



# **POLICY AND SERVICES COMMITTEE FINAL MINUTES**

Regular Meeting  
September 11, 2018

Chairperson Fine called the meeting to order at 7:00 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

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

Absent:

## Oral Communications

None

## Agenda Items

1. Recommendation that Policy and Services Committee Review and Recommend to the City Council Acceptance of the Business Registry Audit.

Harriet Richardson, City Auditor introduced Houman Boussina who presented the item to the Policy and Services Committee (Committee).

Houman Boussina, Senior Performance Auditor declared that the purpose of the audit was to assess the reliability of the City's Business Registry Data and the data that was looked at was from year 2015 through 2017. The recommendations were to improve and maintain the data. Starting in 2018 the City contracted with MuniServices to administer the Business Registry Program. After conducting their research, the auditor found that some of the City's Business Registry data from 2015 through 2017 was inaccurate, incomplete, and inconsistent. The data showed business trends that were inconsistent with comparable economic data. Since the takeover of the Business Registry by MuniServices, there was a result of more accurate and reliable data starting in 2018. The suggested recommendations from the City's Auditor's Office included review and modify the questions that the City asked businesses to self-report, identify the type and sources of other data

# FINAL MINUTES

that could improve the accuracy of data collection, develop a broader strategy to improve the reliability of the Business Registry and update the Development Services Department's Business Registry Administrative Manual.

Margaret Heath, Co-Chair, Palo Alto Matters (PAM) Neighborhood Committee commented that the citizens of Palo Alto voted unanimously at the last PAM meeting that the City should continue to improve the City's Business Registry. She stated that a more accurate Business Registry could help with parking requirements, give insight into traffic demand, and point out the displacement of community serving businesses.

Council Member Holman stated briefly why Palo Alto (City) decided to start a Business Registry and its importance to the community. She went on to state that the Business Registry was not performing the way it was envisioned to perform. She advised that utilities, Use of Occupancy Permit, and the Business Registry should all be completed before a business could occupy a building. Also, that the Business Registry and Use of Occupancy Permit lists should be online.

Council Member DuBois inquired on when the audit was started.

Ms. Richardson answered that it was started in late 2017 and finished in early 2018.

Council Member DuBois declared that it was unfortunate that the Committee could not review the data that MuniServices had collected for 2018. He asked Staff if MuniServices was fixing the incomplete addresses, phone numbers and other data related to the informational gaps.

Ms. Richardson responded that MuniServices had been vague on what quality control processes they used.

Council Member DuBois asked if the Business Registry was completed for 2018.

Ms. Richardson confirmed yes.

Council Member DuBois wanted the audit to be extended so that the Committee could review what MuniServices had done to the Business Registry. He was concerned about the decrease in businesses that showed

# FINAL MINUTES

in the report and asked Staff to investigate more into that area. He articulated that the City Council (Council) had decided to exclude non-profits and smaller businesses.

Ms. Richardson reported that Staff would have to go back and do a three-way comparison to determine which businesses had left and which were added per year.

Council Member DuBois suggested that Staff look at sales tax and other data to determine who were the biggest businesses and see if those businesses were in the Business Registry.

Ms. Richardson explained that sale tax data could not be used for that purpose because that would violate state law.

Council Member DuBois noted that in the Staff report it suggested to match up to the bid and he agreed that could be used to check the data and to do that with utilities as well.

Ms. Richardson agreed that all the sources for the data were small subsets but that they all contributed to the accuracy of the data. She articulated that there were a lot of little ways to make the Business Registry more accurate and more complete.

Council Member DuBois articulated that he did not want to see a large budget for updating the Business Registry and he did not like the in-person investigation recommendation that Staff had suggested.

Ms. Richardson concurred that an in-person investigation would be costly and unpopular.

Council Member DuBois asked about the recommendation that all businesses, including one-person companies and non-profits, be registered.

Ms. Richardson stated that the thought behind that was to know that a building was being used or in the past had been used as a business and that the address would be on file with the City.

Council Member DuBois questioned if Council had decided to eliminate all or just small non-profits from the list.

# FINAL MINUTES

Council Member Holman responded that she thought it was just small non-profits.

Ms. Richardson disclosed that Staff could sort the data from small businesses to larger businesses for the Committee.

Council Member DuBois wanted to know what provided parking meant.

Ms. Richardson confirmed it was parking spaces that the businesses had.

Council Member Wolbach commented that the Business Registry had been a great frustration for a lot of the community, Council and Staff. He wanted more clarity on what the in-person investigations were.

Michelle Flaherty, Acting Director of Development Services suggested that Staff would start with the data that was coming from MuniServices. Once that data has been received Staff could then determine if an in-person investigation was warranted.

