



FINANCE COMMITTEE

Regular Meeting
Tuesday, April 21, 2009

The Finance Committee of the City of Palo Alto met on this date in the Council Chambers at 7:07 p.m.

Present: Burt, Klein arrived at 7:19 p.m., Morton, Yeh

Absent:

1. Oral Communications

None

2. Business License Tax Update

Administrative Services Director, Lalo Perez spoke regarding a revised structure directive based on the last Finance Committee discussion on the Business License Tax. He stated Staff did outreach in the community, held seven meetings with various groups, and received significant feedback. Some of the concerns expressed included strong opposition to the use of the gross receipt methodology. Concern also arose regarding the implementation date, overall impacts on the business community, and consideration of the current economic climate. He stated Staff proposed formation of a business working group to aid in further focus and discussion. Staff also proposed working with the business community in an effort to find members to serve on this group. The group's goal included discussion of the above-mentioned topics, along with other issues, in an informal group led by the City Manager in May. The group slated a return to the Finance Committee for June 2nd with their recommendations.

Chamber of Commerce President and CEO, Paula Sandas, spoke regarding informal meetings held with the business community who were eager to engage in reciprocal dialogue versus the public hearing process, in order to share their concerns, thoughts and potential alternatives to the Business License Tax. She expressed an eagerness to work with Staff and the Finance Committee in jump-starting the meetings. She stated they were charged with the task, at the



FINANCE COMMITTEE

Chamber of Commerce, of selecting eight members of the business community to participate in these groups.

Susan Kaplan, 550 Hamilton Avenue, spoke regarding hardships that came along with the proposed Business License Tax, for herself, and other small businesses in the area. She supported the Business Improvement District (BID) but felt the licensing tax was an additional and unwelcome burden at this time. She voiced concern over the rapid way in which this tax was being decided upon and implemented prior to adequate discussion with area business owners. Any meetings held thus far between the City and representatives for the business, she felt had been one-sided affairs. She expressed her opinion that the business community was not behind the City on this proposed tax. She believed other revenue options merited further exploration.

Beth Rosenthal, 550 Hamilton Avenue, expressed concerns regarding the Business License Tax. She cited objections that arose during a canvassing of 50 downtown businesses who shared concern over the tax. She hoped for a proposal from the Finance Committee that better met the concerns of those involved while mindful of the City's needs.

Earl Dworkin, 467 Hamilton Avenue No.1 stated he was opposed to the Business License Tax. He cited a large BID meeting that he attended seven years ago where he projected this kind of taxation would be discussed seven years beyond that.

Martin Bernstein, Palo Alto spoke suggesting a tax exemption for no-employee, sole proprietor businesses. Further, he suggested the Committee consider the current President's tax model when fashioning their business license taxation.

Tommy Fehrenbach, Chamber of Commerce suggested a meeting with the business community for further input on the proposed Business License Tax.

Herb Borock, PO Box 632, spoke regarding the merits of public versus private processes, alternatives, and adequate time to decide such matters. He mentioned a prior email he sent to the attention of Mr. Keene and Mr. Perez in which he had included the internet link to the Employment Development Department site which provided a variety of helpful information for Staff and the community.



FINANCE COMMITTEE

John Halkmann, spoke regarding his loss of confidence in the City and varying proposed taxations. He stressed the negatives the currently proposed Business License Tax would have on the businesses community and hoped for further lines of open communication between those business members and the City in this process.

Chair Burt explained the above members of the community spoke at this time in the meeting due to their need to leave the meeting prior to later time for public comment. He advised the committee members on the fact that they may comment and ask questions, but reiterated this was a no action item.

Council Member Yeh suggested potential topics of discussion with the business community to include: 1) Potential exemption for small businesses, due to the economic climate. 2) Registry for Fiber-To-The-Premise to include home-based business locations and internet-intensive business locations for cluster mapping. 3) Possible communication with San Francisco for advice on payroll expense tax, number of employees and other issues in addition to what Staff has already researched.

Mr. Perez mentioned that the non-elected lead of the City and County of San Francisco was a resident of Palo Alto which he believed will aid them on compiling further information to report back to the Finance Committee.

