



Policy and Services Committee MINUTES

Special Meeting
June 21, 2018

Chairperson Fine called the meeting to order at 6:05 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Fine (Chair), Kniss (Sitting in for Holman), Wolbach

Absent: DuBois, Holman

Oral Communications

Chair Fine asked if there were any members of the public who wished to speak.

Ken Horowitz stated he was here because he was advocating for a Soda Tax for this particular year but Council decided to move it to the Policy and Services Committee for further analysis. He encouraged the Committee to do this in the next few months. He reminded the Committee that he has left a letter with them by Dr. Jim Krueger offering his services for putting a tax measure on the ballot. He noted there were a number of publications and some fact sheets the Committee can look at regarding the soda tax. Dr. Horowitz requested the Committee do this soon so he can look for funding and support. He felt there was a good deal of money this tax could raise to help the City budget.

Action Items

1. Policy and Services Committee Recommends the City Council Accept the Green Purchasing Audit Status Update.

Chair Fine introduced Item Number 1 and stated Harriet Richardson, City Auditor was present to go over a number of the audits and recommend them to the City Council.

Harriet Richardson, City Auditor noted there were five items on the Agenda which were status updates of open audit recommendations. The departments would present their own status updates. The City Auditor's Office had reviewed all of these and were in agreement with the status as presented. If the departments had a prior update and the recommendations were complete, those were not included. The first was Public Works.

Phil Bobel, Public Works Assistant Director stated in the interest of time he had no presentation but would answer any questions. He noted as reported

on the Executive Summary, Public Works was making progress on all items but one, which related to a data system needed to track vendors' information. After the 2019 budget was in place and they had more information about the new ERP system, the information would be part of that. They also needed to select a manageable number of products, probably six to ten big ticket items and good indicators, to collect green information on.

Ms. Richardson informed the Committee her office agreed with the status Public Works presented.

Mayor Kniss remarked that she had not sat in on this before and asked if plastic straws were being addressed.

Mr. Bobel replied that they were not on the list currently, but they were working on that. He noted they were considering a plastics reduction plan in general before listing individual items, but recognized there was a large movement regarding plastic straws. Also, with the plastic's plan, they would initiate something separate on plastic straws and plastic stir sticks.

Mayor Kniss advised there were a number of non-plastic straws available. She recalled the Girl Scouts showed a video of the danger plastic straws were to animals and birds. She emphasized her belief that it was really important to address this and to let the City know.

Mr. Bobel praised the Girl Scouts for the job they did regarding reducing the use of plastic straws in the City.

Mayor Kniss reiterated there were alternatives such as carrying your own metal straw.

Mr. Bobel noted compostable straws were available to restaurants and the cost of these was dropping.

Mayor Kniss also advised that very often she could not find an open charger for her car in the garage. She asked about funding for more chargers.

Mr. Bobel replied that they were working on getting additional funding and more chargers for City Hall.

Ed Shikada, Assistant City Manager remarked that they had been at the limit of the transformer capacity at City Hall, so there were upgrades necessary. He noted that after implementing a small charging fee for charging cars they had almost no complaints of chargers being unavailable.

Mayor Kniss reiterated that she had tried three times that day and there were no chargers available. She believed people were just letting their cars parked for hours while charging.

Mr. Shikada commented that there was a charge of \$2 an hour for parking beyond when they were actually charging.

Mayor Kniss suggested people may be willing to pay \$2 an hour to find a parking place.

Mr. Shikada responded that maybe the rates should be raised.

Mayor Kniss also shared that there was discussion around town in places that don't have EV chargers now, because more people are getting electric vehicles and it's very frustrating when they can't find a charger.

Mr. Shikada noted that there are chargers all through downtown and these can be found with a charge-point app.

Chair Fine agreed it was a good strategy to put a number of products into one basket. He asked for a Motion.

MOTION: Council Member Wolbach moved, seconded by Mayor Kniss to recommend the City Council accept the status update of the Green Purchasing Audit.

MOTION PASSED: 3-0 DuBois absent

2. Policy and Services Committee Recommends the City Council Accept the Status Update on the Audit of Parking Funds and Approve Consolidation of Residential Parking Funds.

Chair Fine gave a brief introduction of Item Number 2.

