

# POLICY AND SERVICES COMMITTEE TRANSCRIPT



Special Meeting  
Tuesday, November 29, 2016

Chairperson DuBois called the meeting to order at 6:09 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: DuBois (Chair), Kniss, Scharff

Absent: Berman

## Oral Communications

None.

## Agenda Items

1. Auditor's Office Quarterly Report as of September 30, 2016.

Chair DuBois: We're going to proceed with Item Number 1: The Auditor's Quarterly Report.

Harriet Richardson, City Auditor: Harriet Richardson, City Auditor, Good evening Mr. Chair and members of the Committee. Harriet Richardson, City Auditor here to present the status quarterly Report for July through September 2016. We have several audits in progress and I'll say up front, right now, a lot of these dates that we had originally scheduled for presenting these audits to Policy and Services have been pushed out because of other items but I will tell you what the revised states are as we go. The first one is, continuous monitoring audit on procured pay, which is really accounts payable. Looking at whether or not continuous monitoring can help the City detect duplicate vendor or duplicate vendor payment records and identifying a process to minimize that. That audit is in the reporting phase and it scheduled to be presented in February 2017. I do expect that one to be ready to go then. The Fees Schedules Audit, we're looking at the processes for establishing fees with the focus on Community Services Department and whether or not how well those fees align with the City's policy on cost recovery and as of the end of September, that audit was in the field work phase. That audit has now out (Inaudible) so for official response to the City Manager's Office and this is one that's been pushed out. We do expect to publish it by the end of the calendar year but it's been pushed out for presentation to Policy and Services to February. Utilities customer service rate, billing and accuracy audits; so, we are looking at the way the Utilities Department implements rates and whether or not it

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accurately bills customers. This was originally going to be a single audit on water, gas and electricity billings but because of the number of issues we identified in water, we've stopped work on gas and electric and are going to issue a separate report on water. We were originally planning to publish the report by the end of December with presentation now pushed out to February. The auditor who's been working on that has been out sick since early November so, we will be pushing it. Whether or not we'll make that deadline – that time line of publishing by the end of December, we're going to try for that but I'm not sure that we'll make it, depends when she comes back. Then we'll start the second part, the gas and electric after we do the Enterprise Resource Planning (ERP) audits that we have planned, which I consider a higher priority given the time line for the ERP planning process. We have another continuous monitoring audit that was looking at over time and whether or not the City can implement procedures that might help them better monitor than manage their overtime by having more detailed data that could be analyzed by continuous monitoring process. That audit is in progress right now and it's another one that's been pushed out. It's now scheduled for presentation in March 2017. Sustainable purchases audit, we're looking at how well the City's implemented its Sustainable Purchase Policy in the purchases that it makes of products that the City buys. That one is also in progress, it's in filed work right now and I expect that one to be done, either by the end of year or early January. That one was scheduled for February and that one is being pushed out to March Policy and Services Committee. I think all of these dates are on the Policy and Services draft agenda, that they go over at the end of the Committee meeting. The [Hydromax Crossbore Contract], that one's in progress right now. We're looking to see whether or not the work performed under that contract – whether the City took an appropriate approach to identifying the work needed to be done and has applied the appropriate level of contractor oversight. I expect that one to be done either by the end of this month or early January and again that's one that's been pushed out. It's been pushed out for presentation to March. Even though these audits have been pushed out on their presentation dates, we will publish them as they are completed. On the other work that we do, sales and used tax allocation; for the first quarter, we have recovered a total of \$261,415 to date. About \$7,300 of that is from the work that our office does and about \$254,000 of that is from work that our consultant does, \$220,000 of that \$254,000 was a large lump sum recovery due to a reallocation from the third quarter of 2006 thru the second quarter of 2014 and our consultant had done a lot of work appealing to the State franchise – the State Board of Equalization, excuse me, State Board of Equalization regarding this miss allocation that had been throughout the State and recovered a large sum of money for quite a number of jurisdictions. Our quarterly reports, we do get an Information Report from the consultant that we publish regularly and those are available

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on our web site and we present them as information reports to the Council. We also continue with our advisory roles for the Utilities Risk Oversight Committee, the Information Security Steering Committee and the Information Technology Governance Review Board. We've recently taken on an oversight role for strategic and technical planning for the Enterprise Resource Planning System and we're treating that as a separate, non-audit service, where we are looking at things – how the Department of Information of Technology is implementing the process planning – the project and their plans for implementation so that if we see anything that if, for example, if we came in after the fact and then audited, we would have said, oh you should have done this different. We can make some recommendations as we go so, this isn't an actual audit, it's a non-audit service because we are making recommendations as we go rather than producing findings after the fact like we typically do. The status of audit recommendations, we have seven audits – eight audits, excuse me, eight audits that have open audit recommendations. Several of them are past due on the due date for the next Status Report. The contract oversight for utility or the – not the contract oversight, the inventory management and utility meters' ones, we've had some meeting scheduled to talk about where the disagreement is between our office and the departments that are responsible for implementing the recommendations but again the auditor who is responsible for those, is the auditor who's been out sick so, we've had to reschedule those and so those have been postponed to January to have that discussion. On the other audits, we are taking a new approach on how we're going to start doing the status reports. My office is going to take back responsibility for sending out the notifications that the audits are due for status report and we'll start doing that again in January and then we're going to coordinate with the City Manager's Office for – it's still going to be their report to present to Policy and Services but we will validate the recommendation – the status reports first to determine whether the recommendations actually have been implemented when they say they have and then the City Manager's Office will take the Report and present it for Policy and Services Committee. It's taken us a little while to kind of work through how we can make this process work because it wasn't working so well and now I think we've got a plan to get these moving along. No recommendations were implemented during the first quarter of this year and there are 73 open recommendations for those eight audits. The Fraud, Waste and Abuse hotline, we received three complaints during the first quarter of FY 17. Two of those were – one of those was closed and two of them are open right now. Those two will probably be reported as closed during the next reporting period. So, we've only received a total of 29 since inception of the hotline in 2013 and this is another area where we've had to push out the presentation to Policy and Services but I will be coming to Policy and Services, it's currently scheduled for February 2017, to discuss a