Vice Mayor Morton spoke to the concerns voiced over the rapid nature in which this item had now reached Council. He spoke to how prior Councils had handled the business registry and billing structures. He stressed being mindful of the current consulting business environment when considering sole-proprietor and small business exemptions. He suggested a return to the gross revenue tax scenario for fair taxation. He also stated the Business License Tax seemed low at this point. He suggested the City move forward in their usual manner and was surprised at the level of concern regarding this tax. He stressed that the City had been fortunate in the past, and he discussed the nature of a recession and its impact on a community and revenue scenarios.

Council Member Klein followed up with current economic statistics including those from the Wall Street Journal. He stated Palo Alto in



FINANCE COMMITTEE

comparison was in better shape than most communities in the current financial climate. He went over ballot measures and election logistics. He stressed Staff had brought forth their options, but he was also eager to hear other suggestions and input. He stressed there was never a good time for more taxation, but taxation discussions remained necessary components of the process. Budget discussions lent to looking at all methodologies for positive outcomes to include possible taxation and other measures with the end hope of a City that will run smoothly without a reduction in services during a down-sloping economic time.

Chair Burt stressed the City Manager was working on a comprehensive program with elements of revenue generation and some very significant reductions in cost of employees and reduction in employees in their compensation. He explained the need for this shared approach in addressing significant budget shortfalls. He shared in the concerns voiced by members of the public and noted that the proposal brought forth by Staff may not yet be fully understood. He stressed Staff was mindful of all concerns, including those of small business owners, in their efforts to draft their proposal. He asked for Staff's clarification of their upcoming timeframes on this item.

City Manager, James Keene stated the specific recommendation was that they first meet with the Finance Committee, where they had been directed to look into the methodologies for increased revenue return. He stated they were positioned to return with a number of alternatives for the Committee's consideration after the May meeting.

Chair Burt reiterated the timeline, the tax form itself, and the amount of the tax as ongoing concerns. He noted the merit of exploration of partial credit back on retail, business-to-business sales and hotel taxes. He felt discussions were in line with where they should be after Staff's last proposal and discussion with Council. He addressed concerns held by the business community and stressed the fact that this new tax proposal, implementation and affects were shared by businesses and the community as a whole.

Vice Mayor Morton questioned the legalities of crediting sales tax back to the businesses. He hesitated to ask voters to act on a relatively insignificant amount, and looked to more easily calculable and understandable numbers for the public and business community to



FINANCE COMMITTEE

grasp. He spoke to the nature of estimating and accurately evaluating business goods and service values.

Chair Burt clarified that any previous discussion of a reduction in scale lent to a total revenue of \$3 million, which he does not perceive to be an insignificant figure. He also clarified that the concept of a credit back on sales tax was not a direct credit of the sales tax itself, it was against the amount paid in the sales tax. He explained that he spoke with the City Attorney about this, and his initial understanding was that this would be a permissible approach and would need to be explored more fully.

No Action Required

3. Proposed Fiscal Year 2009-2010 Community Development Block Grant (CDBG) Funding Allocations and 2009-2010 Draft Action Plan.

Assistant Director of Planning and Community Services, Curtis Williams introduced Kathy Siegel, Advanced Planning Manager, who gave a brief presentation.

Planning Manager, Kathy Siegel explained City Staff and the Advisory Committee concur in their recommendations for funding. The CDBG allocation from HUD for 2009-2010 was estimated at \$656,000, but the official amount has not been received from HUD. She stated the total funding that was available was approximately \$800,000, of which they had applications for funding totaling \$940,000. She explained public services can be funded with a portion of the CDBG grant, and the cap for next fiscal year was approximately \$108,000. She stated this year there was an application from Support Network for Battered Women, which will serve a significant number of people from the Palo Alto area, in addition to other parts of North County. She recommends that the Committee and Council approve funding Support Network for Battered Women in the amount of \$8,250. The Committee and Staff were not recommending funding for Emergency Housing Consortium, who applied for \$7,500 for their emergency shelter programs, which were run out of San Jose. Emergency Housing Consortium was an excellent program, but they do not serve quite as many people from the North County Area, and that was why the Support Network for Battered Women was supported instead. She mentioned one



FINANCE COMMITTEE

comment was received on the Action Plan, and the letter was from a citizen and dealt with concerns about accessibility and participation of persons with disabilities.

