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ADJOURNMENT: The meeting adjourned at 9:55 p.m.27

The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:10 p.m.

Present: Barton, Beecham, Cordell, Drekmeier, Kishimoto, Klein, Kleinberg, Morton, Mossar

SPECIAL ORDERS OF THE DAY

1. Proclamation Recognizing Palo Alto Players' Month

Eugenie Watson, President of Palo Alto Players Board, said the staff, board members and volunteers were pleased to receive the award.

Peter Bliznick, Executive Director of the Palo Alto Players, thanked the Council and the community for their continued support.

No action required.

ORAL COMMUNICATIONS

Art Kraemer, 1116 Forest Avenue, spoke regarding San Francisquito Creek Joint Powers Agency response to the Council.

APPROVAL OF MINUTES

MOTION: Council Member Barton moved, seconded by Morton, to adopt the minutes of May 15, 2006, as amended.

Council Member Klein requested a change in the first incorporated motion on page 293 from the word "likely" to "like" source.

MOTION PASSED 9-0.

MOTION: Council Member Klein moved, seconded by Drekmeier, to move Agenda Item No. 10 to be part of Agenda Item No. 3 and to become Agenda Item 3(cc).

MOTION PASSED 9-0.

PUBLIC HEARINGS

2. Public Hearing – Imposition of Assessment for California Avenue Area Parking Bonds – Plan G: FY 2006-2007

Mayor Kleinberg presented opening remarks indicating it was the time and place for the public hearing on the parking assessment rolls for California

Avenue District, Project No. 86-01, and California Avenue District, Project No. 92-13. The purpose of the hearing was to allow Council to hear all comments and oral protests. She asked the City Clerk whether any written communications from interested persons had been received.

City Clerk Donna Rogers said no written communications had been received.

Mayor Kleinberg asked whether City staff had any additional information.

City Attorney Gary Baum stated there was a conflict issue.

Council Member Morton stated he would not participate in the item due to a conflict of interest because his business was within 500 feet of the project.

Mayor Kleinberg declared the Public Hearing opened at 7:20 p.m. and, hearing no speakers, was closed and brought back to the Council for recommendation.

MOTION: Council Member Klein moved, seconded by Cordell, to accept staff recommendations to adopt the resolutions confirming the Engineer's Report and Assessment Roll for:

- California Avenue District, Project No. 86-01
- California Avenue District, Project No. 92-13

Resolution 8615 entitled "Resolution of the Council of the City of Palo Alto Confirming Engineer's Report and Assessment Roll"

Resolution 8616 entitled "Resolution of the Council of the City of Palo Alto California Avenue Parking Project No. 92-13 (for Fiscal Year 2006-07)"

MOTION PASSED 8-0, Morton not participating.

3. Public Hearing: Adoption of the 2006-07 Budget and Approval of a Budget Adoption Ordinance, including 1) Exhibit A - The City Manager's 2006-07 Proposed Budget; 2) Exhibit B - All changes detailed in the Amendments to the City Manager's 2006-07 Proposed Budget; 3) Exhibit C - 2006-07 Proposed Municipal Fee Schedule; 4) Exhibit D - Revised pages to the Table of Organization; 5) Exhibit E - Amendment to the 2006-07 Proposed Municipal Fee Schedule

Ordinance 4905 entitled "Ordinance of the Council of the City of Palo Alto Adopting the Budget for the Fiscal Year 2006-2007"

City Attorney Gary Baum stated there were a number of Council Members conflicted on various parts of the proposed budget. Therefore, the budget had been split into a variety of different motions. The motions with conflicts would be stated at the start of each matter.

City Manager Frank Benest presented the 2006/07 budget as recommended by the Finance Committee. The 2006/07 budget was the second year of the two-year budget, which was conceptually approved the prior year by the Council. The Finance Committee held four public hearings and also conducted a preliminary discussion on long range funding for the City's infrastructure. The City had a projected structural deficit of \$5.2 million in 2005/06, and \$3.9 million in 2006/07. If the Council had not taken action in the prior year, which included layoffs, the City would have had a projected deficit for the next eight years. After the elimination of the structural deficits in 2005, the Long Range Financial Plan (LRFP) showed a projected surplus of \$1.7 million in 2006/07, with ongoing surpluses through 2011/12. Since the recession began in 2001/02, the City reduced its expenditure base by \$20 million, which included elimination of 70 positions and restructuring around vacancies. There had been a 10 percent reduction in General Fund staffing since 2002/03, which took the City back to the 1998/99 staffing levels in the General Fund. The majority of the positions were in Management or Administrative Support. Part of the strategy included expanding the span of control. The City imposed a hiring freeze, instituted a two-tier retiree medical program, instituted an unpaid employee furlough, refinanced the debt on City Hall, and extended the replacement schedule for City vehicles and equipment. Services were sold to other cities from the Water Treatment Plant, Animal Services, and Information Technology (IT). Processes such as purchasing, contracting procedures, and development review were streamlined. The City ended the year with a projected \$1.4 million surplus, which staff recommended the Finance Committee allocate to the Infrastructure Reserve (IR) with another \$1 million earned in interest. Additionally, the budget included \$4.6 million from an existing transfer that would be used to continue the commitment to the City's infrastructure. Staff anticipated finding an additional \$3 million through expense reductions and revenue enhancements in order to continue the Capital Program. The total revenue was \$129 million with an overall increase of approximately \$2.1 million or 1.6 percent. Sales tax revenues increased slowly at approximately \$1.1 million, which was a 5.6 percent increase. Property taxes showed a \$2.1 million increase or 11.7 percent. The increase in the Utility Users Tax (UUT) was approximately \$900,000 or a 10.4 percent increase. Other revenues increased by approximately \$600,000, which was a one percent increase. Total General Fund expenses were \$127.5 million, which was an overall increase of \$2.2 million or a 1.7 percent increase. Some increases included the elimination of a one-time budget reduction strategy. IT allocated costs were increased to their actual level. Some expense increases were due to Workers' Compensation costs and negotiated salaries. There