Council Member Wolbach asked Staff how they planned to clarify the purpose of the Business Registry.

Jim Keene, City Manager stated that was the core question, but the audit was a small piece to the answer to that question. He articulated that Staff was not prepared for that type of discussion at the time. There was never a clear answer to what the Business Registry's function was and how the City was going to use that data.

Council Member Wolbach emphasized that a discussion around the purpose to the Business Registry needed to take place soon.

Mr. Keene clarified that Staff needed direction on if the Council wanted to use the data in a systematic way or in a way to inform positions that the community wanted the City to take. He added that there was not enough Staff to take on the project of doing a deep dive analysis.

Ms. Flaherty added that Council needed to look and see if this was the vehicle to use to achieve all the goals that Council wanted.

Council Member Wolbach disclosed that past motions, Staff reports, Colleague's Memos and other data pertaining to the Business Registry should

# FINAL MINUTES

be included when the topic comes to the Committee or the full Council next time. He announced that high quality but less detailed data was better than having low quality, highly detailed data. He wanted Staff to keep looking into ways to incentives businesses to use the registry and he wanted to have a general sense of the timeline when this topic would be back in front of Council or the Committee.

Mr. Keene announced that he thought the City had objectives that were beyond the standard Business Registry objectives. He wanted more direction on who was included and not included in the Business Registry and how to get more accurate data.

Council Member Wolbach noted that he was interested to know what businesses were in Palo Alto and that their contact information should be accurate. He suggested that the Business Registry be simple, straightforward, easy to administer and be focused on high accuracy throughout the City. Also, the Council needed to determine if the Business Registry was the right mechanism to use to get all the data and answers they were seeking. He was in agreeance that the topic should come back to the Committee for discussion.

Ms. Flaherty suggested bringing the topic to the Committee when all the MuniServices data was completed. She disclosed that at the end of the calendar year was when MuniServices would have their complete set of data for the full 2018 calendar year.

Council Member Wolbach wanted to know how soon the discussion would come back after Staff received the complete data collection from MuniServices.

Ms. Richardson clarified that there were two items that needed to be brought back, the Staff discussion about what the data would be used for and then the data that the City's Auditor's Office could analysis from MuniServices. She noted that the City's Auditor's Office could come back to the Committee in March 2019.

**MOTION:** Council Member Wolbach moved, seconded by Council Member XXX to continue this item until the 1<sup>st</sup> Quarter of Calendar Year 2019.

**MOTION FAILED DUE TO LACK OF SECOND**

# FINAL MINUTES

Chair Fine summarized that there was a purpose issue, a mechanics issue in terms of data collection, and quality assurance issues. He was concerned that the Staff report stated that the City did not know where, when, how, or why to use the data. He announced that Council was not connecting the endpoints on what questions they wanted to be answered and on what levels. He wanted to know what the community was interested in when it came to the Business Registry. He agreed with Council Member Holman's comment that to get more businesses on the registry, the Business Registry should be linked with something that is used every time a new business opens. He wanted to know if there were regular requests from City Departments or the public for the Business Registry data.

Ms. Flaherty declared that it was posted on open gov. on the website so it was accessible to the public. In terms of City departments, it was not viewed as a priority source of data.

Mr. Keene explained that the City's data was all over the place and he wanted to make sure that the data was accurate before conveying it to the Council and the public.

Ms. Flaherty added that the Information Technology (IT) Department had a new draft strategic plan that included data governance as one of its key priorities.

Chair Fine asked if any other Cities had a Business Registry, how they do it and if it performed well.

Council Member DuBois articulated that Staff had looked at other Cities and it depended on the range of uses. Palo Alto was one of the few Cities that did not have a Business Registry and most Cities that had a registry had a business tax.

Council Member Holman agreed with Council Member Wolbach's suggestion to have included in the Staff report past legislative actions and other memos regarding the Business Registry. She voiced her frustration that Staff and the Council did not know what to do with the data and why certain important questions were coming up at the meeting instead of 3-years ago when the Business Registry was first started.

Mr. Keene noted that the City does not have a Business License Tax which was the main vehicle that other Cities used to make their Business Registry. He stated that Palo Alto generally had wider, deeper demands and higher

# FINAL MINUTES

expectations than most other Cities. He reiterated that the Council needed to be clear on what they wanted and then let Staff work on getting those answers.

Council Member Holman announced that she opposed the Business Tax that was proposed back in 2009.