Chair Burt extended an appreciation to the Staff work and for Citizen's Advisory Group on Development Block Grants (CDBG).

Council Member Yeh acknowledged that this was a difficult environment for a lot of the non-profits in the community, given the current economic environment. He asked if the overall requests for non-profits increased this year relative to last year, in terms of developing recommendations for distribution of funds.

Ms. Siegel stated for the CDBG Program, the applications were fairly typical.

Council Member Yeh asked if there was consideration of who the applicants were in the separate pool of funds relative to CDBG, and what total dollars would be recommended if there was some reconciliation at the end.

Ms. Siegel stated Staff does work very closely between the two departments to review the applications. If an agency applies to the wrong program, the application can be moved over to the other program for consideration.

Council Member Yeh stated one has to do with a single year and another has to do with two years, and it was a challenge for him because it was seeing where some monies were being prioritized. What emerged was to see if there were some non-profits that were receiving funds from one source or the other and considering issues of fairness and whether or not there was an opportunity to reconsider some applicants the following fiscal year through CDBG as opposed to HSRAP, and that factors into his thinking on how to move forward on these two items.

Mr. Williams pointed out that the funding for the service organizations was substantially more in the HSRAP pot and that they were pretty limited in the CDBG end of it to provide services capped by the 15 percent limit they have.



FINANCE COMMITTEE

Chair Burt asked about the funding request for this funding period versus last year. In looking at the Staff report on page 5 under Public Services, it appears to have jumped from \$126,000 request in 2008-2009 to \$179,000 in 2009-2010. He asked if that was correct.

Ms. Siegel stated on page 5, the first column was the actual funding that was awarded for the current fiscal year, which was a little more than was available this year because of how much program income was received, which was how the funds were capped.

Chair Burt stated under the Emergency Housing Corp. had requested for 2009-2010, but the table does not show a request. They had funding in 2008-2009, but it does not reflect a request. He asked if they did request funds.

Ms. Siegel stated they have two different programs. When she saw a zero in the column of 2009-2010 it confused her as well and she had to check on it. She explained it was their Off The Streets Program, which was funded in 2008-2009, and that program has been discontinued. She explained it probably should have said 'Did Not Apply' in that spot. She stated number four was not funded, the Emergency Shelter for Singles and Families; that was being funded in the current year.

MOTION: Vice Mayor Morton moved, seconded by Council Member Klein to approve Staff and CDBG Citizens Advisory Committee recommendations that the City Council:

1. Allocate CDBG funding as recommended by Staff in the draft 2009/10 Action Plan.
2. Authorize Staff to submit the 2009/10 Action Plan to the Department of Housing and Urban Development (HUD) by the May 15, 2009 deadline.
3. Authorize the City Manager, on behalf of the City, to execute the 2009/10 application and Action Plan for CDBG funds and any other necessary documents concerning the application, and to otherwise bind the city with respect to the application and commitment of funds.



FINANCE COMMITTEE

Vice Mayor Morton stated all of those who showed up in support of their applications but did not talk so this could be moved through expeditiously was appreciated.

Council Member Klein thanked the Committee that worked on the CDBG allocations. He stated he recognizes there was a small overlap between CDBG and HSRAP, and he hopes that Council Member Yeh will reconsider his position. He feels that the authority of the two programs was very different and it would only confuse things if they were to suddenly be wrapped together. He explained organizations need a lot more money this year and it was not available.

MOTION PASSED: 4-0

4. Recommendations to the City Council Regarding Proposed Fiscal Years 2009-10 Human Services Resource Allocation Process (HSRAP) Funding.

Vice Mayor Morton advised he would not be participating in this item as it pertains to Palo Alto Community Child Care and Adolescent Counseling Services as his firm does business with them. He left the meeting at 8:13 p.m.

City Manager, James Keene suggested it would be appropriate to conduct a discussion in general and have the Vice Mayor present.