were small offsetting expense reductions from lower citywide pension costs. The Budget Stabilization Reserve (BSR) was set at a target level of 15-20 percent of General Fund expenditures, and the target for 2006/07 was 18.5 percent or \$24 million. The IR was \$35 million at the beginning of the 2004/05 budget cycle. The 2006/07 ending balance was projected at approximately \$12 million. The total Capital Improvement Program (CIP) for the General Fund was \$14.3 million, and was specifically geared toward Council's top three priorities: 1) approximately \$1.4 million spent on the Police Building study and the Library Services study; and 2) approximately \$600,000 spent on Emergency Preparedness. Other highlights in the CIP were Boulware, Hoover, and Ramos Park improvements, College Terrace Library and Childcare Center improvements, and safety upgrades to the Children's Theatre. Rate increases in some Enterprise Funds were mainly due to increased commodity costs. Gas Fund saw a 20 percent rate increase, Water increased seven percent, and Wastewater Collection increased five percent. No increases to the Electric and Refuse Funds were expected. The Storm Drain Fund saw a two percent increase based upon inflation. Overall increases were 11.6 percent for the average residential bill. Rates continued to be 13 percent below the comparison cities. On the CIP side of the Enterprise Funds, the Finance Committee recommended approximately \$25 million in utility improvements for electric, gas, water, and wastewater collection, approximately \$7 million in Public Works capital projects, and \$14 million from the General Fund for a total of \$46 million in capital spending for the coming year. In summary, the 2005/07 budget achieved the additional permanent reduction in the operational base to eliminate the structural deficit, and the budget was balanced with a \$1.4 million surplus. Staff had maintained commitments to all essential services, to the reserves, to the infrastructure, and the Council's Top 3 Priorities. The commitment to local education was continued. Approximately \$6.5 million per year went from the General Fund to support local education. There were no major changes in any of the General Fund department budgets.

Council Member Barton said the projected surpluses through 2011/12 were correct based on what the City currently had; however, there were some Government Accounting Standards Board (GASB) reporting issues and the potential for deficits in subsequent years.

Mr. Benest said that was correct. The City would have to implement some type of funding for accrued liability for retiree medical, and work through challenges in the economic base.

Council Member Barton asked for clarification of the total overall increase in General Fund revenue dollars.

Director of Administrative Services Carl Yeats said a portion of it was monies spent on the Arastradero Preserve and the other portion was offsetting

decreases in other revenue sources. Investment earnings and Vehicle License Fees (VLF) revenues were down.

Council Member Morton said it looked as if there was a \$13 million deficit in the Electric Fund. Without raising rates it appeared as if the purchasing costs climbed approximately \$9 million. He asked why staff would want to budget such a huge deficit.

Mr. Yeats said staff originally proposed a rate increase in the Electric Fund; however, as revenues accrued because of the wet weather and from hydro resources, a rate increase was not required. The newer revenues were updated in Appendix 2 of the Budget Adoption staff report (CMR:259:06)

Vice Mayor Kishimoto, Chair of the Finance Committee, thanked the Finance Committee and the budget staff for their expert and productive review and recommendations. The overall surplus of \$1.7 million was due in part to an upswing in the economy. Revenue and expenditures were up approximately \$2 million respectively. The Council's Top 3 Priorities (Library, Police, and Emergency Planning) were funded with approximately \$1 million for the police building review and Environmental Impact Report (EIR); \$400,000 for the library and planning; and \$600,000 for emergency planning. The City funded a full set of services and spent aggressively on capital spending for 2006/07 with \$14 million for the General Fund CIP budget; with a total of \$46 million including utilities and public works. Although the Finance Committee recommended the full budget to Council, there were a few items that could not be discussed because of conflicts of interest. They included the Alma Substation, the Intermodal Transit Center, and an amended employee Compensation Plan, which would be discussed and voted on that evening. The budget included increases in utility rates which the Utilities Advisory Committee (UAC) reviewed in length, along with the Director of Administrative Services and the Assistant City Manager. Cost recovery fees, such as street cut fees were incorporated in the budget. The Finance Committee expressed interest in augmenting the City's economic development function given the need to protect and grow revenues, as well as enhancing management oversight of the operating departments. The City Manager proposed moving the economic development function into the Planning and Community Environment Department to improve collaboration with the Planning Department and provide the Economic Resource Manager with added staff support. It was also recommended that a midlevel fulltime position be added to support the Assistant City Manager. The Council was being asked to support the Finance Committee in directing staff to return with additional exploration of using public/private partnerships to leverage City resources and support community organizations. Adoption of the budget also included the changes previously discussed regarding reorganization in the Planning and Utility Departments. In anticipation of the next two-year budget, it was important for everyone to move forward in continuing to

reduce costs and streamline services, while enhancing revenues in a significant way.

Mayor Kleinberg declared the Public Hearing opened at 8:52 p.m.

William Ross, 2103 Amherst Street, believed Fire Station No. 8 required adequate funding and staffing.

Tony Spitaleri, President of International Association of Fire Fighters (IAFF), said firestorms were among the most common type of natural disaster in California. He urged the Council to strongly consider funding Fire Station No. 8.

Betsy Arroyo, Community Technology Alliance, 115 E. Gish #222, San Jose, encouraged the Council to continue to fund programs that helped Palo Alto citizens in their episodes of homelessness.

Norman Carroll, 425 High Street #120, said the non-profit organizations who received funding through HSRAP were existing public/private partnerships. They were listed in the budget as contractors. If the City cut back funding to the 'contractor', the quality and quantity of service would suffer.