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new approach for how we should manage complaints. Get information out there about what appropriate to report through the hotline and what's not appropriate and by doing that, I'm hoping that we'll get complaints that are the right type of complaints and we did recently have one that was actually a very good appropriate complaint for the hotline and it resulted in the expected outcome as far as action taken to resolve the issue. I'm hoping that by getting more information out there about what's appropriate – I think that particular one was a result of a presentation I had given to a department where I was able to explain a little bit about the hotline and the complaint came in shortly thereafter and it was the legitimate type of complaint we would expect to see related to fraud, waste or abuse. That concludes my presentation and if you have any questions, I'm here to answer them.

Council Member Kniss: Looking at Packet Page 6, where we're talking about the calendar year sales tax information and you're saying that comes in about six months after the end of the calendar year.

Ms. Richardson: That's the Stanford – the Stanford information comes in about six months after the end of the calendar year. That's for the Stanford Hospital project.

Council Member Kniss: Right. I don't want to mix apples and oranges but knowing the School Board had difficulties with one of the projections that they had, I'm going to presume this is nothing like that, correct?

Mr. Richardson: No and we don't project what that will be. We get a report – they track – we have an agreement with Stanford, that for all of the work done at the hospital, that the sales tax for that project will come directly to the City for materials that they use; anything that's eligible for sale tax and they track it and then after they've compiled it, it takes them about six months for them to get the report to us. Then, we have a way of validating that that is the right information and then we report it after that. So, usually, we report it in the June Quarterly Report, at the end of the fiscal year.

Council Member Kniss: This, though – without knowing or remembering what the amount are, I'm going to guess that these are certainly a far less amount than what we get from the shopping center?

Ms. Richardson: That information is in our quarterly – the quarterly information reports and I don't know the numbers off the top of my head but I could get those to you.

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Council Member Kniss: I guess I could look at them myself too but it just would seem – this is interesting. This has to do with (Inaudible) project?

Ms. Richardson: Yes, and the numbers that I present here are only the numbers that we pursue, where we think there's been a miss allocation or an under-reporting of sales tax. Everything else that comes through the City, it's millions of dollars, we don't report that in this report.

James Keene, City Manager: What is the figure we're looking at? I might be able to shed some light on.

Ms. Richardson: It's the... (Crosstalk)

Council Member Kniss: Sales and Use tax.

Ms. Richardson: Sales and Use tax.

Mr. Keene: Yes.

Council Member Kniss: For the hospital project.

Mr. Keene: Oh, ok, for the – I'm sorry. I thought you were talking about the shopping center.

Council Member Kniss: I was, I said comparatively because I wouldn't think that the hospital project would be bringing in a lot of sales tax dollars. Hadn't even thought about it as a significant...

Ms. Richardson: My guess is that it's quite a bit less. I want to say...

Mr. Keene: Well, traditionally we would generally estimate that we get about a quarter of our sales tax actually, from the shopping center.

Council Member Kniss: From the shopping center but not from the hospital project?

Ms. Richardson: No.

Mr. Keene: We are running it – you know, we typically run between 25 and 30 million dollars total in sale tax.

Council Member Kniss: Right. We are delighted to have a shopping center but I'm simply looking at this and – just because that odd thing had

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happened with the school. I can see that this is quite different but looking at it, just a flag went off. Thanks.

Vice Mayor Scharff: Alright, just briefly. In terms of closing audit recommendations, we did nothing in the last quarter or in terms of the closing amount it shows that we've worked towards doing it. (Inaudible) Quick status update.

Mr. Keene: I doubt it.

Ms. Richardson: I can tell you that two... (Crosstalk).

Mr. Keene: My apologies.

Ms. Richardson: The two that have been our focus really, have been the inventory management and the utility meters because they have some substantial recommendations in them but like I said, we've had to keep rescheduling these meetings because the auditor who is working on those has been sick for the past month; not in the office. Those really have been our focus. We've had to reschedule those meetings a couple of times before that and right now they're scheduled for January.

Vice Mayor Scharff: That's for which audit?

Ms. Richardson: That's the Inventory Management and Utility Meters' Audits.

Vice Mayor Scharff: Ok, so the two big ones (Inaudible) (Crosstalk).

Mr. Keene: I didn't mean to be flipped there Mr. Vice Mayor. I just actually Harriet is in a better position to tell you...

Vice Mayor Scharff: She just took the bullet for you. She said it was their fault.

Mr. Keene: ... what might be blocking...

Ms. Richardson: Yes, I will say the rescheduling has been due to my office and I'm hoping that auditor will be back next week.

Vice Mayor Scharff: So, what about the other ones? You know, like the police department?

Ms. Richardson: That's the Animal Services Audit.