Sherry Nikzat, Planning and Community Environment Senior Management Analyst presented the status update of the Parking Funds Audit. They were asking the Committee for their recommendation to the City Council to accept the update, and also asking that the Committee recommend to the City Council the authorization to consolidate the Residential Parking Funds. She explained that the audit was completed in December of 2015 and all but one of the recommendations have been completed. They had established a parking work group which was made up representatives from all the departments who administered the parking funds and this group meets on a quarterly basis. Currently that group is working on the last recommendation

which is a set of procedures and protocols to make sure the appropriations, funding sources and capital expenses for the garages are appropriately tracked. They anticipate having that audit recommendation completed at the latest the winter of 2020 which is when the garages are anticipated to be complete. Staff also recommended the consolidation of the Residential Parking Funds into one fund. Since the audit was completed there were several additional RPPs established and separate funding was done for each as requested by the audit. Allocating the expenses to the proper district has become an administrative burden. A common fund would make it easier to onboard new RPPs because they usually don't know how much the district is going to actually cost when the new RPP is established. By combining them, City Council can adjust the pricing based on policy, determining which type of parkers bear the burden. This recommendation is supported by the Auditor's Office and by the Office of Management and Budget. She noted they were working towards having the data available and the information from the RPPs available through other sources like the planned Comprehensive Permit and Citation System and would be able to provide more complete data than we would get through the separation of funds.

Council Member Wolbach wanted to be clear that if the Committee moved forward with these recommendations, staff would ensure flexibility in pricing and distribution of RPP permits to make sure they can be nimble in responding to changing circumstances.

Ms. Nikzat responded that she believed that was the plus putting them together, you have the control of the setting of the price and it's not based on the revenues and expenses for each area.

MOTION: Council Member Wolbach moved, seconded by Council Member Mayor Kniss to recommend the City Council accept the status update of the Parking Funds and Approve Consolidation of Residential Parking Funds Audit.

Mayor Kniss noted that she had read the recommendation but felt she did not have the background of the rest of the Committee. She understood that the result of this would be a much more thorough way to look at these funds and audit them.

Ms. Nikzat reiterated that the City would have much more flexibility as a body to decide how the pricing should be and who bears the burden of the major expenses. She gave the example that if this was based on revenues and expenses, perhaps it would be cheaper to park downtown in the RPP than in a garage. The City would be able to make that decision. Also, some of the data is not available by separating by funds.

Chair Fine noted that earlier in the week Southgate's RPP and annual fee were updated and a budget resolution was needed to fix that.

Mayor Kniss understood that they said this would take at least two budget cycles?

Ms. Nikzat replied not for combining the funds but up to two budget cycles for putting the protocols in place to ensure that the Parking In-Lieu Fund is based on the cost of building the garage. The audit recommendation was to establish procedures and protocols so when a new garage is built this would ensure the fee was updated and timely and appropriate to the cost of the garage. She stated that the parking work group is tracking the progress on the procedures and making the procedures are correct. When talking about the RPPs, they will track most of that through the Permit and Citation System and through the other contracts that will be put in place for the parking programs.

Mayor Kniss noted some of this was quite complicated. There may be times when they are undercharging and should be charging more to even out how parking is accomplished in the downtown.

Ms. Nikzat apologized for any possible confusion. She explained there were two different things being discussed. One is an audit finding recommending a procedure be in place to make sure that when the garages are built, the parking-in-lieu fee is complete and the rest of that recommendation should be done by 2020. The second is combining the parking funds which would allow absorption of costs and expenses as a whole, providing flexibility as a group to set prices. Some are more expensive than others depending on service needs.

Chair Fine commented he was encouraged to hear about the working group. He asked if there were any public speakers regarding this issue and there were none.

MOTION PASSED: 3-0 DuBois absent

Mayor Kniss noticed there was an Item 3-A which talked about updating Operation Teen Program.

3. Policy and Services Committee Recommends the City Council Accept the Status Update of the Community Services Department Fee Schedule Audit.

Chair Fine introduced Item Number 3.

Rob de Geus, Deputy City Manager introduced Jazmin LeBlanc, Community Services Senior Management Analyst.

Jazmin LeBlanc, Community Services Senior Management Analyst presented information regarding the Community Services Department fee schedule audit issued in February 2017 and asked for the Committee's recommendation to accept the status update and bring this to the City Council. The objective of the audit was to determine if department fees covered the cost of services provided by the department. Two of the three recommendations remain outstanding. The first recommendation was to update the City policy and budget software related to fee setting. The City has a cost recovery policy which currently restricts setting fees above 100 percent of cost recovery. The Auditor noted that the same laws that limit the fees for most departments don't apply to many of the Community Service Department fees. The recommendation was to update the language to allow those Community Service Department fees to go above 100 percent and to update the City's budget system to also allow for this. Ms. LeBlanc stated this recommendation has not yet been started, but the Community Service Department will be working in conjunction with Administrative Services Department, the City Attorney's Office and the City Manager's Office and anticipates completion this winter. The second outstanding audit recommendation was to better align the SAP Cost Centers with actual programs within the Community Service Department to make it easier to identify the true cost of each program area and better be able to actually recovery costs within the goals. She noted as part of the Fiscal Years 2018 and 2019 budget processes many adjustments were made to the cost centers within the Community Service Department and expect the audit recommendation would be completed this fall.