Chair Burt stated they will segregate Item Number 4 on the Agenda and will now discuss Attachment A, Item 2, Palo Alto Community Child Care, and the second item under HSRAP, which was Adolescent Counseling Services, then return to discuss the balance of the items.

Cubberly Center and Human Services Division Manager, Kathy Espinoza-Howard stated they were embarking on the two-year HSRAP cycle, and this was the first year of funding for this cycle. She explained it was a total of \$1.1 million and nine new requests have been received, which amount to approximately \$268,000, which was higher than the last cycle. She explained the City Council allocated funding to non-profits to make sure that they could provide a safety net of services. She thanked the Allocations Committee, who worked very hard to make the decisions on the allocations. She stated they reviewed 19 proposals and the Committee was presented with a 5



FINANCE COMMITTEE

percent cut to the HSRAP funding. The 5 percent constituted about \$58,000. They felt that it was important that the current programs were addressing the priority of meeting the community needs, and they felt it was important not to fund any other new programs. The HRC reviewed the allocation request, heard from the community, had non-profits testify, and voiced their concerns that no new programs were going to be recommended for funding. The Human Relations Commission (HRC) voted on March 12 unanimously to accept the Allocation Committee's funding recommendations.

Council Member Yeh mentioned sitting through the HRC discussions was very helpful in understanding that the 5 percent reduction was the result of a very long discussion with all of the stakeholders, and was the clearest solution for an increased demand while having decreased funding availability. He asked how Palo Alto Community Child Care was defined and how that determination was made by the City of Palo Alto.

Ms. Espinoza-Howard stated, in the legislation for the HSRAP, there were accommodations made for agencies that there were no other competitors. The Palo Alto Community Child Care receives \$411,000 for subsidies for child care, and with that they actually work with the State. The State child care subsidies were brought together to help address a larger group of low income families who need child care. She mentioned there was no other agency in Palo Alto that can provide the administration and additional State money for child care.

Council Member Yeh asked how the Adult and Counseling Service (ACS) organization, in terms of when they apply, if the analysis includes the need and if was it factored into funding recommendations.

Ms. Espinoza-Howard stated documentation for national studies was asked for within the proposal. She stated in their proposal they talked about national data of youth that were at risk. She mentioned, in Palo Alto, in the past 5 years, six youth have been lost to suicide. The services have been documented and how they have affected the youth that have participated in their program. She mentioned the Executive Director was present and could speak more concretely about the data that he has provided for this proposal.

Dr. Philippe Rey, Executive Director Adolescent Counseling Services explained the Palo Alto Unified School District provides counseling



FINANCE COMMITTEE

services to the three middle schools and the two high schools. He stated they see around 25 percent of the student population at this site. He pointed out that a lot of people think that because of the quality of the schools in Palo Alto as well as the perceived wealth, the kids were doing better in terms of mental health. It was actually the opposite. He believes there was so much pressure to succeed in this community in terms of college and perfectionism, that more kids need the services than maybe other communities. He stated most of the kids being seen were actually suffering from depression, were suicidal and have eating disorders.

MOTION: Council Member Klein moved, seconded by Council Member Yeh to approve the funding for the Palo Alto Community Child Care and Adolescent Counseling Services.

Council Member Klein mentioned perhaps the reason why Palo Alto Community Child Care was the sole source was that they were in effect providing services that a city would be providing. He stated most cities have senior programs and Palo Alto does not because Avenidas provides them. He felt Palo Alto Community Child Care and Adolescent Counseling Services provide a very useful service to the community and he was prepared to vote for both of them that were part of the motion.

Council Member Yeh expressed his support for the services that were provided by Palo Alto Community Child Care and Adolescent Counseling Services. He stated it was helpful for him to understand if he knows the relative financial strength of each non-profit and whether or not that was taken into consideration.

Ms. Espinoza-Howard explained one of the criteria has to do with diversity of funding. She stated they always ask for the financials and most recent audit. She further explained they were very careful to have diversity as well as years of experience in the field.

MOTION PASSED: 3-0, Morton not participating

Council Member Morton returned to the meeting at 8:25 p.m.