Anne Ehresman, InnVision, 974 Willow Street, San Jose, said funding the City provided to InnVision the previous year ensured seven hot meals per week, and sustained the Family Harvest program. She expressed thanks to the Finance Committee for their recommendation for another year of funding.

Jeff Rensch, 741 Chimalus, said the Breaking Bread hot meals and Food Closet grocery programs were significant in helping the homeless as well as local low income families.

Mayor Kleinberg declared the Public Hearing closed at 8:53 p.m.

Council Member Mossar stated she would not participate in any portion of the budget having to do with Stanford University due to a conflict of interest because her husband was employed by Stanford University.

Council Member Klein stated he would not participate in any portion of the budget having to do with Stanford University due to a conflict of interest because his wife was employed by Stanford University. He noted his reluctance to not participate in Item 3c, adding he did not believe it was the intent of the law and that he had participated in the items at the Finance Committee without objections of the City Attorney. He understood in the previous year the discussion was structured so Council Members with

Stanford conflicts would be allowed to vote. He requested the same be done in future years but he would not participate in the item that evening.

Mayor Kleinberg asked for clarification of Council Member Klein's conflict, especially on the motion that came forward.

Mr. Baum said the threshold for a conflict with Stanford was \$250,000. If it involved a contract it was \$1. In the instant matter, anything to do with Fire Station No. 8 was well below the threshold of \$250,000. He understood the Police Department had a contract with Stanford for dispatch for approximately \$500,000 and approximately one-third of the Fire Department budget was paid for by Stanford. Any conflict determination was that of the individual Council Member.

Council Member Cordell stated she would not participate in any portion of the budget having to do with Stanford University due to a conflict of interest because she was employed by Stanford University; however, she shared the concerns of Council Member Klein.

- a. The Finance Committee Recommends that the City Council Adopt Sections of the 2006-07 Budget Pertaining to the Alma Substation CIP and the Ordinance Portions Related Thereto.
- b. The Finance Committee Recommends that the City Council Adopt Sections of the 2006-07 Budget Pertaining to the Intermodal Transit Center CIP and the Ordinance Portions Related Thereto.
- c. The Finance Committee Recommends that the City Council Adopt the 2006-07 Budget for the Police and Fire Departments as Modified and the Ordinance Portions Related Thereto.

Council Member Morton was pleased the budget was balanced, and that staff projected excess funds to be added to the Infrastructure Reserve (IR.)

Vice Mayor Kishimoto referred to page 169 of the CIP, which would commit \$1.8 million to be spent in the subsequent year on moving the Alma Substation from Alma Road to Quarry Road. She expressed discomfort in giving up City-owned land for relocating to an alternate site that required lease payments, dependency on contract negotiations with Stanford, and incomplete details on the affordable housing development. She suggested delaying any action on the matter until all the pieces were in place. She asked whether any new information was available.

Mr. Benest said the affordable housing development was targeted as apartments for very low income families. Staff had negotiated a 51-year lease with Stanford, which included a credit to Stanford on future

development that did not require an in-lieu affordable housing fee. The Utilities Department wished to consolidate the smaller substations in order to minimize maintenance operational costs, and the need for security. Approval of the CIP was just a placeholder. Any action to spend the money would come back to Council.

Vice Mayor Kishimoto clarified the credit meant the City would not pay rent at the Quarry Road site. She asked whether it was for the entire 51 years.

Mr. Benest said that was correct. Although Stanford had received the credit, they were not obligated to pay any affordable housing monies for hospital related development with staff's recommendation to remove that exemption in the coming months.

Council Member Morton asked whether it was possible for the land to stay in the City's name with parallel leases to retain title of the underlining land with the City.

Mr. Benest said there were financing and low income tax credits issues which might make it difficult to pursue; however, staff would look into it and come back to the Council.

Council Member Morton said he favored approving the placeholder with a guarantee the Council would be able to review the matter as it moved forward.

Mr. Benest said there was an upcoming study session with Eden Housing that would review the total project. In addition, there was a three-party agreement forthcoming with Eden Housing, the City and the Alliance for Housing.

Vice Mayor Kishimoto asked for an explanation of what to expect after 51 years.

Mr. Benest said if the parties could not reach a reasonable extension after 51 years, the City would have the opportunity to condemn the land.

Vice Mayor Kishimoto clarified the City would pay for the land.

Mr. Benest said the City would pay the market value of the land.

Council Member Beecham expressed support for Item 3(b), the Intermodal Transit Center CIP, primarily based on the EIR. He had concerns about how the Intermodal Transit Center would affect the downtown area.

Mayor Kleinberg believed staff should look at greater funding for the City's Police Department to address increased pressures and service levels, as well as ways to deal with the various kinds of disaster preparation, prevention, education, response, and recovery. She expressed concern about the lack of response to growing fears and concerns in the City's neighborhoods and retail districts.

MOTION: Council Member Morton moved, seconded by Barton, to accept the Finance Committee Recommendations to adopt the following: 3(a) Sections of the 2006-07 Budget Pertaining to the Alma Substation CIP and the Ordinance Portions Related Thereto); 3(b) Sections of the 2006-07 Budget Pertaining to the Intermodal Transit Center CIP the scope of services per the consultant for the Intermodal Transit Center and the Ordinance Portions Related Thereto; and 3(c) to adopt the 2006-07 Budget for the Police and Fire Departments as modified and the Ordinance portions related thereto.

MOTION PASSED 6-0, Cordell, Klein, Mossar not participating.

Council Member Drekmeier asked for clarification on the number of required votes to pass the budget.

Mr. Baum said five votes were required.

Council Members Klein and Mossar returned to the dais at this point in the meeting.