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Vice Mayor Scharff: Yeah.

Ms. Richardson: That one is in the City Manager's hands.

Mr. Keene: I don't know if this is an entirely legitimate rational but the parallel work that we have going on with the assessment of the shelter operations and the transfer you know, has sort of slowed down our response there as we kind of continue to kind of both work through the meet and confer process with labor and try to arrive to the final conclusion with pets in need folks.

Vice Mayor Scharff: That makes total sense. What about disability rates and workers comp? Those are still 15 out of 15 (Inaudible).

Ms. Richardson: That one wasn't actually due yet till February so, that we're good on.

Vice Mayor Scharff: Oh, we're good on that? Ok, you're right because I see past due and then I don't see past due, you're right. Ok. Alright.

Mr. Keene: Took a bullet and dodged a bullet.

Vice Mayor Scharff: She's all good for you tonight. That's all I have.

Council Member Kniss: So, let's follow up on that though with someone who has – this person has been out for quite a while?

Ms. Richardson: She's been out for pretty much all of November.

Council Member Kniss: Do you ever consider ever using a contractor in that case?

Ms. Richardson: We haven't and I don't have the budget for contractors.

Chair DuBois: Couple questions on the continuous monitoring kinds of studies. How are those designed and how are you evaluating whether they're effective?

Ms. Richardson: For example, on the Accounts Payable Audit, what we were looking at is we looked at the vendor master file and we also looked at a sample of invoices. We have some software called ACL, it's an audit software that can look at the full database of records without having to do a sample and you can put some commands in there to tell it to pull out things that would likely be duplicates and so by doing that, we get a list of potential and

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then we sort through those to identify which ones are actuals and which ones may be considered false positives and that did help us identify some issues with the vendor master file and also some duplicate payments. Then we worked with Administrative Services Department (ASD) to identify -- for example, those duplicates, did they catch them and correct them or where they still duplicate that they needed to pursue. So, by doing that sort of script with that software, you can monitor on an ongoing basis, did we have a potential duplicate and check it out if you didn't -- if it didn't come to your attention just through the normal process.

Chair DuBois: Ultimately, are you saying, yes this is worthwhile and then there's some software being purchased or?

Ms. Richardson: ASD was looking at the software but I'm not sure if they're going to purchase it. They're going to look at the cost benefit to see if it's worth purchasing, given what we've found in the audit.

Chair DuBois: Same thing with over time...

Ms. Richardson: Yes.

Chair DuBois: ...if you see enough that it pays for the software.

Ms. Richardson: Right.

Chair DuBois: Ok, I don't know if you have any early results from the [Crossbore Contract] or should we just wait?

Ms. Richardson: Yeah, it's a little bit early on that on. We are looking at the potential risk with that contract and we've had some preliminary meetings with utilities so, we know where some of the issues likely are but we haven't confirmed any of that yet.

Chair DuBois: Then, do you know what the year to date -- the previous year to date was? How are we doing on total recovered sales tax?

Ms. Richardson: I don't have that number with me. This year -- last year was quite low, it was lower than normal. I believe it was less than 70,000 for the year...

Chair DuBois: For the year? Ok.



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Ms. Richardson: ... and this is going to be quite a bit higher, primarily because that \$220,000 that the vendor – our consultant recovered... (Crosstalk).

Chair DuBois: That what I was just (Inaudible) (Crosstalk) that was pretty significant.

Ms. Richardson: It's a number that fluctuates quite a bit. Last year was quite a bit low compared to prior years but this year's going to be quite a bit higher, compared to prior years.

Chair DuBois: My last question on the audit recommendation status report. Do we ever end up with recommendations that we just agree that we're not going to fix and should we show that on here?

Ms. Richardson: One of the things since I've been here that I've talked with the City Manager's office about and departments. If a recommendation doesn't make sense at this point, things change – some of these recommendations are quite old and they may not make sense anymore. If that's the case, I've been open to saying, we can close it out and then we treat it as a closed recommendation so, it would just not show up in the open column anymore.

Chair DuBois: So, these are really 73 significant open issues?

Ms. Richardson: Correct.

Chair DuBois: That's good to know. I think that's it. Any other questions? Alright, thank you.

**MOTION:** Council Member Kniss moved, seconded by Vice Mayor Scharff to recommend the City Council accept the Auditor's Office Quarterly Report as of September 30, 2016.

**MOTION PASSED:** 3-0 Berman absent

2. Discussion and Recommendation to City Council Regarding the Annual Legislative Strategic Initiatives and Legislative Program Manual.

Chair DuBois: Alright, we'll move on to Item Number 2 which is the Legislative Program update. (Inaudible) City Manager.

James Keene, City Manager: Thank you, Mr. Chairman. First of all, I did want to introduce to the Committee, Heather Dauler. Some of you may know

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Heather from her work and supporting utilities as a leg. Analyst and with some of our staffing turnover and everything, we pulled Heather into helping support sort of the Citywide Leg. Program. She's done the bulk of the work on the Staff Report today so I'm going to turn it over to her but I wanted to do a little bit more introductions. As you will recall, maybe not if you haven't been on P&S before but the Council, several years ago, sort of set this process up related to the Legislative Program with a – into doing a kind of both a periodic review of our legislative manual and adopting ultimately legislative priorities generally for the upcoming year. So, when we engaged Heather here, she will explain to you some of the work that she's done on improving our manual and then we'll be in a position to talk about our priorities and the process we've used on that. Of course, we've also invited both our federal lobbyist, Steve Palmer from Van Scoyoc is here and Niccolo DeLuca from Townsend Public Affairs , our State representative are here. Since the Committee will be ultimately making recommendations on the priorities, particularly as it relates to our State issues, just given the fact that the legislature hits the ground pretty quickly here actually, starting in December. It will be important for you to maybe hear from them, get some questions and answers and if I might take a little editorial privilege, I'm sure that it'll be especially interesting to listen to the oracle from Washington talk to use about what we might be expecting in the year ahead.

