what Staff was exploring before they brought the concept of buying the facility to the City Council and the Committee.

Council Member Holman relayed that the City was purchasing the facility, not the land. She wanted clarification on whether this concept was an asset or a liability.

Mr. Ramberg noted that the Media Center owned both the building and the land; it was the JPA's asset and liability.

Council Member Holman asked if the other members of the JPA were helping with the administrative costs.

Ms. Richardson clarified that the Cable Coordinator was responsible for receiving and administering the funds but before the money was distributed to the JPA, the City deducted its administrative costs.

Council Member Holman inquired if that process will continue with the potential purchase of the Media Center Facility.

Ms. Richardson articulated that it should because Palo Alto was required through the JPA agreement to administer the funds.

Council Member DuBois wanted to know if the PEG Fees were being used for administrative costs.

Ms. Richardson answered no; the administrative costs came from the Franchise Fees.

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Council Member DuBois questioned if the Franchise Fees were smaller than the PEG Fees.

Ms. Richardson answered no; the Franchise Fees were larger than the PEG Fees. The City kept their portion of the Franchise Fees and they were allocated based on the percentage of subscribers in their area.

Council Member DuBois articulated that Council wanted to support the Media Center, it sounded like a good approach to the problem. He wanted to know if the Media Center working with the City to resolve the problem.

Mr. Ramberg responded that the Media Center was very engaged and motivated. The problem was the PEG Fees had satisfied a portion of the Media Center's operational expenses; to be able to receive the revenue and be allowed to use it legally was a good thing.

Council Member DuBois wondered if the Media Center's finances were being strained.

Mr. Ramberg replied no, not in the short term because the Media Center did have a Reserve Fund. Some of the delays in this process were to allow for a new Executive Director to be hired and for them to become acquainted with their job.

Council Member DuBois asked where this fell in the City's organization and why it was taking so long.

Mr. Ramberg continued that the Cable Coordinator and the cable operations resided in the Clerk's Office and Information Technology (IT) Departments, per the Municipal Code but the administration components resided with ASD. The City Manager's Office was looking into which department should ultimately take over these duties.

Chair Fine suggested moving onto the City-Wide Cash Handling and Traveling Expense Audit.

Council Member DuBois wondered why this audit was taking so long.

Mr. Ramberg responded that the remaining recommendation had to do with tracking meals that the City paid for Staff. These meals needed to show up on an employee's time card as a payable benefit. The meals were

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not easy to track. Examples of when this might happen were during travel or when a Staff person attended a Council meeting at night. There was a new meal policy in a draft form that helped capture and monitor these meals better. The new timeline for completion was this calendar year.

Council Member DuBois asked if there was any way to qualify these meals as business justified.

Ms. Richardson noted that the Internal Revenue Service (IRS) had a category called Taxable Fringe Benefits and these meals fell into that category. An example of that was when there was a meal that did not occur in the regular course of business but was considered more of a benefit to the employee than a convenience to the employers. In this instance, it was considered a benefit to the employee because it was sited in the Memorandum of Understanding (MOU). It was an option to take the benefit out of the MOUs.

Council Member DuBois thought it was a shame that meals showed up as a taxable income when the employee was working late and the work was benefiting the City.

Ms. Richardson stated that employees might be upset if it was taken out of the MOUs.

Council Member DuBois stated that if employees knew they were being taxed, they may be more understanding about taking it out of the MOU.

Council Member Wolbach agreed with Council Member DuBois.

Council Member Holman wanted examples of the types of meals being discussed.

Ms. Richardson explained that if a Staff member stays for a late City meeting and gets a meal afterward. That receipt for that meal was turned in and they were reimbursed for that meal.

Council Member Holman asked about a per diem rate.

Ms. Richardson added that there was a cap of \$20 for a meal and that did not directly correlate to the per diem rates.

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Council Member Holman asked if the \$20 cap is unreasonable.

Ms. Richardson didn't think the \$20 cap was unreasonable but it was a taxable fringe benefit.

Council Member Holman agreed that it was a good idea to take it out of the MOUs.

Mr. Ramberg relayed that it was an idea to see how to go about removing this benefit from the MOUs. It was not a flat \$20 so if the employee paid less, they were only reimbursed for what they paid.

Council Member Holman thought another idea was to use a petty cash fund but that idea might cause a bigger issue.

Ms. Richardson explained that no matter how you set it up it would still be taxable.

Chair Fine reiterated that this was a benefit that he would like to preserve for employees. He wanted to know if the meals were concentrated in an area such as just around Council meetings.

Ms. Richardson answered that was probably when most of these types of meals occurred.

Chair Fine asked if a Procurement Card (P-Card) could be designated for the meal.

Mr. Ramberg explained that the P-Card was the form of payment so it's still money going out and would still have to be tracked.

Chair Fine suggested the Committee move onto the Payments Audit.

Council Member Holman inquired on how this was working in terms of being built into the ERP System.

Ms. Richardson replied that her office was not involved in that process.