- d. The Finance Committee Recommends the City Council Approve One-time Funding from the 2006-07 Council Contingency as follows: \$4,492 for HSRAP: Project Sentinel and \$31,000 for HSRAP: Inn Vision/Urban Ministry and the Ordinance Portions Related Thereto.
- e. The Finance Committee Recommends that the City Council Adopt Sections of the Community Services and Planning Department 2006-07 Budgets as Modified, Pertaining to Nonprofit Entities, Including CDBG and HSRAP and the Ordinance Portions Related Thereto.

Council Member Barton stated he would not participate in item 3(d) and 3(e) due to a conflict of interest because he is a Board Member of the Community Working Group.

Council Member Cordell stated she would not participate in item 3(d) and 3(e) due to a conflict of interest because she is Board Member of the Community Working Group.

Council Member Morton stated he would not participate in item 3(d) and 3(e) due to a conflict of interest because he provides or had provided accounting services to those organizations receiving HSRAP and Community Development Block Grant Funds.

MOTION: Council Member Mossar moved, seconded by Klein to accept the Finance Committee recommendation to approve 3(d) a one-time funding from the 2006-07 Council Contingency as follows: \$4,492 for HSRAP Project Sentinel and \$31,000 for HSRP: InnVision/Urban Ministry and the Ordinance Portions Related Thereto; and 3(e) to adopt Sections of the Community Services and Planning Department 2006-07 Budgets as Modified, Pertaining to Nonprofit Entities, Including CDBG and HSRP and the Ordinance Portions Related Thereto.

MOTION PASSED 6-0, Barton, Cordell, Morton not participating.

Council Members Barton, Cordell, Morton returned to dais.

3(cc) (Old Item 10) Colleagues Memo from Council Members Drekmeier and Klein re Staffing Fire Station No. 8

MOTION: Council Member Klein moved, seconded by Drekmeier, to move an amendment to the 2006-07 Budget to add funds to the Fire Department Budget sufficient to staff Fire Station No. 8 in the same manner it was staffed in 2004 and prior years.

Council Member Klein favored allocating additional funds to the Fire Department Budget to provide a significant amount of additional protection at Fire Station No. 8. The City had an obligation to protect its citizens and the fire fighters as well.

Council Member Drekmeier said although Emergency Preparedness was one of the Council's Top 3 Priorities, disaster avoidance was the best prevention. He expressed support for the motion.

Council Member Mossar expressed support for the motion. Palo Alto had an obligation to protect its open space holdings.

Council Member Morton said he believed the net cost after the contribution from Los Altos Hills was in the range of \$80,000 to \$100,000. He asked whether there was any doubt of support from Los Altos Hills.

Mr. Benest said staff focused on Fire Station No. 8 because it was the only discretionary portion of the Fire Department Budget. The cost was approximately \$170,000 in Fire Department personnel overtime. In past years, Los Altos Hills had contributed approximately 20-25 percent;

however, they took action not to support reimbursement because the first response was from the County Fire Department. If the Council voted to approval the motion, he requested that staff be allowed to look at cross-staffing a unit at Fire Station No. 8 during the summer months. It was a meet and confer item.

Council Member Morton recalled two years prior when the Council discussed the issue, it involved overtime costs and the response time was relatively the same. He asked for clarification on the alternative.

Mr. Benest said staff proposed on regionally-determined high fire danger days, to staff three fire fighters to cover a wild land unit while housed at Fire Station No. 8. It would not affect staffing at Fire Station No. 2 during times of extreme risk. The City would incur costs of approximately \$35,000 in overtime.

Council Member Klein understood \$170,000 was the gross number and the City would be reimbursed approximately \$50,000 by Stanford.

Fire Chief Nick Marinaro said staff looked at the previous year's budget to determine what it would cost to fully fund Fire Station No. 8 with overtime. In past years, reimbursement came from the contract agreement with Los Altos Hills, and the 30.3 percent reimbursement from Stanford. Staff's proposal was to staff the wild land engine with three persons because of the ability to attack a small fire before it could spread. Staff had also proposed aligning themselves with their counterparts. When the County alerted high fire danger days and increased staff, Palo Alto would do likewise.

Council Member Klein referred to the memo of April 10, 2006, that stated the costs for staffing Fire Station No. 8 would be shared in part by Stanford and Los Altos Hills, with Los Altos Hills having opted out. He understood that Stanford's contract was still in effect for approximately 30.3 percent or \$50,000 dollars.

Mr. Marinaro said Stanford paid 30.3 percent of the Fire Department's operational budget for the staffing.

Council Member Klein asked whether his calculations were correct.

Mr. Marinaro said yes.

Council Member Cordell concurred with those who expressed support for doing something at Fire Station No. 8. The City could be liable if a disaster occurred and no precautions were taken although the danger was known. She understood the proposal was to staff Fire Station No. 8 with three fire fighters on an 'as needed' basis. She asked how frequently did the

assessment of determined high fire danger days by the Fire Chief differ from the County and/or the State's assessment.

Mr. Benest said the County would tend to have more high fire danger days because they did them on a regional basis.

Vice Mayor Kishimoto asked whether the estimated \$35,000 was an average amount or the maximum.

Mr. Benest said the amount could rise as high as \$100,000 if it was seasonably dry and fire personnel were needed on a constant basis.

Vice Mayor Kishimoto asked whether \$35,000 estimated 20 days a season, even though the high fire danger season could run as long as 120 days.

Mr. Benest said that was correct.

Vice Mayor Kishimoto said the cost could run as high \$200,000 for 120 days.

Mr. Benest said staff did not expect the cost to exceed more than \$40,000.

Vice Mayor Kishimoto expressed support for staff's proposal.

Mr. Benest said if the Council voted to approve staff's proposal, a summary report would be provided.