Chair Burt asked Staff to comment further on the decision to not fund any of the new programs. He explained he does not have any specific



FINANCE COMMITTEE

disagreements with the program decisions but just wants to understand further the thought process went that went into putting into practice.

Ms. Espinoza-Howard stated the Committee itself had to go through and reduce all of these programs by 5 percent. She mentioned in the previous cycle, new programs were able to be funded, and in fact funded approximately three new programs two years ago. Because of the performance and the quality of these programs, and they were addressing the priority of need, the Committee felt it was very difficult, not only to cut the programs, but then to cut them further by perhaps another 10 percent in order to fund the newer programs. She explained because of the economy, a 5 percent cut may be able to be absorbed by the current non-profits, but 10 or further would make it more difficult for them to even provide the services they were currently providing.

Chair Burt stated he understands the dilemma. He explained his question was more hypothetical, as in the way the methodology was set up. He stated if you were to look at a new program, and if it had been a program that identified a need or was able to leverage resources better, or was in some way a program even more valued than the excellent programs that had to absorb a 5 percent cut, it sounds like the new program has been necessarily precluded from consideration. He stated he was not sure this was the best practice. He was not disagreeing with the specific decisions here.

Council Member Klein asked about the language on page one of the Staff recommendation which referred to the funding allocations being included in the "Cubberly and Human Services Division's Contract Budget". He asked if the name has been changed and Cubberly was now part of the name.

Director of Administrative Services, Lalo Perez stated the division was now called Crly Community Center and Human Services. He explained that Ms. Espinoza-Howard was now a Facility Manager as well as Director of Human Services.

Community Serviced Director, Gregg Betts explained this was done through span of control when Del Thorpe, a manager who retired after 40 years, two years ago, when there was a reorganization of



FINANCE COMMITTEE

Community Services. The four divisions now were Open Space and Parks, Recreation and Golf, Human Services in Cubberly, and Arts and Sciences.

Thomas M. Pamilla, 455 E. Charleston Road, was Director of Stevenson House, which was affordable housing for low income seniors. He spoke regarding seniors who come to their organization with physical and mental frailties. He mentioned they do not have the services to address mental illnesses and asked where funding can be found to fund a position of a social worker to work with the very serious needs of seniors.

Audrey Sullivan Jacob, InnVision Advisory Council spoke regarding a request to have allocation issue referred back to Staff for reconsideration of some of the policies used to make the allocation decisions. She mentioned priorities may have changed since they were established, given the economy and that services for those in poverty may have risen a bit. She felt the policy that no new non-profits for a two-year funding cycle should be reconsidered. She encouraged Palo Alto to think of itself as a model city and its delivery of social services to the poor.

Philip Dah, InnVision Opportunity Center spoke regarding a request for reconsideration of their application for HSRAP funding which was denied, so that they can continue to provide their services to the community. He explained the benefits and services provided by InnVision to the Palo Alto community. He told a story of a man InnVision had helped receive much needed medical services, as well as assistance in applying for benefits available to him.

Matthew Bahls, Stanford University, spoke regarding a request for reconsideration of the allocation of HSRAP funding. He expressed his feelings regarding InnVision and the services they provide to Palo Alto. He mentioned there could be food services for the homeless and not just the elderly. He felt the current definition of sole source was concentrating the funding in a few non-profits and some other emerging ones could use additional support.



FINANCE COMMITTEE

Stephanie Beach, 854 Clara Drive, spoke regarding a request for the Committee to reconsider the HSRAP funding, and she hopes to have continued support this year for La Comida.

Eileen Richardson, East Palo Alto, spoke regarding the agencies on the list who served the homeless population. She felt now was a terrible time to cut funding to any of the agencies. She suggested partnering with other family foundations in town, or a fundraiser to avoid cutting funding.

MOTION: Council Member Klein moved, seconded by Vice Mayor Morton to approve Staff and Human Relations Commission recommendation to recommend to Council:

1. The funding allocations for 2009-10 be included in the Fiscal Year 2009-10 Cubberly & Human Services Division's contract budget.
2. The City Manager or his designee was authorized to execute year one and for a renewal up to one additional year (FY2011). The City Manager or his designee be authorized to execute the Human Services contracts and any other necessary documents concerning the contracts.
3. The Council approve the contracts of \$85,000 or greater as identified.