Chair DuBois: Steve and Niccolo, I don't know if you want to come up here.

Mr. Keene: Heather, I'll turn it over to you.

Heather Dauler, Senior Resources Planner, Utilities: Thank you. Good evening. We'll just wait for them to get settled. As the City Manager noted, we're here today because Staff is bringing forward for your consideration edits to the Legislation Program manual as well as edits and approval of our 2017 Legislative priorities. After that, certainly feel free to speak with our lobbyist and then lastly, there are a couple items that Staff has been tracking that your Council has asked this body to discuss so, we'll just tie those up for you at your pleasure. With regard to the program manual which is Packet Page 15, that is the current manual. Packet Page 33 has the proposed manual for your consideration. The differences are, first in length. The current manual is about 17 Pages; the edited manual is about eight Pages. This is a manual that is to be used internally for Staff and guiding us how to actually work through the process of this Legislative Program. So, the eight Pages make it a little more succinct. We did some word-smiting, we removed some really kind of weedy process language, and we kept and strengthened language regarding communication flowing from departments through the City Manager's office and then to your body. There aren't a whole lot of substituent changes but for those, you can see the two versions

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there – I also have the red line version if anyone would like to look at that. Some of the items that we highlighted in the manual are the need to coordinate internally. So, that when we as a City, whether as Staff or through a lobbyist, are meeting with our elected officials State and federally, we can speak with one voice and have one consistent Palo Alto message and it also allows elected officials to have one Citywide point of contact, within the City Manager's office. On Packet Page 13, you'll see the 2017 legislative priorities, I also have the redline version of this if you'd like to look at it. The biggest change that we've made here and one for your consideration is previously this body has gone through this priority setting exercise twice -- twice a year setting the priorities. We're recommending that we just do this annually. This aligns not only with the legislative session but also with what the Utilities Department does when it goes to the UAC for its legislative priorities. Certainly, if something comes up, Staff could come back to your body for consideration but we don't know that it needs to be done twice as opposed to just once annually. The document that we are proposing has been informed by past priorities, what we believe will be the future priorities as informed by our Federal and State lobbyist and it's also been socialized internally so, a lot of our department has been giving some feed back into that. If there are any questions on those, I'm happy to take those at this point. I'm happy also to hand out the red lines if anyone would like to take a look at those. Sure.

Mr. Keene: Would you like to redline? Ok.

Chair DuBois: Yeah. I actually read this today. I didn't quite catch (Inaudible).

Mr. Keene: Then, I don't know if you want to deal with these sequentially, I mean deal with the manual and get that out of the way. I mean, I sort of look at that as relatively perfunctory and priorities are more obviously, strategic. I would like to make a few comments about the priorities before you have the discussion.

Ms. Dauler: Yes, the one where it has 2017 is the priorities. The smaller version. That's right there, sorry, Vice Mayor. Yes. That's ok, thank you.

Chair DuBois: Let's do the manual first. Any questions or comments? You struck the paragraph on press conferences? What was the thinking there?

Ms. Dauler: That's under the heading of lobbying activities. Press conferences traditionally aren't lobbying activities.

Chair DuBois: Ok, they're just not part of this manual.

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Ms. Dauler: That's right.

Council Member Kniss: One question, maybe I haven't noticed it before – thank you, David. On Page 12 of whichever one it is, the draft, where it talks about phone calls not being counted and yet, I frequently have used phone calls for lobbying so, that's true? Pro and con positions are recorded only if they are received in writing?

Ms. Dauler: I think what this was getting at is that when we – when a City organization write in support or opposition of a bill, that becomes part of the public record. It often becomes part of Committee analysis and Committee— by that I mean Legislative Committee and their written analysis and everyone can see that. For example, the City of Palo Alto has waited but if we were to call them and have a conversation, they would not be noting that that would not become part of the record, that is a more informal lobbying effort.

Council Member Kniss: Ok, thank you.

Vice Mayor Scharff: I have to get used to this. Under legislative advocacy – I'm on Page 10. I realize that it says the process outlined will likely be followed for only for controversial topics. Less controversial may go to the council and many have to do with the time and nature, the Mayor may sign a letter supporting or opposing. The position would need to be generally supported by the City guiding principles. That's the letter signed by the Mayor? Right, only? Then the process is a legislative issue is referred to an agency for the Policy and Services Committee. I think a legislative issue might be agency for the Policy and Services Committee or the Council. That's really what I was getting at, I think it's too restrictive.

Mr. Keene: (Inaudible) as a Council knows, we don't need to use it very often but we have a kind of standing item on the Council's agenda, particularly during the heat of the legislative season, where the Council is able to take action on a legislative matter. So, sometimes if we -- you know, very late get something obviously, that would be something that we would not take to P&S for time is of the essence, we'd want to have the Council to be able to act on it. There may be other times where it's not even the time issue that it's just of the nature that it would go straight to the Council.