Council Member Barton expressed support for the Colleagues Memo. He believed it was important for Council to be as prudent and forward-thinking as possible.

Council Member Morton asked where the wild land unit was stationed.

Mr. Benest said it was located at Fire Station No. 8.

Council Member Morton clarified there was no guarantee of fire personnel being there for 120 days unless conditions warranted it.

Mr. Benest said Fire Station No. 8 would be fully staffed with appropriate staff and apparatus on those days the County indicated as high fire danger days.

Council Member Morton asked whether it would be staffed without using overtime.

Mr. Benest said no. It would be overtime.

Council Member Drekmeier asked for the location of Fire Station No. 2.

Mr. Benest said it was located at Hanover Street and Page Mill Road in the Stanford Research Park (SRP.)

Council Member Drekmeier asked whether Fire Station No. 2 would be impacted.

Mr. Benest said there would not be an impact to fully staff Fire Station No. 2 with overtime based on the Colleagues Memo. He said instead of having the fire crew assigned to every piece of equipment, cross-staffing would take place between the rescue unit (hazmat) and the fire engine. It would depend on the type of call; however, there was no cost to the budget. The IAFF had a number of concerns about the proposal and would be appropriate for a meet and confer.

Council Member Drekmeier asked whether anyone in the SRP had any objections or concerns.

Mr. Benest said he did not know. Staff believed an adequate level of service had been provided to the SRP.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct staff to meet and confer with the International Association of Fire Fighters (IAFF) to cross-staff Fire Station No. 8 with Fire Station No. 2.

Council Member Mossar believed the issue arose because the Council and staff asked every department for budget cuts, and it was indicated on numerous occasions that Fire Station No. 8 was the only place left to cut costs in the Fire Department. She was comfortable with staff's proposal for funding for one year; however, she wanted to express to City staff that fire suppression was of high value. She did not want to have Council help 'meet the bottom line' by taking public safety risks.

Vice Mayor Kishimoto asked how the cross-staff proposal would affect the estimated annual costs.

Mr. Benest said there would be no impact on the Fire Department's budget; however, the Council could not unilaterally implement the proposal. Staff would need to meet and confer with the bargaining unit.

Vice Mayor Kishimoto asked whether staff would return to Council if the IAFF did not accept the proposal.

Mr. Benest said yes.

Vice Mayor Kishimoto clarified the motion allocated no increase in the Fire Department's budget.

Mr. Benest said the motion by Council Members Klein and Drekmeier would cost some money but was easier to implement.

Mayor Kleinberg clarified the motion on the table represented what was in the Colleagues Memo.

Mr. Benest said the Colleagues Memo recommendation was to increase the budget as amended by \$170,000 in overtime.

Council Member Klein clarified the motion was to increase the amount being spent on Fire Station No. 8 during the summer season. He believed that amount to be \$120,000

Mr. Yeats said the budgeted number was \$170,000, while the other number was revenue.

Council Member Klein said the net cost was \$120,000. The amended motion would also direct staff to negotiate with the IAFF to cross-staff personnel at Fire Stations No. 2 and 8.

Vice Mayor Kishimoto said she had read the reason Los Altos Hills chose not to renew their contract was because of the mutual aid agreement in which the County usually arrived first.

Mr. Marinaro said based on discussions with the County Fire Chief, the decision by Los Altos Hills Fire Board was communicated as a business decision. A call generated on 9-1-1 systems from Los Altos Hills would be conveyed to County communications first even though it might be closer for Palo Alto's units to respond. Los Altos Hills decided to take the funding and provide it to the County Fire Department, and added additional staffing at the Armani Fire Station at Foothill College.

Vice Mayor Kishimoto asked whether most homes were fairly equal distances from the Armani and Foothill Park stations.

Mr. Marinaro said generally speaking yes, but it depended on the route of travel.

Vice Mayor Kishimoto asked although Los Altos Hills no longer wanted to fund it, would fire personnel still respond.

Mr. Marinaro said yes. As part of the mutual aid agreement, both agencies in those geographical areas sent resources.

Vice Mayor Kishimoto said she could not support the motion. She would rather see a benefit assessment district for the area. She believed Palo Alto had paid more than its share.

Council Member Klein said a lot depended on the definition of high fire danger days. In the previous summer, there were only four out of 120 high fire days. He was concerned that protection in the Foothills was based on someone declaring it a high fire danger day. The system in place last year resulted in Fire Station No. 8 being staffed full-time. He believed the Council should err on the side of caution.

Council Member Cordell said the discussion involved more than just fire protection, it also related to medical assistance, which might have nothing to do with fires. She asked if the motion passed what was the status of Fire Station No. 8 during the meet and confer stage.

Mr. Benest said the motion before the Council was to increase the level of staffing to what it was in 2004, which was \$120,000 to \$130,000 net. It would allow staff to bring in fire fighters on overtime to fully fund Fire Station No. 8. The amendment to the motion allowed staff to enter into meet and confer with the IAFF to discuss cross-staffing Fire Station No. 2 to provide the level of staffing suggested by the motion.

Council Member Cordell asked what the status was of staffing at Fire Station No. 8 during the meet and confer period. She inquired if the meet and confer was unsuccessful would Fire Station No. 8 be fully staffed on a 24-hour basis. She asked whether it was less likely to have a successful meet and confer if those who would staff it knew the Council had approved funding for 24-hour staffing.

Mr. Benest said the answer to the last question was yes. If staff believed after the meet and confer there was a contractual basis where they were allowed by the contract to make staffing decisions after a good faith negotiation, those changes could be made.

Council Member Beecham said if staff was unsuccessful in their meet and confer efforts, he would no longer support the funding effort.