Council Member DuBois stated that everyone knew the data was not good and he was not surprised that people did not use it. He did not want to have a multi-million-dollar project to get good data. He thought the purpose of the Business Registry was to find out what was happening in the City. He wanted more questions on the survey about car trips and traffic data than just the basic business phone number and address. Also, he suggested that no City permit should be issued until the business is registered on the Business Registry. He was concerned that the MuniService's contract was to collect data for the year when that was never the intent of the Business Registry. He wanted the City Auditor to come back quickly with a further analysis on why there was a decrease in the number of businesses registering in prior years. Also check in with MuniServices and see how they are doing with their processes.

Ms. Flaherty confirmed that Staff would check in with MuniServices.

Ms. Richardson articulated that the City Auditor's Office could come back in November with some analysis of the data if they could obtain access to MuniService's data.

**MOTION:** Council Member DuBois moved, seconded by Council Member Holman to direct the City Auditor to return with an update to this audit including a quick assessment of the decrease in the numbers between the years, and conduct a quick review of the MuniServices data before the end of the year.

Council Member DuBois stated that he was not asking Staff to redo the audit but to check the quality of the data.

Ms. Richardson confirmed that Staff would present it as a supplement to the audit.

Council Member Holman asked Staff if it was still \$50 to register on the Business Registry and \$50 not to register.

# FINAL MINUTES

Council Member DuBois added that there are two penalty fees and by June you must pay \$100.

Council Member Holman wanted to know how hard it would have been to look through the data and check with businesses on the registry to see if they had a Use of Occupancy Permits.

Chair Fine interjected to say that the audit was just an assessment and that the Committee was not giving new direction to Staff.

Ms. Flaherty articulated that the City had already contracted with MuniServices who would provide that information to the City.

Council Member Holman suggested that the Motion be amended to say that the City Manager's Office comes back with the City Auditor at the next review of the Business Registry. She also wanted the City Manager's Office to bring back how other Cities administer their Business Registry.

Ms. Flaherty proposed bringing to the Committee which Cities used a Business Tax or a Business License versus a Business Registry.

Chair Fine requested what the current cost of the Business Registry was.

Mr. Keene disclosed it was roughly \$85,000.

Chair Fine commented that a 3-month window for registration was probably preferable than 1 year but he did not support the Motion.

Council Member Wolbach wanted to know if the Motion was to accept the audit and do a check and update in a few months or to not accept the audit until the Committee received the update.

Council Member DuBois explained that the Motion was to do more analysis and research on why the City lost so many businesses.

Chair Fine believed the conversation should go to the full Council.

**MOTION RESTATED:** Council Member DuBois moved, seconded by Council Member Holman to direct the City Auditor to return with an update to this audit including a quick assessment of the decrease in the numbers between

# FINAL MINUTES

the years, and conduct a quick review of the MuniServices data before the end of the year.

Council Member DuBois noted that there were no amendments to the Motion.

Council Member Wolbach asked Chair Fine what he proposed to do since he did not support the Motion.

Chair Fine stated that he did not want to make any Substitute Motions. He advised that the Committee accept the audit, that the Committee understood that there were problems with the data, and that the next steps would be to bring the discussion to the full Council.

Ms. Richardson agreed that the Committee could accept the audit but that Staff would bring back additional data.

Council Member Wolbach asked Council Member DuBois if he was willing to change the Motion to accept the audit and ask for Staff to bring back additional materials.

Council Member DuBois emphasized that he did not want to accept the audit because he felt the report was incomplete.

Council Member Wolbach explained that the audit was done but it was Staff's responses that needed more background information. He stated that he was in favor of the Motion if the Motion stated that Council should accept the audit.

Chair Fine stated that the audit was about the efficiency and effectiveness of the Business Registry.

Council Member DuBois voiced his concern that if the audit went to Council, they would say yes, it is wrong but do not know why it is wrong.

Ms. Richardson interjected that the audit would not go to Council until the Policy and Service meeting minutes were available. Also, the City's Auditor's Office could delay sending it to Council until the MuniService's data was received.

# FINAL MINUTES

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to accept the audit.

Council Member Holman wanted to know what the timeframe would for the audit to get to Council and what the timeline was for it to come back to the Committee.

Ms. Richardson explained that the City's Auditor's Office would present the audit and its supplement material to the Committee no later than November. She explained that all audits go on the City Council's Consent Calendar which would not be until after November.

**MOTION AS AMENDED RESTATED:** Council Member DuBois moved, seconded by Council Member Holman to direct the City Auditor to return with an update to this audit including a quick assessment of the decrease in the numbers between the years, and conduct a quick review of the MuniServices data before the end of the year; and to accept the audit.