Vice Mayor Scharff: That's what I was thinking. I don't know if the rest of you feel ok with that?

Chair DuBois: Yep.

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Council Member Kniss: Fine.

Vice Mayor Scharff: I'm fine with it. Are you ready move?

Chair DuBois: I was fine with everything.

**MOTION:** Chair DuBois moved, seconded by Vice Mayor Scharff to recommend the City Council approve the revised Legislative Program Manual including adding to Legislative Advocacy Process Bullet 3, "or City Council" after "Policy and Services Committee."

**MOTION PASSED:** 3-0 Berman absent

Mr. Keene: Heather, you're one for one on your first item with the Committee.

Ms. Dauler: Let's keep it going.

Chair DuBois: I would appreciate in the future, I think the red lines were very nice.

Council Member Kniss: Yeah, very nice.

Ms. Dauler: Absolutely, yes.

Vice Mayor Scharff: Yeah, that would have been great if that had been in the packet.

Council Member Kniss: Yeah, wouldn't that have been nice. You're right.

Chair DuBois: Alright, so the 2017 priorities.

Mr. Keene: May I make a comment?

Chair DuBois: Yep.

Mr. Keene: First of all, they're not included here; I just would share some feedback from some of our Staff. I haven't taken a position on it myself – under the top 2017 Legislative Priorities on Page 1 and it's the first subsection, under environmental initiatives, there's a question of substituting alternative energy sources with renewable a.k.a zero or low carbon energy as an alternative. Then lastly...

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Vice Mayor Scharff: I'm sorry, you said F.

Mr. Keene: I'm sorry F, excuse me, I'm sorry.

Vice Mayor Scharff: Are you promoting something or is Staff just suggesting something?

Mr. Keene: The Staff had suggested this.

Vice Mayor Scharff: This was what?

Mr. Keene: Rather than alternative energy sources saying renewable, in this case, a.k.a zero or low carbon energy.

Vice Mayor Scharff: I'd rather it says low carbon because large hydro is not renewable. (Inaudible) bugs me.

Chair DuBois: So, these red lines are different than what was in our packet, is that correct?

Ms. Dauler: In the policy manual or excuse my legislative priorities, yes. There weren't red lines in the packet, which you have (Inaudible) (Crosstalk)

Chair DuBois: (Inaudible) 2017 Legislative Priorities but the wording is different than what's in the redlines. Like F doesn't say – F says alternative fuels.

Ms. Dauler: Oh, I think what the City Manager was saying is that – he's suggesting some things from Staff that came after this. (Inaudible) (Crosstalk)

Chair DuBois: I'm just saying, I reviewed this packet but this 2017 isn't current, it looks like. Should we look at the red lines?

Mr. Keene: Yes, look at the item that has the red lines because of these – yes, these are the most current. We just got a couple of these today and that's one of the reasons I'm hesitant to say it but Vice Mayor Scharff just said strike zero and I think that's important, right? Because we do make that distinction that...

Vice Mayor Scharff: Right. If it were me I'd say (Inaudible) promotion of the use of carbon-free energy sources with a priority on non-green gas.

Mr. Keene: Ok.

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Vice Mayor Scharff: I mean, do we really want to promote low carbon? I mean, one person low – is that kind coal vs. natural gas?

Council Member Kniss: Interesting comment.

Mr. Keene: Then, I don't have any attachment to adding a developing of low carbon economy but I'll leave that up to you. Again, I'm a little bit more on where Greg is, that's a pretty wide...

Vice Mayor Scharff: So, I have a broad question on all of this. You know we spent a lot of money on lobbying and I actually care about what we achieve, rather than having a bunch of priorities that may or may not be good. The point of some of these right, are so that if something comes up, you can act quickly and write a letter. Right? I mean, that's the priority but that's different than having a top 2017 priorities, that would be like general under environment, wouldn't you put initiative promoting? I mean, what I thought would be under strategic priorities, is you'd say to us, ok, this is what I think can accomplish this year and get done and that's what I think our top priorities should be.

Chair DuBois: I think that's the next part of the discussion, right?

Mr. Keene: Yeah, but I think it's a good point... (Crosstalk).

Vice Mayor Scharff: But that's what is says right here.

Mr. Keene: ... we've subtitled this-this way and in many ways, that's ultimately what you and Council may pull out from here or add in and say, out of all these, these also would be top priorities. Right? Some of which might not even be here.

Vice Mayor Scharff: Right. I wanted to make sure that I understood that A thru F are the things that we're supposed to get but I guess a lot of this stuff or at least the environmental stuff -- the way that – I'm not—I mean maybe that is a top priority, maybe it should be but I'm just really wanted to hear from them, from our lobbyist. What are the opportunities this year, given the landscape, given you've worked with Palo Alto for a while now, what should we be focusing on? What's likely to achieve? What gives us the bang for the buck? I mean, I got to say, I mean really, our top priority is Proposition 13 Reform. Proposition 13 Reform would be great but is that something where one City in California is really – that should be our top priority? Shouldn't it be getting money for our grade separations for Cal-Train? Maybe that should be our top priority.