Council Member Wolbach understood that some of the fees can be set higher than cost recovery, but questioned if the charges should be set as high as possible and believed this raised policy and fiscal responsibility questions. His concern was that some of the fees, including Community Service Department fees didn't reflect the diversity of the City and the users of the Community Service Department facilities and services. There were some low-income discounts for certain programs but he questioned if there was a system for considering if maximizing cost recovery was the appropriate model.

Harriet Richardson, City Auditor addressed this from the audit perspective. The audit did not say all costs should be recovered but there should be the flexibility where it makes sense to be able to recover costs or charge market rate, which may exceed the cost, when that makes sense. It was left to

Community Service Department to determine when and how to implement that.

Ms. LeBlanc added that the audit recommendation that was implemented was a thorough update to Community Service Department's procedure to identify what area of cost recovery to put each program in. The majority of the programs were in either the low-cost recovery, zero to 30 percent, or the medium range of 30 to 70 percent. The typical medium range included classes and camps and the low was almost everything else for the department including special events, access to open space in parks, classes identified as being essential life skills, human services programs.

Council Member Wolbach asked where swim costs were.

Ms. LeBlanc replied that swim costs were in the medium-recovery range, but she thought there was some debate about whether the basic swim programs might actually be in the low-cost recovery area. She noted there were three to four times more kids enrolled in swim lessons this year despite it being in the medium cost-recovery range.

Council Member Wolbach thanked her for the information and suggested there should be a broader conversation about that in the future.

Mayor Kniss felt there were some areas where cost recovery was not thought about. Parks was one especially Foothills Park. She asked what the cost was to manage that a year?

Mr. de Geus replied he did not have that data.

Mayor Kniss asked for a ballpark figure.

Mr. de Geus remarked there were rangers there seven days a week from sun-up to sundown. The parks and open space division budget was \$4 to 5 million.

Mayor Kniss added it used to be \$750,000 and thought it was probably up to \$1 million now.

Mr. de Geus agreed it was at least that if all the contracts to maintain the miles of trails and keeping buildings safe were added in.

Mayor Kniss commented that there were areas where there was no cost recovery and the City took the responsibility of maintaining these, such as parks and the Foothills. There was no charge for access to places like the fabulous open spaces and a lake. She believed the City should look into this,

to educate people about the variety of things residents get when they pay their taxes.

Mr. de Geus acknowledged this was a good and relevant point. A budget was just passed that requested staff to come back with \$4 million of structural reductions. There would be some tough choices that come to Council in the fall.

Mayor Kniss asked if there was ever a thought about charging to go into Foothills?

Mr. de Geus replied that there were a number of times that suggestion was brought forward including during the Great Recession, but Council was not supportive of the idea of charging. There had been some discussion about allowing certain neighboring communities to have access and charging fees, but that was also not supported.

Mayor Kniss acknowledged it was not popular to charge for parks, but given the budget cuts, this may need to be looked at.

Chair Fine thanked Staff for the audit and reiterated that it would be nice to see other areas where there may be more than 100 percent cost recovery.

MOTION: Chair Fine moved, seconded by Council Member Wolbach to recommend the City Council accept the status update of the Community Services Department Fee Schedule Audit.

Council Member Wolbach picked up on Mayor Kniss's comments and thought it would be a good time to consider charging for parking in Foothills Park, allowing non-Palo Alto residents to park in Foothills Park and providing a 100 percent discount on that parking fee for Palo Alto residents. He looked forward to that conversation in the future.

Chair Fine recalled that the last he heard the cost of charging people to enter Foothills Park would exceed the amount of revenue received from it.

MOTION PASSED: 3-0 DuBois absent

4. Policy and Services Committee Recommends the City Council Accept the Status Update on the Cross Bore Inspection Contract Audit.

Chair Fine introduced Item Number 4. He noted this was a big one and got a lot done.