Council Member Holman remarked that from an auditor's perspective, did this satisfy the criteria to pass an audit.

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Ms. Richardson answered that the new ERP System has a function built into it that allowed a continuous monitoring process to identify potential duplicate payments.

Council Member Holman wanted to know when the new ERP System would be up and running.

Mr. Ramberg stated that the City was in the “demonstration and reference checking” phase, which was to be done within the next few months; there was to be an update to the City Council shortly after.

Council Member Holman inquired of the price tag for the new ERP System.

Mr. Ramberg said there was not a final price tag yet. That information was to be provided when Staff received an update on the ERP System.

MOTION: Council Member Wolbach moved, seconded by Council Member DuBois to recommend the City Council accept the Status of Audit Recommendations for: the Audit of Cable Franchise and Public, Education, and Government (PEG) Fees; the Audit of Citywide Cash Handling and Travel Expense; and the Continuous Monitoring Payments Audit.

MOTION PASSED: 4-0

Future Meetings and Agendas

Rob de Geus, Deputy City Manager remarked that April and May will be full months with items but June will be slower.

Council Member Wolbach asked if the review of economic analysis regarding the Housing Inclusionary Program was referencing an old analysis or a new analysis that was complete.

Mr. de Geus stated that he would have to check with the Planning Director.

Council Member Wolbach was interested in discussing this topic this year, in addition to the Senior Programs Update, the Track Watch Update, Homeless Services and the Safe Parking Update. He asked if there would be an update on or a discussion about Cubberley in the next few months.

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Mr. de Geus answered that that discussion would go to the full Council. There was a Request for Proposal (RFP) put out for consultant support; those RFPs have been reviewed and interviews have been conducted. A preferred consultant was chosen and that consultant was meeting with Mr. Keene later in the month.

Council Member Holman inquired about the minutes from the last meeting.

Mr. de Geus remarked that he would look into where the minutes were.

Council Member Holman stated that in the minutes there were things that the Policy & Services Committee (Committee) had listed for Future Agendas. She wanted to see the Enterprise Resource Planning (ERP), Senior Programs, Fiber Track Watch, homelessness and anything else listed under Informational Items to be agendaized as Action Items. She suggested that the Committee have more meetings to help take some of the load off of the Finance Committee.

Mr. de Geus said he followed up with the City Manager and he said that because the Committee Members wanted a topic brought to the Committee, that was not how items got on the Agenda. The City Council referred items to the Policy and Services Committee or the City Manager was able to put something on the Agenda. If any Committee Member felt that something needed to be on the Agenda, they needed to talk to the City Manager.

Council Member Holman inquired if two or three Committee Members were interested in an item, were they able to ask Council to agendaize that for the Committee.

Chair Fine restated Council Member Holman's inquiry and wondered if she was asking if the Committee was able to choose and agendaize a policy or if the Committee made a recommendation to Council on that policy.

Council Member Holman replied that the Committee made recommendations to the Council who then would take action.

Council Member DuBois said the minutes from the last meeting had a good list of topics and many of the items on the list still existed. He supported the idea of forwarding a list to Council requesting that the Committee work on that list. He asked the Committee if they wanted to agendaize potential ballot measures.

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Chair Fine was happy to entertain the idea of forwarding a list to Council. If the Committee wanted to bring forward a memo of items that they thought Council should assign to the Committee, he would be happy to agendaize that.

Council Member DuBois suggested that discussion at the next meeting.

Council Member Holman asked if Staff could bring a list of items that were mentioned at this meeting and last month's meeting to the next meeting. This way the Committee was able to decide which items they wanted to refer to Council and which to give direction on. She thought Informational Items were not worth the time.

Mr. de Geus promised to give the City Manager information on topics and see if he thought it was worthwhile.

Chair Fine was hesitant to brainstorm about new ideas and take those to Council. He did not think the Committee would have input on the economic analysis regarding the Housing Inclusionary Program and he thought the Emergency Medical Services Future Needs Assessment was a big item, which could take two meetings. He suggested the ERP replacement go to the full Council. Homeless services and the Safe Parking Update was a topic he thought the Committee could make some recommendations on.

Council Member Wolbach thought the process was that the Committee made suggestions and the Chair and Staff discussed the Future Agenda Items. Some of the topics under Informational needed to be Action Items. He recommended homelessness be an Action Item and come to the Committee; he did not think the Committee should meet twice a month.

Council Member DuBois suggested that if the ERP update was detailed, then it should come to the Committee.

Council Member Holman inquired if the City Policy and Procedure Update applied to Boards and Commissions.

Mr. de Geus answered that he would confirm that.

Council Member Holman asked Staff when the minutes from the February meeting would be available.

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David Carnahan, Deputy City Clerk voiced that the minutes would be available in the next two to three weeks.

Council Member Holman remarked that many community members noticed the minutes have not been posted to the website in a timely manner.

ADJOURNMENT: Meeting adjourned at 7:00 P.M.