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Mr. Keene: If I might speak to that, Mr. Chairman. I think that's helpful and Heather maybe can help. My sense is that these were top priorities in the past, you know, in prior years and I think what the Staff has done is sort of, taken some input and updated them. I can tell you that I recall, when we were first doing the big revamp. There was kind of a mash-up discussion from the Council about calling out some top ones. For example, Prop 13 was one of them there. I think it is a good point that you may want to refresh what you say is top, which is – I mean, this is almost a baseline interest that we have but we're hardly going to put a lot of energy into Prop 13 Reforms (Crosstalk)

Vice Mayor Scharff: So, if I can just continue. I recognize that and this isn't a criticism of Staff or criticisms of you guys but what I'd really like to move this Committee to, is where we set this priority, you buy into it and you come back to us and say, this is the progress we made or this is the progress that we didn't make. That why there's some metrics to say, ok, why did that not work? That seems much more useful than saying, you know, vacuum here is something we're interested in. So, I don't know what you guys think about that? I sort of wanted some feedback.

Mr. Keene: Before you do that, can I just add to clarifying points. Some that may be in this realm a little bit. Heather pointed this out to me if you turn to Page 3, under transportation; it's not redlined because this was input from the Staff. The transportation B is in direct response to a recent conversation the Council had at your meeting, proactively seek the ability and enforce a default speed limit for locally controlled streets and arterials within their jurisdiction so, that is something that just came up. Then secondarily, I don't know if we have it in here, Heather, the minimum wage issue?

Ms. Dauler: That is not in this document, instead it's an item for discussion.

Chair DuBois: Where is that one on speed limits?

Ms. Dauler: Speed limits in transportation. (Crosstalk)

Mr. Keene: B.

Council Member Kniss: Last page.

Mr. Keene: Are you in the – you're in the wrong document.

Vice Mayor Scharff: You have to lose – look at the one in the packet.



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Chair DuBois: Mine's local rail.

Vice Mayor Scharff: Yeah, that's what mine was too.

Ms. Dauler: Yes, if you look at Packet Page 14 there.

Chair DuBois: Again, I'm sorry but that one – is that one included or was it deleted? It's not in the redlines.

Ms. Dauler: That one was probably a late addition. Based on Council direction from one week ago, it wasn't able to get into the (Crosstalk).

Chair DuBois: Which of these is the most up to date or is (Inaudible).

Ms. Dauler: That one that's in the packet.

Council Member Kniss: So, not the redline?

Mr. Keene: Not the redline one. Pull... (crosstalk).

Chair DuBois: There are things in the redline that aren't... (Crosstalk).

Mr. Keene: Right. I think the redlining was the sausage making on the way to getting the – if we had to go back and track what had been taken out or whatever but I think if you used just the one in the packet.

Chair DuBois: So, the one in the packet, if you go back to F, environmental F, it's totally different. It still has alternative fuels in it.

Mr. Keene: That's correct.

Ms. Dauler: That's right.

Mr. Keene: That is – I apologize for this. Let's go back. This redline version was the initial process of sort of Staff review of priorities. We then, gave you just a clean copy in the packet and then lastly, though, there were some last-minute comments that I was calling out to you that were not in the packet, they're not in the redline and I was just bringing them to your attention. So, that was the comment under F, for example, changing the title there.

Ms. Dauler: What the City Manager was pointing out, is Packet Page 14B, under Transportation and that this document is really a living document and one that can be maluable and change as the Council sets its priorities. For

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example, Vice Mayor, we don't have to have these as the top priorities, what are known as the top priorities. We do have grade separation in there under C, however, can move it to A, we can reword it. This is really a jumping off point for Council, after a discussion with our lobbyist to determine how best you would like to see us move forward legislatively and what the priorities are for the City.

Mr. Keene: I just want to give a sense of the array of these. I think Vice Mayor Scharff point about calling out the top priorities may be something, in particular, you want to look at. A lot of these others are – run in my view, everything from sort of like broad motherhood and apple pie priorities that give us enough perspective that if something comes up and we're not able to get to you, we say, we feel confident that we have direction from you. Then others get more specific whether it's getting more funding for the Palo Alto airport or as I was mentioning, something more timely and specific, transportation B. The fact that when you were having this discussion about speed limits and our ability to make some changes, this issue came up about getting more local control and dealing with this specifically. An ancillary one – one last one – that is not in here but that Heather brought up and would be one for discussion (Inaudible) timely which was, when this Committee was having the minimum wage discussion, if you recall the whole issue of tip sharing and how that was precluded at the State level came up and whether or not you have any interest at all in – you know and Niccolo may be able to help you with that. Whether that has any legs or anything worth putting on or not but we did want to respect some of the prior conversations that the Committee has had when legislative issues have popped up.

Council Member Kniss: Just a couple of things Tom. I'm not quite sure why the density bonus is here to (Inaudible) mandate reforms. Help me with that one.

Ms. Richardson: What page are you on?

Council Member Kniss: I'm on Page 1 of 3 in the packet.

Ms. Dauler: That was in the prior years as well and so as City Manager mentioned, we wanted to respect the fact that this was an ongoing issue and bring this forward for your consideration to whether you wanted to keep it, giving the environment legislatively regarding housing or whether it was not something you wanted to move forward with. It had been there in prior years.

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Council Member Kniss: Alright, let's come back to that one because I'm not quite sure what... (Crosstalk)

Male: It's about local control.

Council Member Kniss: Sorry.

Mr. Keene: Niccolo might be able to help with this. I would recall this – I'm seeing this what more something that was premature last year when there were the changes in the State Density Law, was it to related to distance and...