Ed Shikada, Assistant City Manager provided some background. This was an audit that he asked the Auditor's Office to undertake to seek out and eliminate the potential for cross bores in the sanitary sewer system.

Mayor Kniss asked Mr. Shikada to explain what this was.

Mr. Shikada clarified that this was a situation in which an existing sewer line could have been penetrated through use of a gas boring machine. While not a common occurrence, this raised safety issues which led to a significant program over the course of a number of years to seek and eliminate the potential for such cross bores. An audit was done and the Council heard a report on this last year. Mr. Shikada reported that since that time they have been working on funding and methodology to find a more cost-effective way of identifying the highest priority potential cross bores. The City Council approved \$1 million in the upcoming year to go to the next round of priority of cross bores and undertake that work.

Mayor Kniss inquired if it happened that one crossed over the other, had there been any incidents?

Mr. Shikada explained that the incidents could be very significant, but there had not been any. There were several identified cross bores that had not led to an actual incident. He reiterated that doing the type of inspections and remediations is a helpful way to ensure that doesn't happen.

Mayor Kniss remarked that this was really a necessity.

Mr. Shikada noted this was a safety program and with the additional \$1 million allocated this year, they will go after the highest potential cross bore situations, based on the history of when the gas lines were installed and the relative distance between the sewer lines and the gas lines. The audit found this was laborious work. Given the conditions that sewer lines get into over the course of decades, it can be very difficult to confirm with certainty the absence of a cross bore, and that's where the cost and complexity of the work lies. He remarked this was funded through the Gas Utility Funds, not General Fund.

MOTION: Council Member Wolbach moved, seconded by Chair Fine to recommend the City Council accept the status update of the Cross Bore Inspection Contract Audit.

Council Member Wolbach stated he felt it was important this audit was done. He appreciated Mr. Shikada having initiated it, the Auditor's Office for having done the audit and the Utility Staff for following up on it. He emphasized that the upcoming RFP for Phase II was a good opportunity to demonstrate

lessons were learned and effectively understood and acted upon. The recommendations from the audit and the expectation that the upcoming RFP should be done by this calendar's year end demonstrate that high risks are prioritized, and implementation demanded according to the high standards identified in the staff report. This has been a challenge and controversial and it is imperative things go forward smoothly.

MOTION PASSED: 3-0 DuBois absent

5. Policy and Services Committee Recommends the City Council Accept the Status Update on the Accuracy of Water Meter Billing Audit.

Chair Fine introduced Item Number 5.

Ed Shikada, Assistant City Manager presented a report. This audit related to billings, not a safety issue, to ensure that water billings were accurate for all customers and customer classes. He noted the work was well underway to deal with a number of dimensions, including verification of existing installations. The audit confirmed that additional inventory would be helpful to ensure that records were accurate with what was actually installed and billings were correct accordingly. He commented that there was an upcoming cost-of-service study that would be done for the overall water rates which will look at consolidating several meter size ranges that to date had differential fixed charges associated with them. They also have been making progress on the standards for the electronic meters and the specifications that will be used in upcoming purchases.

Chair Fine noted there was a lot going on with this audit and many recommendations and believed there would be another update and finalization of this.

MOTION: Council Member Wolbach moved, seconded by Chair Fine to recommend the City Council accept the status update of the Accuracy of Water Meter Billing Audit.

Mayor Kniss noted she had some questions. She understood there was some overbilling and some underbilling and if there was overbilling the City would charge but not so much with underbilling?

Mr. Shikada clarified that arrangements were made for a credit when there was underbilling. He asked Anna Vuong from Utilities Administration to clarify the actions taken.

Anna Vuong, Utilities Senior Business Analyst advised that for those overbilled, the customer was provided a credit to their utility bill. For the ones underbilled, rules and regulations were revised and they asked the

Council for discretion to provide customers undercharged up to \$500 per incident.

Mr. Shikada further explained this was subject to 3-year retroactive where the City was responsible for the errors and Council approved the change to provide a waiver of extra charges in those cases.

Mayor Kniss asked if in those cases the situation was fixed.

Mr. Shikada confirmed that both the records and the billing going forward were corrected.

Mayor Kniss inquired where they were now on this.

Mr. Shikada stated one of the outstanding issues is the use of the E-meters, the electronic meters going forward.

Mayor Kniss noted that two of the audit recommendations were related to the E water meters.

Mr. Shikada recalled that at the time of the audit they gave customers the opportunity to have the meters replaced if they felt there was a concern about confidence and only a few actually did that. Since then, the American Water Works Association has continued to develop standards that will be used for the E-meters going forward. Those have been circulated and should be finalized shortly and procurement decisions will be based on those standards.