**MOTION AS AMENDED PASSED:** 4-0

Mr. Keene asked the Committee to approach Staff if they knew of any Cities that had a high functioning Business Registry.

## 2. Auditor's Office Quarterly Report as of June 30, 2018.

Harriet Richardson, City Auditor declared that all the information was current as of June 30<sup>th</sup>, 2018 and any changes would be reflected in the November Quarterly Report. Ongoing audits included several Enterprise Resource Planning (ERP) planning work. The Data Governance and Data Assistant Governance Audits were completed. The Data Standardization Audit was how a jurisdiction would standard data across an ERP System and that audit was in technical review. The Code Enforcement Audit was also in technical review and the City's Auditor's Office was in the process of making final changes to it. The Separation of Duties Audit was an ERP Planning Audit that looked at how duties were separated in the ERP System. Separation of duties prevented fraud happening within the jurisdiction. The Data Reliability Audit was looking at the Human Resources Employee Data and that would be done in October or November. Mobile Device, Inventory, and Security Audit had almost completed the field work stage and would be ready in October or November. The Transferable Development Rights was started but still in the early planning phase and was not expected to be completed until early 2019. The Profit Organizations Audit looked at a

# FINAL MINUTES

sample of non-profit organizations that the City provided funding too. Senior services were the main group that the City Council (Council) wanted the Auditor's Office to investigate for that audit. The Contract Oversight Audit was just looking at the administrative side of the Request for Proposal (RFP) process and was projected to be done in early 2019. The ERP non-audit service was a monitoring program for the new ERP planning phase and there was no update at the time. The National Citizen Survey was started in June and increased the number of surveys to 4,500. There had been 802 respondents to the survey but no data was available at that time. In terms of the Sales and Use Tax Allocation Review, MuniServices was the consultant for that review and year to date there had been a combined collection between the City and MuniServices of roughly \$470,000. The portion of the Stanford Medicine sale tax that the City received was totaled at roughly \$785,000 for 2017. In conclusion, she stated that there were 13 audits with open recommendations from the fiscal year 2018, 17 open recommendations from the fiscal year 2017 and 21 open recommendations from fiscal years prior to 2017.

**MOTION:** Chair Fine moved, seconded by Council Member Wolbach to recommend the City Council accept the Auditor's Office Quarterly Report as of June 30, 2018.

Chair Fine wanted more emphasis put on the Cable Franchise and Disability Rate Audits from 2016.

Council Member Holman asked Staff who had the responsibility to close an audit out.

Ms. Richardson answered that the departments were responsible to close an audit. The City's Auditor's Office sends out notification that an update was needed from the department, the department then writes a response to the Auditor's Office telling them where they are with the recommendations, and the Auditor's Office verifies that those recommendations were implemented. The Inventory Management Audit was coming to the Policy and Services Committee (Committee) in October and there were four recommendations still open from that audit.

Rob de Geus, Deputy City Manager interjected that the City Manager's Office would be working with the departments to get the older audits moving forward or possibly closed out.

Council Member Holman wanted the City's Manager's Office to ask the

# FINAL MINUTES

departments why it was taking so long to implement the recommendations and provide follow up.

Mr. de Geus explained that some of the recommendations presented a challenge to the departments or they cannot implement a recommendation.

Ms. Richardson added that certain recommendations were not implemented because the Systems and Applications and Data Processing (SAP) system could not process it.

Council Member Holman stated that the Council asked the City's Auditor's Office to monitor and help with the transition to the new ERP system. She asked how much Staff time did the ERP audits take.

Ms. Richardson answered that it varied on the data set. When the data was transferred to the new ERP System from the SAP System there were a lot of duplicate entries and so it was hard to know if the data collected was accurate data or not.

Council Member Holman inquired about the one recommendation that was still open for the Parking Funds Audit.

Ms. Richardson answered that it was to develop policies and procedures to clarify roles and responsibilities to ensure accurate calculation and reporting of parking in-lieu fees.

Council Member Holman noted that the recommendation ran across several City departments.

Ms. Richardson concurred that was correct. The reason for the delay was that it took time to get every department on board with what their responsibilities were.

Council Member Holman asked in terms of Transferable Development Rights (TDR) if Density Bonuses were included.

Ms. Richardson stated that the audit was still in the early stages.

Council Member Holman suggested that the auditors look at how physically the sender and recipient sites document on site that they had been a recipient or sender of a TDR.

# FINAL MINUTES

Ms. Richardson articulated that the City believed there was a good record of TDRs if the City owned the property but not as much on privately owned properties.

Council Member DuBois suggested that the auditors provide actual Staff hours on how long it took to complete an audit. Also, show the original end date and the current estimated end date.