Council Member Morton asked what reason would the IAFF have to discuss cross-staffing when they knew the funding was already there. Fire suppression two years prior was just as high a priority as it was today. He believed it was essential for Council to withhold the decision to fully fund Fire Station No. 8 until after the negotiations with IAFF and after staff had determined whether the Council could request that it be done.

Mr. Baum said the president of the IAFF had just threatened the City with an unfair labor practice charge if the Council directed the City Manager to negotiate with the IAFF. He suggested using the term 'meet and confer' instead of negotiate.

Mayor Kleinberg expressed support for the motion as amended. Palo Alto was more aware today than it was two years prior about the difficulties in covering the Foothills and the over growth of vegetation. Considering the larger picture, it was a small amount of money to ensure the hill areas were protected and she was not convinced that mutual aid would cover it fast enough.

Council Member Cordell asked for clarification of Council Member Beecham's statement. If the Council voted and approved the motion there would be full funding, which was already a part of the adopted budget.

Council Member Beecham said he did not want to see the item return to Council and then have another debate after the meet and confer outcome. He stated he would not support the motion. There was no clear answer whether two or three staff persons at Fire Station No. 8 were enough for either 12 or 24 hours a day. He favored having the County assess the high fire danger days, and then staffing Fire Station No. 8 with a three-man crew on a 12-hour shift.

Mr. Benest clarified in previous years Fire Station No. 8 had been staffed for a 12-hour period (8:00 a.m. to 8:00 p.m.), for 120 days with three fire fighters.

Council Member Mossar said the motion guaranteed the 2006 fire season Fire Station No. 8 would be staffed as described. She recalled the previous time staff met with the IAFF for a meet and confer they did protest cross-staffing; however, an agreement was reached which reduced costs in the Fire Department.

MOTION PASSED 7-2, Beecham, Kishimoto no.

Mayor Kleinberg asked City Manager Benest if he had any comments about Agenda Item 3(g)(vii)

Mr. Benest said he sent to the Council information regarding a recommended realignment of salaries for the Assistant City Manager (ACM) and Administrative Services Director/Chief Financial Officer (CFO). Salaries were based on internal alignments as well as market conditions. Currently, the salary of the ACM was 12 percent below that of the Utilities Director, and the salary of the CFO was 14 percent below that of the Utilities Director. In previous years the ACM position did not directly supervise department

heads; however, that had changed. The position now supervised half of the departments within the City, which might also include the Utilities Director position. Given the new executive responsibilities of the ACM, the City Manager recommended internal alignments equal to nine percent of the salaries for the ACM and the CFO. Even with the adjusted salaries the ACM and CFO would still make less money than the Utilities Director.

Council Member Mossar left the meeting at 9:18 p.m.

Vice Mayor Kishimoto was supportive of the proposed realignment for the ACM and the CFO. She expressed concern about measuring upper management's pay to any one person's salary. She anticipated seeing more misalignments in the future.

Council Member Klein said while he agreed with the result and supported the proposed salary increase, he did not agree with the reasoning and hoped it was not a part of what the Council would adopt that evening.

Council Member Morton asked whether the Council was being asked to approve the aforementioned item or was there a motion on the table for the remaining items.

Mr. Baum said it should be one inclusive motion for all of Item 3 (f) through 3(k).

- f. The Finance Committee Recommends the City Council Adopt the Remaining Items in the 2006-07 Budget as Modified and the Ordinance Portions and Resolutions Related Thereto.
- g. Resolutions/Ordinance:
 - (i) Resolution 8617 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules W-1, W-2, W-4, and W-7 of the City of Palo Alto Utilities Rates and Charges Pertaining to Water Rates"
 - (ii) Resolution 8618 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules G-1, G-2, G-3, G-4, G-6, G-10, G-11, and G-12 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates"
 - (iii) Resolution 8619 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules S-1 and S-2 of the City of Palo Alto Utilities Rates and Charges Pertaining to Wastewater Rates"
 - (iv) Resolution 8620 entitled "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 of the City of Palo Alto Utilities Rates and Charges Pertaining to Storm and Surface Water Drainage Rates"

- (v) Resolution 8621 entitled "Resolution of the Council of the City of Palo Alto Amending City of Palo Alto Utility Rules and Regulations 2, 3, 4, 5, 9, 10, 11, 13, 17, 18, 20, and 26, and Adding Rule and Regulation 27 Governing Utility Services"
 - (vi) **Ordinance 4906 entitled "Ordinance of the Council of the City of Palo Alto Amending Section 2.08.200 of Chapter 2.08 of Title 2 of the Palo Alto Municipal Code to Effect Changes to the Organizational Structure of the Department of Utilities"**
 - (vii) Resolution 8622 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Management and Professional Personnel and Council Appointed Officers Adopted by Resolution No. 8554 to add four new classifications, modify three classifications and amend compensation of two classifications"
 - (viii) Resolution 8623 entitled "Resolution of the Council of the City of Palo Alto Amending the Compensation Plan for Classified Personnel (SEIU) Adopted by Resolution No. 8452, to add one classification and change one classification"
- h. The Finance Committee directed staff to include a breakdown of average employee salary and benefits in future budget documents.
 - i. The Finance Committee directed staff to develop a proposal to study the issues related to public/private partnerships and return with the proposal in September 2006.
 - j. The Finance Committee directed staff to include Community Services Department program detail in future budget documents.
 - k. The Finance Committee recommends to the City Council on Fiscal Year 2006-07 Contract Scopes of Professional Services Agreements Greater than \$85,000 the Following (CMR:228:06):
 - The Council Review the Contract Scopes of Service of 2006-07 Professional Service Agreements Greater Than \$85,000, for all Infrastructure Management Plan and Non-Infrastructure Management Plan Projects, and its Proposed Changes, and Direct Staff to Proceed with the Approved Scopes of Services.