Mayor Kniss asked if some of the meters were done electronically or would they be done electronically eventually?

Mr. Shikada answered that eventually it could as part of Smart Meters and radio signals. These are not currently being used except for a relatively small exception, doing some pilots.

Mayor Kniss thought that would be a very interesting discussion to have.

Chair Fine advised that there was a lot going on with this. There are several linkages up to the ERP heard later in this meeting. He informed Mayor Kniss that some of the recommendations did address how this can be prevented going forward with a new enterprise system.

MOTION PASSED: 3-0 DuBois absent

6. Auditor's Office Quarterly Report as of March 31, 2018.

Chair Fine introduced Item Number 6.

Harriet Richardson, City Auditor suggested that Items 6 and 7 be flipped so the IT Department staff present don't have to sit through Item Number 6.

Chair Fine agreed with this.

7. Policy and Services Committee Recommends the City Council Accept the Enterprise Resource Planning (ERP) Planning: Information Technology and Data Governance Audit.

Chair Fine introduced Item Number 7.

Harriet Richardson, City Auditor, informed the Committee that the impetus for conducting this audit was that the City is getting ready to embark on a new ERP system and the Auditor's Office was doing a series of audits in preparation for that to help identify areas that were needed to be on track for having a successful ERP implementation. This audit had two objectives. The first was to determine if the City had information technology governance policies and procedures to align the system's information technology systems with the City's goals and objectives. The second was to determine if the City had data governance policies and procedures to maintain the confidentiality and integrity available and usefulness of the City's data. The audit had two findings. The general conclusion was that the City did not have either a sufficient information technology or data governance structure, but that the information technology department has implemented project-specific governance processes. As background, IT governance is commonly defined as the organizational structure, policies and processes to ensure that information technology supports an organization's objectives and strategies within its budgetary and staffing constraints. Data governance is a subset of IT governance and it focuses on data management by providing the guidance necessary to ensure that data is managed as an asset throughout an organization, including its availability, usability, integrity and security. The Palo Alto Municipal Code identifies duties of the Information Technology Department, including to direct and manage interdepartmental technology governance, planning and coordination activities to accomplish specific City-wide objectives. Although departments are recognized as the data owners, they need the overarching guidance from the IT Department for what is expected of them, including their roles and responsibilities to manage their IT systems and data. The audit had two recommendations. Developing both an overall information technology governance structure and a data governance structure prior to implementing a new ERP system are essential to ensure that implementation and ongoing operation of the system are successful and in alignment with City goals and objectives. Also, that existing data are accurate, consistent and complete before being migrated

into the ERP system, and that they continue to remain so after migration. Based on that, the Auditor's Office recommended that the City Manager place emphasis on developing and implementing strong City-wide IT governance structures and policies prior to implementing a new ERP system, including assigning roles and responsibilities and adopting and implementing recognized industry standard frameworks for both IT and data governance. Ms. Richardson noted that completed her part of the presentation, that the audit was in front of the Committee Members and there was a recommendation for the Committee to accept the audit and recommend that the City Council accept the audit.

Jonathan Reichental, Chief Information Officer advised that he had 14 members here tonight. He felt the audit's recommendations were solid and supportable.

Mayor Kniss clarified that ERP stands for Enterprise Resources Planning and asked if the public knew what that meant.

Ms. Richardson replied that in Palo Alto they probably did.

Mayor Kniss disagreed. She suggested telling the public what the acronyms mean.

Mr. Reichental agreed that it was an old term and less meaningful today, but still used. He explained that Enterprise Resource Planning, ERP, typically are the core major systems to run a business. These would include finance systems, everything from accounts receivable, accounts payable, payroll, treasury, all the core financial systems. It also covered human resource systems for finding and onboarding new staff, managing the lifecycle of the employees. He noted there were many other types of enterprise systems. In Palo Alto, included in this project was the customer information system for the utilities. He gave the example, if a customer of the utilities called in, the agent could bring up the file with address and services, other issues there may be.

Council Member Wolbach suggested adding the acronym CRM as part of the ERP, Customer Relations Management.

Mr. Reichental responded there was CIS which was Customer Information Systems. He noted the City has a Customer Relationship Management product that utilities used, but that was not in the scope of this project. When this is referred to in the City and a project, they are talking about finance, all finance capabilities, HR, inventory and payroll and also the Customer Information System for utilities.