Niccolo DeLuca, Townsend Public Affairs: There's some today. There was some language – Vice Mayor and Council Members Niccolo DeLuca from Townsend Public Affairs. There was some – there were a bit of last years – some may remember Richard Bloom put a bill out on density bonus. The initial reaction to the bill was this isn't local control, you're telling us what to do. So, there was a lot of pushback on that. The bill ended up getting signed by the governor but it was amended from the original introduction.

Council Member Kniss: The (Inaudible)

Mr. De Luca: What's that?

Council Member Kniss: The right to bill? (Inaudible).

Mr. De Luca: No, that was the Buy Right Proposal.

Council Member Kniss: Buy Right, yes.

Mr. De Luca: Which was the governors – which I want to add – what was really helpful from the City. The moment that came out, we alerted the City Manager and his Staff and the Mayor weighed in with a letter and it clearly outlined concerns from the City. I took that letter and met with the Governor's office saying, hey the City of Palo Alto, we understand what you guys are trying to do; we want to work with you however, these are our main issues. That matter did not move forward but I think seven or eight issues the City raised, we got four of them in the amended version. So, having – to kind of dump into the earlier conversation – having the City weigh in formally gives myself and my colleges, for lack of a better word, an excuse to say look, Palo Alto we want to be helpful, we want to work with you. Here are the main concerns which is, you know, in Sacramento, 9 times out of 10, when you formally make a presentation, they want to work with you. So, Vice Mayor with respect to what you were saying on the legislative

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priorities and what Ms. Dauler was saying and the City Manager, the way I see this for us is this is sort of our green light. Take a look at anything that's coming out, especially now, Monday, the new session is sort of starting but more January and then we come back with more information. This is happening on density bonuses, this is happening minimum wage, this is what specifically – what would you like us to go do and so, it gives us additional feedback. Definitely, what they just said, this is living written document, that's how we look at it. Obviously, priorities come and go. We would never say, no, that's not on your priority list, we can't work on it. That's not how we operate but it is helpful as kind of a Report card but more than anything it's a manual. It gives us from the framework.

Council Member Kniss: To come back to this one in a minute but I want to say something that's more general because I've had a chance to work with both of you and I think what's important for us, is to be quite honest, not exactly what's in here because usually what happens is that we start working with you and we begin to know what's going on either in Sacramento or Washington and we really know whether or not we can have some influence. There's sometimes when we – literally, you can do your best but you're not going to have a lot of influence. Thinking of airplane noise for example, which is one of the ones we've been discussing for a long period of time but I think the most important thing, to me anyway, is indicating in here, get involved so that you really know what's going on. Go to either the Washington meeting, go to any of the City meetings but get involved with the league of Cities or again, Statewide or National and spend some time with all of you. I've always enjoyed the time we spend in D.C and learn a lot otherwise, this is important but it's kind of cut and dried at this point. These could be big problems. They may not be big problems. It's handy to have this as a guild and sort of a post to go with but I just want us not to underestimate the value of staying in touch with you, meeting with you, when we are in Sacramento. Niccolo, last year I was on one of the Committees, which was the first Committee where we were heard about the threats coming to the Cities. That may go a bit beyond this but I – that's what I would like to say to our whole Council is that we are not an island here, get involved, find out what's going on in other Cities.

Chair DuBois: If I could make a comment really quick. Generally, I actually thought the list was very good. I remember working on this last year. I think most of it is still valid. I think we can have a discussion about what are the priorities but I'm pretty solid with most of this list. I did have a couple of maybe suggestions under housing. I think there's some interest in exploring programs for teacher housing and that may be something that comes up as well as senior housing. Under technology, I'm personally interested and I

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think there may be interest on Council in doing what we can to enable autonomous vehicles on streets for testing.

Mr. Keene: Can I add to that? That was on my list. Even if it were to get sort of a pilot approval for designated roadway segment for us to be able to do that since we've got a number of firms here in town.

Vice Mayor Scharff: You know, (inaudible) did that.

Chair DuBois: We really – not just – we have a lot of car companies in town that is working on this. The last one, I'm going to bring it up. I think we brought it up last year but I don't see it on the list which is kind of our relationship with Stanford. Stanford is a land trust. It's treated as a non-profit and maybe exploring the ability -- because it's so large to treat it as an (Inaudible) profit, in terms of a (Inaudible).

Vice Mayor Scharff: (Inaudible) have a conflict? I mean seriously, you can't talk about this.

Chair DuBois: Well, we talked about this last year.

Vice Mayor Scharff: You can't talk about it.

Chair DuBois: Legislative, in terms of conflicts with the FPPC and it – I think I can talk about talking to the government about the FPPC.

Vice Mayor Scharff: Oh, ok so this is not about...

Chair DuBois: Impacts our Council, it impacts our Boards and Commissions. It's a little bit of a usual situation in California to have such an organization. I don't know if there's support for that? I thought we added that to the list last year.