## **MOTION PASSED:** 4-0

3. Staff Recommendation That the Policy and Services Committee Review and Recommend to the City Council Acceptance of the Fiscal Year 2019 Audit Work Plan.

Harriet Richardson, City Auditor announced that non-audit tasks that were performed each year included the Annual Performance Report, the Performance Report Transition which would be implemented soon, the Annual Citizen-Centric Report, the Citizens Survey, Sale Tax Allocation Reviews, Fraud Waste and Abuse Hotline Administration and Training, the Annual External Financial Audit, the Enterprise Resource Planning (ERP) Advisory Project, review and monitor the implementation status of prior audit recommendations, Quarterly Reports, and the Grant Management and Internal Control Training which was a one-time training. Some of the new audits that were starting were several ERP Data Reliability Audits, Utilities Billing and Price Class Data and Rate Schedule Data, Payroll Rates and Deductions Data, Inventory Materials Data, and General Ledger Accounting Data. Those were the highest priority audits in terms of getting the new ERP system up and running. There was a request for a Parking Assessment Districts Audit from several Council Members. Residential Parking Permit Program (RPP) in City Parking Facilities was placed on the list because it is a new program and Staff wanted to assess how it was performing. A Construction Audit was added to the workload to assess the construction management practices in terms of bidding and change order processes. The System and Security Audit would be looking at the effectiveness of how it's installed, maintain and secure data operations. Lastly looking at the procurement and Request for Proposal (RPF) bidding process. Two requested audits that City Council (Council) had requested but the City's Auditor's Office did not put on the Work Plan list was Net Promoter Score System and Financial Efficiency of the City's Services versus Neighboring Cities. These were not added because either they were not within the scope of work that the City's Auditors do or other City Committees were planning to investigate them.

# FINAL MINUTES

Council Member Holman wanted to know in terms of the Construction Audit if the City's Auditor's Office would be looking at what the rationalization was for a change order.

Ms. Richardson confirmed yes, that was going to be investigated.

Council Member Holman asked what the Public Benefits and Impact Fees Audit was about.

Ms. Richardson announced that in terms of the Public Benefits Audit, the audit was to check if the City was getting what the City was supposed to be getting for public benefits. The Impact Fees Audit was looking at what the fees were and how they were being used.

Council Member Holman added that the Impact Fees Audit should look at and verify if the fees were being collected at all.

Council Member DuBois wanted to know if the Community Services Department could relay information to the Policy and Services Committee (Committee) on the Facility Rental Fees and Use Audit that was not listed on the Auditor's Workplan.

Rob de Geus, Deputy City Manager confirmed that the Community Services Department could put something together for the Committee to review in terms of if community centers were being used and what fees were associated with that.

Council Member DuBois questioned if there were any community centers that were not being used at all.

Mr. de Geus voiced that it depended on the time of year and what facility was in question.

Council Member DuBois suggested looking into seeing what the City could do to maximize any community center's capacity.

Council Member Holman added that the Alma Plaza Public Benefit Room was very hard to access and for that reason it was never used.

# FINAL MINUTES

Mr. de Geus announced that was because of limited parking, a restriction on hours of use, and its location was not ideal. He added that it was free for community meetings such as neighborhood meetings.

Council Member DuBois liked the Work Plan and suggested to track the actual Staff hours it took to do an audit.

Council Member Wolbach also liked the Work Plan and he was excited about the Parking Assessment District and Residential Parking Program in City Parking Facilities, the Construction Audit, and the Procurement Request for Proposal and Bidding Process. He suggested that the Auditor's Office look into local, women, and minority businesses for the Procurement Request for the Proposal and Bidding Process and the Construction Audit.

Chair Fine wanted an update to come to the Committee or Council on the new ERP System.

Ms. Richardson announced that the Data and System Governance Audit that was present in June 2018 was the foundation for the new ERP System and that Governance Policies needed to be in place before the ERP System could come online.

**MOTION:** Council Member Wolbach moved, seconded by Council Member Fine to recommend the City Council accept the Fiscal Year 2019 Audit Work Plan.

**MOTION PASSED:** 4-0

## Future Meetings and Agendas.

Chair Fine stated the next meeting would be on October 9<sup>th</sup>, 2018.

Council Member Holman strongly suggested doing (Number Eight) before November.

Council Member Wolbach agreed that (Number Eight) should come before November as well.

Chair Fine stated he would work with the City's Manager's Office to see if he could get it on the agenda.

# FINAL MINUTES

Council Member DuBois added that Newport Beach had a Business Registry that Staff could look at for reference.

ADJOURNMENT: Meeting was adjourned at 9:10 P.M.