Mayor Kniss remarked that it was an impressive system and believed the public didn't know a lot about it. She asked if any of this would be on the new system, OpenGov.

Mr. Reichental shared that OpenGov started out of a conversation between him and Mr. Lalo Perez about five years ago. The company is worth about \$250 million today based out of Redwood City. Palo Alto was the first customer. There were five years of financial information, budget and actuals there. It is on the City's website available to anyone. Both staff and the public get value from it.

Mayor Kniss voiced that there were many things addressed at this meeting. There were things the public may get angry about, but there were many things that made the lives of the public easier. She encouraged informing the public about things like Open Gov to give them the information to understand what City Government does.

Chair Fine concurred with Mayor Kniss. Regarding the audit, he asked if Palo Alto had something like a data ethic or rules on PII and how that information was treated.

Mr. Reichental explained that PI was personal information and PII was personally identifiable information. The City did have a formal information privacy policy which talked about how data was handled and different types of data. The vast majority of City data was not private. There was also an information security policy which covered aspects of data security at the City, roles, responsibilities and repercussions.

Chair Fine asked how usefulness was measured.

Ms. Richardson answered that the data collected should be used for decision making. She noted when she first started here she found less than half of the data collected was used to manage performance, so why collect data if it wasn't being used for any management decisions. They want to make sure the data collected will help in the decision making.

Chair Fine said Ms. Richardson's information was very useful.

MOTION: Council Member Wolbach moved, seconded by Chair Fine to recommend the City Council accept the ERP Planning: Information Technology and Data Governance Audit.

Council Member Wolbach reiterated that this was a very important audit which raised serious questions and encouraged staff to take them seriously. He also asked for more clarity by the time this came to Council to ensure

transition to a new ERP system happened smoothly. He wanted to be on the record that it was a concern and that was what this audit was about. He inquired if staff had anything they wanted to add now about their plan for a smooth transition, or they could save that for a written or verbal report to Council. If it goes on to Consent, then a written report to Council would be sufficient.

Mr. Reichental noted they planned to come back and do exactly that.

Mayor Kniss suggested that a list of acronyms be given out at every meeting.

Ms. Richardson advised the Committee that in their audits they do put a list of abbreviations, but only put what they stand for. She asked if it would be helpful to put in a brief description.

Mayor Kniss replied yes but would like a list of all the acronyms used, more public information.

MOTION PASSED: 3-0 DuBois absent

6. Auditor's Office Quarterly Report as of March 31, 2018.

Chair Fine reintroduced Item Number 6.

Harriet Richardson, City Auditor, explained this was for the third quarter, January through March 2018. These reports were usually out about six weeks beyond the end of quarter because of the timing of getting them in the agenda planning system. This report was delayed an extra month because she was not available for the May meeting. She pointed out a few activity highlights. On Packet Page 39, they engaged Muni Services, the consultant who helped with recovery of sales and use tax to conduct a study session for the City Council in March regarding sales taxes and trends. At that time the U.S. Supreme Court was getting ready to hear the case about online retail sales taxes to be collected. It was announced today that the U.S. Supreme Court ruled local jurisdictions and states can require collection of sales tax of online sales. Ms. Richardson recalled that she had accepted an invitation to Ohlone elementary school to give a presentation on the activities and responsibilities of the Office of City Auditor as part of the student's Volcanic City Project for learning how the City of Palo Alto operates. She noted it was an interesting chance to interact with some young children who had a very strong interest in how City Government works and the jobs and the services the City provides.

Mayor Kniss asked if she could relate any particular question that was fascinating.

Ms. Richardson responded that they asked about how laws were made, they asked about the auditor's job in particular. So, they were actually quite varied in their questions. They thought the Mayor ran the City. They didn't know there was a City Manager. Each child had a predetermined role so questions pertained to what their role was.

Mayor Kniss thought that was fascinating.

Rob de Geus, Deputy City Manager recalled that a question asked of Lalo Perez was, what would the City do if all of the money the City had burned.