Council Member Klein spoke regarding how the Allocations Committee of the Palo Alto Community Fund made some of their decisions, and explained the difficulty in making those decisions. He stated hope that the Committee would join him in supporting what was recommended, with the understanding that this was a difficult choice.

Vice Mayor Morton stated he would like to find money for senior mental health, and also suggested that maybe Avenidas has a program that they can use to help Stevenson House. He does not see his reallocating the dollars ending up with a better result, and he reluctantly supports Staff's recommendation.

Council Member Yeh stated he supports the motion. He made suggestions for future allocation decisions. He stated in future staff



FINANCE COMMITTEE

reports it would be helpful to know what was received in terms of the diversity of funding. He suggested an upcoming event on Sunday, May 3rd from 12 to 5 PM, where there will be stakeholders who will attempt to create a website resource to support non-profits, which could possibly reach donors. He mentioned some of the ideas for this support would be volunteer match, board of director's match, online blogging system for non-profits to connect with one another in the same service area, the telling of the non-profit story, and possibly a common application for all funders who support Palo Alto based and Palo Alto serving non-profits.

Chair Burt stated the services mentioned were those that many other cities would provide directly through Staff employees. He stated the ability to take the dollars and leverage them in a way that was currently done with volunteers and other non-profit funding, allows that to provide greater services than would otherwise be provided if Palo Alto did what many cities do, which was to have them as a directly funded agency. He felt the approach Palo Alto uses was highly effective and looked forward to an expansion of the leveraging approach for all of the non-profits. He spoke about how the consolidating of functions demonstrates progress that was being made in the City staffing, and the dollars saved by doing this were dollars that will be able to be retained for critical functions.

MOTION PASSED: 4-0

City Manager, James Keene, acknowledged the budget process was being kicked off for 2010-2011.

Ms. Espinoza-Howard expressed her regret of not having enough funding for all of the programs. She stated she was working with the Planning Department and looking at the stimulus package, and there were some parts of the stimulus package that address services. She mentioned they will take a look at that package to see what was available.

Council Member Klein acknowledged Crystal Gavage who was in the audience. He mentioned Crystal's daughter was on the Boulder City Council, and she frequently mentions Palo Alto as an example of good practices.



FINANCE COMMITTEE

Mr. Keene recognized Mr. Yeh's comments about the upcoming event and stated it was important that we remember that the Council priority of Civic Engagement For The Common Good does not mean civic engagement was just being directed by the City, but it was a value and a practice that encourages.

The Finance Committee took a break from 9:10 until 9:18 p.m.

5. External Quality Control Review of the Office of the City Auditor (No action Required).

City Auditor, Lynda Brouchoud, spoke regarding a review that was performed on the Auditor's Office. She explained that per Government Auditing Standards, the City Auditor's Office is required to receive an external quality control review at least once every three years. In February, the Peer Review team came and evaluated the Office's compliance with standards for the prior three fiscal years. Bill Greene, the Assistant City Auditor from the City of Phoenix, and Jim Williamson, the City Auditor for the City of Oklahoma City, were the members of the Peer Review.

She stated the Peer Review team issued a full compliance review. She stated the Peer Review team found that the "internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards." The Peer Review team noted areas where the Office excels – significant amount of work that was produced from the small office size, persuasive audit reports and meaningful project objectives. The Peer Review team provided suggestions on areas where the Office can improve—primarily pertaining to establishing policies and procedures for accepting non-audit services. She mentioned since the Peer Review, the office developed and implemented policies and procedures to address this area. She thanked the Peer Review Team, audit department staff, and the Association of Local Government Auditors who coordinated the Peer Review Team.

Council Member Yeh congratulated them on the results of the Peer Review.

Council Member Klein congratulated the results of the Peer Review.