MOTION: Council Member Morton moved, seconded by Barton, to approve the Finance Committee recommendations: 3(f) to adopt the Remaining Items in the 2006-07 Budget as Modified and the Ordinance Portions and Resolutions Related Thereto; 3(g)(i) Resolution Amending Utility Rate

Schedules W-1, W-2, W-4, and W-7 of the City of Palo Alto Utilities Rates and Charges Pertaining to Water Rates; 3(g)(ii) Resolution Amending Utility Rate Schedules G-1, G-2, G-3, G-4, G-6, G-10, G-11, and G-12 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates; 3(g)(iii) Resolution Amending Utility Rate Schedules S-1 and S-2 of the City of Palo Alto Utilities Rates and Charges Pertaining to Wastewater Rates; 3(g)(iv) Resolution Amending Utility Rate Schedule D-1 of the City of Palo Alto Utilities Rates and Charges Pertaining to Storm and Surface Water Drainage Rates; 3(g)(v) Resolution Amending City of Palo Alto Utility Rules and Regulations 2, 3, 4, 5, 9, 10, 11, 13, 17, 18, 20, and 26, and Adding Rule and Regulation 27 Governing Utility Services; 3(g)(vi) Ordinance Amending Section 2.08.200 of Chapter 2.08 of Title 2 of the Palo Alto Municipal Code to Effect Changes to the Organizational Structure of the Department of Utilities; 3(g)(vi) Ordinance Amending Section 2.08.200 of Chapter 2.08 of Title 2 of the Palo Alto Municipal Code to Effect Changes to the Organizational Structure of the Department of Utilities; 3(g)(vii) Resolution Amending the Compensation Plan for Management and Professional Personnel and Council Appointed Officers Adopted by Resolution No. 8554 to add four new classifications, modify three classifications and amend compensation of two classifications and 3(g)(viii) Resolution Amending the Compensation Plan for Classified Personnel (SEIU) Adopted by Resolution No. 8452, to add one classification and change one classification.

Also included are the following:

- Direct staff to include a breakdown of average employee salary and benefits in future budget documents.
- Direct staff to develop a proposal to study the issues related to public/private partnerships and return with the proposal in September 2006.
- Direct staff to include Community Services Department program detail in future budget documents.
- Council would review Fiscal Year 2006-07 Contract Scopes of Professional Services Agreements Greater than \$85,000 for all Infrastructure Management Plan and Non-Infrastructure Management Plan Projects, and its Proposed Changes, and Direct Staff to Proceed with the Approved Scopes of Services.

MOTION PASSED 8-0, Mossar absent.

CONSENT CALENDAR

MOTION: Vice Mayor Kishimoto moved, seconded by Klein, to approve Item Nos. 4 and 5 on the Consent Calendar.

4. Adoption of Proposed Appropriation Limit Calculation Resolution for 2006-07

Resolution 8624 entitled "Resolution of the Council of the City of Palo Alto Determining the Calculation of the Appropriations Limit of the City Of Palo Alto for Fiscal Year 2006-07"

5. Approval of Proposed Change to the City's Investment Policy
6. Item removed from Agenda
- ~~7. Award of Contract with American Truck and Trailer Body Company in the Amount of \$500,000 for Truck Body Fabrication and Truck Equipment Installation Services *(Item continued from 6/05/06)*~~
- ~~8. Recommendation to Approve a Mid Year Adjustment in the Amount of \$240,623 to Palo Alto Sanitation Company's Compensation for Increased Fuel Cost~~

MOTION PASSED 8-0, Mossar absent.

COUNCIL COMMITTEE RECOMMENDATION



9. Request for Council Direction on Proposed Mitchell Park Library Expansion, Space Requirements and Projected Costs

Director of Public Works Glenn Roberts stated the staff report (CMR:260:06) was based on Council's direction to prepare a study on the feasible alternatives for improvements at the Mitchell Park complex primarily related to the Library Service Master Plan recommendations. Staff had prepared a number of alternatives and could either respond to Council by the original requested date of September 11, 2006, with preliminary information or, if the timeline was extended to December 22, 2006, provide a more thorough analysis and stay within overall Council direction for completion of the work by the 2008 election.

Council Member Barton understood the Council needed to decide which timeline to choose and also which steps would get skipped in order to achieve the work. He asked if the Roth Building project was deferred would it include waterproofing.

Mr. Roberts said at the June 5, 2006, meeting, the Council approved in concept having staff prepare a project to come back for waterproofing and ventilation of the Roth Building. It was an additional assignment which had complicated the workload. Staff suggested either the Roth Building project or the College Terrace Library project be deferred for six months.

Council Member Barton asked if the project were extended to December 22, 2006, would staff have a substantially improved proposal; one that would make for better policy discussion.

Mr. Roberts said yes. Schedule B would allow staff to improve upon the work in two ways: 1) allow adequate time to comply with city policy and procedures about contracting and procurement; and 2) allow staff to do a more thorough job of analyzing the alternatives and provide the Council with more information upon which to base policy discussions.

MOTION: Council Member Barton moved, seconded by Morton, to accept staff recommendations, as follows: a) approve the recommended project timeline and methodology for determining the potential size and costs of the new Mitchell Park library; and b) approve deferring work on the Roth Building or the College Terrace Library infrastructure upgrades to give staff the necessary time to work on the project.

Council Member Barton said the most important component was that staff could still meet the overall deadline and receive a substantially better discussion. Initially, he leaned toward deferring the Roth Building while keeping the College Terrace Library to maintain consistency, but changed that thought after learning about the potential damage to the Roth Building and what it would cost.

Council Member Morton supported the motion. He observed a lot of the extended time had to do more with the Request for Proposals (RFP) than the amount of work involved. He suggested if the RFP process moved more quickly and it took less than six weeks to finalize a contract that staff could bring back the item sooner than the extended deadline.