Ms. Richardson stated the audit Accuracy of Utility Water Meter Billing, which was heard at this meeting, received the Distinguished Audit Award from the Association of Local Government Auditors at the May 2018 Annual Conference. Ms. Richardson advised that during the third quarter they worked on seven audits plus the Enterprise Resource Planning non-audit service as well as the Performance and Citizens' Survey items. She noted that she had just presented the Information Technology and Data Governance Audit, and that there were two audits in progress for data integrity and reliability. The first was on data standardization and the second on human resources and payroll data. Data standardization looked at standardized terminology that is used across the board in SAP currently that would help as data was transitioned and migrated over, to make sure everyone was using common terminology and when abbreviations are used, that they were commonly used to help facilitate the ease of moving data over and getting consistency in how data was entered and tracked. The second focused on the accuracy of data related to human resources and employees as that fed into the payroll system. This did not look specifically at payroll rates but more at employee data. There was also an audit in progress related to separation of duties, commonly abbreviated to SOD. This was to ensure one person was not doing two functions that are incompatible which could lead to illegal activities such as fraud. She advised that those three audits were in the report-writing process and it was hoped they would be finalized between August and September. She continued with the Code Enforcement Audit which was being sent out for technical review and was very close to being finalized. She moved on to the recently started Mobile Device and Security Audit. It was decided to focus this audit on laptops, tablets and mobile phones, looking at the security of those, was there a complete inventory, were these cleaned up before disposing of them. The audit looking at the Business Registry was in the report-writing phase and looked at the processes used to collect data and what recommendations could be made to ensure accuracy and completeness of that data in the future. The ERP non-audit service was an advisory service. One of her auditors attended 13 IT Department tactical team meetings where they

discussed their progress towards identifying a potential vendor to onboard for implementing the new ERP system. Each quarter the Auditor's Office provided the IT Department both verbal and written advice based on their technical expertise and best practice information available. That part is winding down as they complete the planning phase. The Auditor's Office will revisit the ERP project as it moves through from planning to getting a vendor, product selection, design and implementation of the new system. Ms. Richardson advised that they have completed both the Citizens' Survey and a custom survey that focused on code enforcement and the built environment, the Annual Performance Report and Citizen-centric Report which was presented at the Annual Council Retreat in February. Something she found interesting was that each year three mailings were done for the National Citizens' Survey. A postcard notified the residents selected to receive the Survey, they then received the first round of the Survey, then a reminder Survey two weeks later. The postcard survey was skipped when the Custom Survey was done, based on the budget, and they received about the same response. Based on this, she believed the postcard did not make that much of a difference. She advised that she was in communication with the National Research Center to look into eliminating the postcard and increasing the number of Surveys mailed out to go to more residents. This could potentially keep the response rate the same but get a higher number of Surveys returned.

Mayor Kniss asked how many surveys were sent out.

Ms. Richardson responded 3,000 and last year a little over 600 were returned. She noted it had gone down very steadily. When her Office first started doing the survey in about 2003 they had about a 49 to 50 percent return and was in the 40 percent range. It then dropped into the 30's, then upper 20's, now in the low 20's. If this dropped into the teens, then they would start questioning how to engage citizens more. She also looked at how to reduce the size of the survey, asked for feedback regarding what questions should really be asked, and the response seemed to be to still ask a lot of questions. The reductions that were suggested really didn't cut the length of the survey down.

Mayor Kniss inquired if doing it by e-mail would be more expedient.

Ms. Richardson replied that they didn't have enough e-mail address to be able to do that and it also skews the statistical validity when residents opt in because they have given an e-mail address. The National Research Center used a methodology where they got the addresses from all of Palo Alto and they randomly selected based on those. Even though people opt in to respond or not, they had been statistically selected which allowed the results to be statistically valid.

Mayor Kniss reiterated that if the response numbers were consistently going down, it might be good to think of other ways to get feedback.

Ms. Richardson acknowledged there were other ways to get feedback. This could be a website inviting anyone to opt in. Care was needed in merging those results with statistical results and to be aware of which results are statistically valid and which weren't. The statistically valid results would be more representative of the entire population.

Mayor Kniss noted she would be interested in knowing that as the numbers go down, even falling to 35 would be pretty representative.

Ms. Richardson advised that even down to 25 percent, that is still pretty representative. If this dropped into the teens the margin of error would increase, which would be less representative of the entire population.

Mayor Kniss explained that she was mentioning this because it was often used as a hammer as much as a tool for a variety of things. There is an election this fall. People could say, look at this Citizens' Survey, it's gone down. She acknowledged that, while it may not be accurate, pollsters are now using phones and e-mails and a whole variety of things.

Ms. Richardson informed Mayor Kniss that the survey was too long to do by phone.

Mayor Kniss replied that people are impatient and it's difficult to find patient people to go through an entire survey.

Ms. Richardson agreed, and stated that was why she asked everyone to look at the survey and look for questions that were not needed. Each department gave their feedback and there were still many questions.

Council Member Wolbach suggested before his questions, he preferred that Ms. Richardson get through her whole presentation.