FINANCE COMMITTEE

6. Auditor's Office Quarterly Report as of March 31, 2009.

City Auditor, Lynda Brouchoud, introduced Ian Hagerman, who joined the Auditor's office in March as a Senior Auditor. Ian previously worked as a Performance Auditor for the Office of the Auditor General in Arizona and as a Research Project Manager for Stanford School of Medicine. He has a Master's in Public Policy and a Master's in Public Administration. During the third quarter, the Auditor's Office issued the Annual Service Efforts and Accomplishments Report that contained the results of the annual Citizen Survey and other performance data. The Auditor's Office issued the Audit of Ambulance Billing and Revenue Collection, which contained 17 recommendations to improve the oversight, administration and other processes for the ambulance billing collections. She mentioned again that the Office underwent the Peer Review with a successful outcome. The Office also issued the Sales Tax Digest for the third quarter sales and use taxes. She explained the sales and tax use monitoring during this last quarter uncovered approximately an additional \$15,000 in recoveries, bringing the total recoveries to over \$75,000 for this year, and there were 19 additional companies that they were waiting to hear from the State on pending misallocations. She mentioned that during the third quarter, President Obama signed the American Recovery and Reinvestment Act, also known as the federal stimulus grant package. The Auditor's Office began monitoring developments and auditing impacts as the City begins to apply and receive federal stimulus funds. She responded to comments received at the Finance Committee meeting in December when they had their status of the recommendation follow up, and mentioned they followed up with City departments on those outstanding recommendations during the mid year so that it will help them prepare for the next year-end status report. The Auditor's Office also prepared a list of audit recommendations related to potential budget impacts and plans to discuss these with the City Manager for consideration in the budget process. Her hope was this information will tie in with the budget process in a timely manner. She mentioned the Association of Local Government Auditors named the Audit of Employee Ethics Policies an honorable mention for its 2008 Knighton Award, and this award will be presented to the Auditor's Office at the conference in May. She recognized the efforts of Edwin Young, who worked on that report.



FINANCE COMMITTEE

Council Member Klein asked when topics can be proposed to the Auditor's office.

Ms. Brouchoud explained this was when the annual work plan was developed, which happened in September last time. She mentioned if there were topics now, she welcomes hearing those.

MOTION: Vice Mayor Morton moved, seconded by Council Member Klein to accept Staff recommendation to recommend to the City Council acceptance of the Auditor's Office Quarterly Report as of March 31, 2009.

Council Member Yeh asked, regarding page A4, number 16, prospective analysis of bond measure proceeds, if there was any interaction between the Citizen's Bond Over Site Committee and the analysis of bond measure proceeds, or if there was no interaction between the two.

Ms. Brouchoud believed the Committee was about to be formed and asked if that was correct.

City Manager, James Keene asked if there were enough members appointed yet. He stated he knew there were two or three people who were willing to serve and that they were close to getting that going.

Assistant City Clerk, Beth Minor stated there were 11 people who have applied for the position, and it will be coming in front of Council to select who to interview.

Ms. Brouchoud stated once the Committee was formed then they could meet with the Committee to get their feedback on it. She explained what was on the work plan was to try to do more of a prospective analysis. She understands the bonds were intended to be issued next spring and explained there was some time to look at the controls that were in place prior to issuance. She stated once the Committee was formed, they can meet with them as they move forward on the project; it has not been started yet.

Council Member Yeh felt it was a great opportunity of these two oversight roles.



FINANCE COMMITTEE

MOTION PASSED: 4-0

7. Utilities Advisory Commission Recommendation that Finance Committee Recommend Council Adoption of a Resolution Amending Utilities Rate Schedules C-1, E-16 and W-2.

MOTION: Council Member Yeh moved, seconded by Council Member Morton to recommend to the Council to adopt the Resolution to amend Utilities Rate Schedules C-1 (Utility Service Calls), E-16 (Unmetered Electric Service) and W-2 (Water Service from Fire Hydrants).

MOTION PASSED: 4-0

8. Recommendation that Finance Committee Recommend Council Adoption of a Resolution Adopting a Fiber Optic Rate Increase and Amending Utilities Rate Schedules EDF-1 and EDF-2.

Vice Mayor Morton advised that he would not be participating in this item as he owns stock in Verizon and various communications companies.