Mr. Roberts said staff would do everything it could to expedite the process.

Council Member Klein was concerned because the Council promised itself it would have a decision on the matter by the end of the 2006 calendar year, and if this motion passed that would not happen. Because December 22, 2006, fell on the Friday before the Christmas holiday, and the Administrative Offices would be closed on January 1, 2007, the first opportunity for Council to hear the matter would be January 8, 2007. He understood it would take approximately one year for the EIR, and the deadline for placing something on the June 2008 ballot was March 1, 2008. He asked whether that was correct.

Assistant City Manager Emily Harrison assured Council that staff would bring back the item prior to the end of the year.

Council Member Klein asked whether any of the steps between Schedule A and Schedule B were flexible.

Ms. Harrison said there was a dilemma because the cost of the particular design assignment was estimated to be well in excess of the City Manager's authority, and while she could sign off on sole source contracts, it was one where it could not be done with the previous contractor. Staff determined a RFP process was required. She expressed support for the City Attorney, who was presently short on resources; however, staff would do its best to address the calendar issues.

Mr. Roberts concurred with the Assistant City Manager on the process requirements. He expressed reassurance to Council that staff had taken into account how to work the process from the proposed study into the environmental review in order to meet the 2008 timeline. Staff's intent was to run the two activities semi-concurrently.

Council Member Morton asked whether staff considered trimming the project fulfillment period from eleven weeks to nine weeks, and coming back to Council by the end of November 2006.

Ms. Harrison said she was comfortable having the Council direct staff to return to Council before the last meeting in December and provide them with the latitude to figure out where to reduce the time.

Council Member Morton asked whether December 18, 2006, was acceptable.

Ms. Harrison said staff would do their best. There was a period of three weeks in which to work with the Library Advisory Commission (LAC) and have them submit their recommendations.

Joy Ogawa, Yale Street, referred to Attachment 'A' of the staff report (CMR:260:06) and expressed concern the Scope of Work listed three scenarios to demolish the Mitchell Park Library, but not one with which to preserve the existing library with a modest expansion. She suggested the Council consider alternative options if they hoped to get broad community support.

Vice Mayor Kishimoto believed the library building was nicer looking than the Community Center. She suggested adding scenario (d) to say "Demolish the Community Center and construct a new building to link to existing library."

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND THE SECONDER to add an additional item to Attachment 'A', Number 3. Scope of Work: d) Demolish community center and design with a new building.

Council Member Barton replied, as an architect who responded to RFP's, the scenarios were designed to help the architect understand what the contract would look like. Good architects would immediately look at a variety of options and not limit themselves to what was presented.

Council Member Morton preferred to omit the language saying the buildings had to be linked. He suggested language to say "demolish the Community Center and design with a new building."

Ms. Harrison said an EIR was prepared on the Mitchell Park Library and Community Center for the previous bond measure and it determined the building retained no historical significance because of major alterations to the building.

Mr. Roberts said staff could add a fourth alternative which looked at trying to retain as much of the existing library as possible; however, the service needs as a result of the study would require a significant expansion and change to the building. Staff needed the flexibility to study the possibility of significant changes.

Mayor Kleinberg said the Scope of Work scenario (b) indicated surface parking would be added where the Community Center currently stood, which meant the Community Center would be demolished.

Mr. Roberts said that was a typographical error. It should say "surface parking would be added where the library currently stood."

Vice Mayor Kishimoto still believed the library building was more attractive and useable than the Community Center and should be replaced. She asked whether it should be made explicit that if the Community Center was demolished it should be replaced, and kept at the same level of service in South Palo Alto.

Ms. Harrison said staff did not anticipate reducing the level of community services in South Palo Alto. If it could not be done at the Mitchell Park Center it would be because of a proposal to consolidate at the Cubberley Community Center.

Council Member Klein said a few weeks prior the word 'scalable' was used. He asked whether Council Member Barton was comfortable with the language so that an architect would bring back a scalable component.

Council Member Barton said given that the LAC would complete its work and the program was driven by the LAC, a scalable component would come out of that.

Council Member Morton said if staff was willing to resurrect some of the previous bond measure processes it would save time, including completion of an EIR.

INCORPORATED INTO MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to return the proposed Mitchell Park Library Expansion, Space Requirements and Projected Costs, with a goal of November 27, 2006, but no later than December 18, 2006.

MOTION PASSED 8-0, Mossar absent.

THE CITY COUNCIL ADJOURNED TO A SPECIAL MEETING AS THE PALO ALTO REDEVELOPMENT AGENCY AT 9:45 P.M.

The Council reconvened at 9:50 p.m.

COUNCIL MATTERS

Mayor Kleinberg stated there would be major financial challenges and lost revenue in the years ahead even with the recent turnaround in the economy and the increase in sales tax and property tax revenues.

MOTION: Mayor Kleinberg moved, seconded by Beecham, for Council to take the following actions:

1. Consider creation of a Mayor's Ad Hoc Committee on Revenue Enhancements to work in partnership with staff.
2. The Ad Hoc Committee would be directed to develop a set of strategic options to creatively meet revenue needs in the short and long term.
3. The Ad hoc Committee would report its findings and recommendations to Council preferably by October but no later than November 2006.
4. Approval of the creation of Ad Hoc Committee is on the Consent Calendar for the next Council meeting.

Council Member Beecham expressed support for the motion.

Council Member Cordell expressed support for the motion. She asked those persons on the committee would not be affiliated with Stanford.

Mayor Kleinberg said that was correct.

MOTION PASSED 8-0, Mossar absent.

ADJOURNMENT: The meeting adjourned at 9:55 p.m.

ATTEST:

APPROVED:

City Clerk

Mayor

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