Chair Fine agreed with the Mayor about You Gov or some of the on-line polling efforts. He reiterated that many of the departments often relied on the survey for other indicators.

Ms. Richardson confirmed this and noted Community Services was able to use it as support for some of the grants that they had received. Also, if platforms were switched, going with someone other than the National Research Center, all the historic data would be lost.

Chair Fine asked if there was anything more.

Ms. Richardson responded yes and directed everyone to Page 42 in the packet, the Sales and Use Tax. She noted this quarter there were no recoveries from the inquiries her office made, but about \$41,600 was received from vendors, mainly services recoveries, which brought the year-to-date total to \$313,000. There was still a backlog of 39 potential misallocations to be reviewed, but that had gone down from 69 at the same time last year. For a long time that backlog kept growing, which they said was because they were short staffed.

Mayor Kniss commented that the Sales Tax Report Ms. Richardson provided in March was very helpful.

Ms. Richardson continued with the status of audit recommendations. She had a list by open recommendations by audit. Some were heard tonight and the list was a little outdated currently, but as of the end of the quarter, on page 47, the graphs show how many were implemented by quarter; 11 were implemented during the third quarter. There were 23 open from fiscal years prior to 2017, 17 from fiscal year 2017 and 13 from the current fiscal year. Based on feedback on the last quarterly report, she notes the table in the middle of Page 47 showed the open recommendations by fiscal year, how many total audits there were and how many recommendations were open. She also changed, in the individual audits on pages 42 through 46, she added the department in parentheses after each recommendation. There were no complaints received on the hotline this fiscal year and all prior year complaints were closed out.

MOTION: Chair Fine moved, seconded by Mayor Kniss to recommend the City Council accept the Auditor's Office Quarterly Report as of March 31, 2018.

Chair Fine thanked Ms. Richardson for her report. He noted the refreshed format was very helpful to see which ones are trailing off and maybe obsolete.

Ms. Richardson reiterated that she did ask the departments to point out which are not relevant. These would be reviewed and if not relevant, would be closed out. The one that was open from 2011 was still relevant, just taking some time to get through.

Chair Fine appreciated that some were alternative recommendations pursued by the different departments. It seemed there was good cooperation between the Auditor's Office and the departments when the audits are passed out.

Mayor Kniss remarked that there were no complaints this year.

Ms. Richardson reported they have not received any hotline complaints this year.

Mayor Kniss asked, when looking at all of these, which did Ms. Richardson feel has made the greatest difference in the long run.

Ms. Richardson inquired if Mayor Kniss meant the audits or the recommendations that were implemented?

Mayor Kniss proposed something measurable, what's been implemented, what had great value?

Ms. Richardson responded that on the Cable Franchise Audit, those recommendations were very helpful and important because there had been some inappropriate spending going on, so stopping that and addressing alternate ways to fund the media center was helpful.

Mayor Kniss believed that was a bit controversial.

Ms. Richardson agreed it was very controversial, and her office knew it would be when they wrote, but it was their job to bring attention to those things. She also noted some of the things with the disability rates and worker's compensation audit were very important, particularly based on the timing and identifying what really should be paid and what shouldn't be paid and whether the third-party administrator was doing the right work on that. The cross bore audit, everyone recognized that based on the risk, that was very important. When the Utilities Department asked for that it was based on what had happened in San Bruno and making sure that didn't happen in Palo Alto. She believed earlier comments about making sure some lessons were learned from that, it would be a good thing to possibly follow up on that, even though we've seen recommendations implemented, just asking how it went this time.

Mayor Kniss reiterated it was good to hear her comments on these. She recalled when she first heard about cross bore, she had no idea what it was.

MOTION PASSED: 3-0 DuBois absent

Future Meetings and Agendas

Chair Fine could not find the Future Agenda.

Rob de Geus, Deputy City Manager advised this had been handed out and on the second page it noted potential items to be scheduled. The next meeting for the Policy and Services Committee was scheduled for August 14. There were several items that may be relevant immediately such as the City

Council's Policy and Protocols, which was a requirement for the Policy and Services Committee to look at every year and update. It usually took this Committee several meetings to get through because it was quite lengthy. If the Soda Tax was something under consideration in the near term, that would need to come to the Committee quickly.

Chair Fine confirmed he had heard from a number of colleagues about the City Council Procedures, and his inclination was to do it with nine. He agreed the soda tax needed to be addressed.

Adjournment: The meeting was adjourned at 7:34 P.M.