Chair Burt mentioned discussions recently about fiber to the premises and fiber fund and how it was doing. He asked if Staff could comment on how they envision the future in terms of the competitiveness of the City's fiber optic program and emerging trends that were anticipated.

Utilities Director, Valerie Fong stated based on the rates that were currently being charged and that it was a dark fiber business and the way it was currently structured, that it was a competitive business and the reserves were growing. She explained it was competitive partly because of the way it was priced. She also noted that expanding the business beyond dark fiber would require the development of a new business plan, and that current efforts to fund an expansion of the fiber business are focused on obtaining economic stimulus funding.

MOTION: Chair Burt moved, seconded by Council Member Klein to recommend that the City Council adopt the Resolution to:



FINANCE COMMITTEE

1. Approve the 3.1 percent increase to commercial fiber optic rates EFF-1 and EDF-2, for Fiscal Year (FY) 2010, effective July 1, 2009, which will increase annual revenues by \$48,000; and
2. Approve changes to the Fiber Optics Rate Schedules EDF-1 and EDF-2.

MOTION PASSED: 3-0, Morton not participating

9. Discussion of Future Meeting Schedules and Agendas.

Director of Administrative Services, Lalo Perez stated May 5, 2009 May 7, 2009, May 12, 2009, May 14, 2009....may move to May 13, 2009. Morton out of state 5/12,13,14,19 be back on 5/21

Council Member Morton stated City Manager Keene mentioned this was the beginning of the budget discussions. He stated the first meeting was on May 5th, to discuss the transmittal letter of the budget, bring specific discussions on the CAO Council, Human Resources and ASD budgets. He mentioned on the 7th of May, they were going to have discussion on the fire, police and library and planning, which was a change from the tentative schedule. On May 12th, Community Services will also have utilities, and then the CIP for utilities. The tentative schedule showed Thursday, May 14th, and there has been a request to move this to May 13th, which would be discussing the general fund CIP and the Public Works general fund budget. If the Committee was able to move to the 13th, Staff was willing to accommodate the change.

Mr. Perez stated he will be out of the state on the 12th, 13th, 14th and 19th, and will not be available for any of those meetings.

Council Member Yeh stated Oakland City Council Meetings were on Tuesdays and he was hoping for the mayor to appoint a replacement, probably Council Member Schmid.

Chair Burt asked if by May they will need to concern themselves with the availability of Council Member Yeh.

Council Member Yeh was not sure at this time due the uncertainty of future meeting dates.



FINANCE COMMITTEE

Chair Burt stressed the need to find out from the Mayor his replacement appointment to the Finance Committee and the timing of that, and assure this allows them to have a quorum for these meetings.

City Manager, James Keene asked if by the first of May or so, that Council Member Yeh will no longer be on the Finance Committee and there would be a new appointment.

Council Member Yeh stated this was up to the Mayor and that he needs to pass this by the Mayor first. He wanted to let Staff and colleagues know that whoever was his replacement on the Finance Committee will probably happen prior to the end of this month.

Chair Burt stated the question of the 13th has to be left open, and tentatively some of the other dates.

Council Member Morton stated he will not be here the week of the 10th, and will be back for the Finance Committee on the 21st. He stated if rescheduling needs to be done, the 26th and the 28th would be better.

Mr. Perez stated there was also a request on the 21st, and asked if and they were suggesting that they consider the 26th as the wrap up night instead of the 21st.

Council Member Morton stated he expects to be back the 21st, but was arriving that day from out of the country.

Mr. Perez asked if they were going to wait to see who the Mayor appoints, clarify dates and then finalize the schedule.

Chair Burt stated was correct.

Mr. Keene stated on the 27th, they will be presenting to the Council the proposed City Manager budget, as a study session and not an action. He stated they have two open community meetings scheduled later that week, one on Wednesday the 29th at 7 PM at Cubberly, and the other one was on Friday, May 1st at 9 AM, which was a chance for more in-depth review of some of the forces and factors in the City's



FINANCE COMMITTEE

economics and its budget, and a chance for the public to get a better understanding before the Finance Committee actually starts the hearings.

ADJOURNMENT: The meeting adjourned at 9:44 p.m.