Vice Mayor Scharff: Alright, so I support Tom strongly on teacher housing. I just think it should be broader. I think we should have it as school district employees because it's not just teachers, it's (Inaudible) and I think we should basically include City Employees in some of those housing. I think it's really hard to get public sector people and I'm fine if what's politically feasible is teacher housing only and that's the way you want to run with it but I actually would like it to be broader and to understand that properly, it's being able to use money for that kind of housing when we build it and you know, to be able to charge fees for that – Community impact fees, that kind of stuff to actually create the funds that you could build that. I totally agree that we should do this. I'm all in on the autonomous vehicles. I think we should absolutely add that and I think it would be – I actually think that's

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something that would be a great priority, is if we could get Santa Clara County designated like Contra Costa did, as a pilot place to allow autonomous vehicles. I think that would be really great for Palo Alto and really great for our area. If we could just even get our City designated, I'd be good with that; just Palo Alto. I mean Santa Clara County would be easier for those firms but I think that'd be great. I guess I just wanted to see if you guys had some buy in on this or not. The way I saw this, was we should keep – and I agree with you, 99 percent of all these things are fine. I just thought we should move the stuff and the top priorities out of – unless – top priorities should be something for special and unusual focus, that they're going to have this year as opposed to just a list of these five things and we should move those things to the extent we don't think those are something they're going to focus really heavily on to other parts of this document. Then, fill this part of the document with what we think – I mean for instance, if we put teacher housing in there, is that something you guys could go figure out and report back to us on what's the chances of that so we'd see how that goes? If we asked about autonomous vehicles in there, the same thing. I'm not saying we move all of those, I'm just saying, whatever goes on that list is the kind of thing I'd like – then you use the rest of the stuff to be able to look at the bills that come and then report, hey there's a threat to your idea of local controllers, a threat to environment and that way we'd have that interaction and everyone would have a framework. I just don't know if you guys think that's a good framework or not.

Mr. Keene: May I just comment – just since we sort of have to keep this – first of all, there are two things. One I'm hearing you saying yes, wipe the deck clean in one sense, direct us – and I don't think the Committee has to word-smith where these go back into the document. We'll stick it under environmental or housing or whatever it is and then you identify priorities.

Chair DuBois: I just want to say, looking at the priorities list. I actually think all of these are a top priority except for perhaps G. If you look at these in terms of impact on the City financially, I think these are some of the biggest issues. Grade separations in there, CalPERS, sale tax base; I actually think this is a pretty good list.

Vice Mayor Scharff: Ok, well I would disagree. I mean, I don't think it's something we shouldn't but I mean, as our top priority, long term stability at CalPERS. What do we have in mind that they've practically would go do? I mean is that really a good use of their time, given the politics of CalPERS and who we are as a City? I'd argue it's not. I'd argue that it's a better – I'm willing to hear what they have to say.

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Mr. Keene: I think it would be good because let's think about how we're going to use this. If these are not called out as a top priority, I guarantee you if we have something coming – let's just say long term stability of CalPERS. We have an issue that's coming up, we're going to have plenty of latitudes to be able to take a position on that. I think the whole point of a priority is to say what is a special, kind of strategic focus that you want to put to call out something and I think that it needs to be limited. So, you need to both tell us, do you see anything practical that could happen, then we would want to choose a priority that has some potential to be achieved. Then secondly, one thing that we have not done well is to really talk about to what extent do we not just want to be passive on this thing and waiting to weigh in on something or are there some things we specifically want to ask our new assemblymen who're leaving this Council to carry some legislation and how many of those things practically can you have? Obviously, if we had a hundred bills, it's going to dilute our effectiveness and I think Niccolo could give you some advice on that.

Mr. De Luca: Absolutely. With regards to priorities vs. almost, – as the City Manager was saying, sponsoring a bill. The two examples that I think there's traction is teacher housing; I say that because literally, I kid you not, in my inbox today, an assembly office we work with; they're trying to bring teacher housing bill. So, they sent me the draft language and said, you work with a lot of Bay Area Cities, can we get their feedback? That's almost like you two read my email and thank you for the softball. That is something that we could either be co-sponsor on, which is a very active leadership role. Where they're testifying in Sacramento, we've got a direct say on what the language says in the bill. We would need our incoming assembly person to also a co-author of the bill. I think autonomous vehicles, based on some (Inaudible) bill last year for Contra Costa Transit Authority (CCTA) on autonomous vehicles that really designated a portion of the County where they could do the test. We would say, Palo Alto, home of ingenuity, we'd love to do something like that. I think those would be two specific City of Palo Alto sponsored bills.

Council Member Kniss: So, Niccolo, I have one concern, though. As you leave here and go there, you are now responsible for educational funding. There is two teachers built areas here, one in Santa Clara and another in San Mateo County. I'm not sure that it's our job as a City Council to have teacher housing as our priority. I'm hoping that's a school district priority and I'd like our priority to be different with low wage workers and whether they happen to be City workers who are and who are not. We spend a great deal of our time and our efforts supporting the schools and I don't disagree that that's a great idea but knowing that schools have that ability, they have the land and that would be fine if we work in conjunction with them but once

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again, Mark has left here now and he's now half of the – literally almost half of what their budget is in Sacramento will go to schools in one way or another. That's going to be high on his priority list. I hope we're on his priority list as well but I think teacher – that sounds muddled to me so, I can see why assemblymen would do that or assemblywomen, whoever it is but I'm not sure that should be our highest priority is teachers. I'd really like it to say – start with our City workers and start with low-income workers. You two can argue with me about it but I think it...

Chair DuBois: I liked Greg's changes to just public service workers, generally but again, those can seem opportunist but not necessarily our top priority. I wouldn't want to say – I'm really interested in the autonomous vehicle. It's not necessarily a top priority. I think we're ... (Crosstalk)

Vice Mayor Scharff: I think we have to ...

Council Member Kniss: ... I think we're welding some different things here. I was thinking of importance when you think about things like CalPERS. You're talking about the achievable things.

Vice Mayor Scharff: I think in importance, we should put the stuff that we think is important in the document. That's what my argument was but the stuff that's achievable should be our priorities otherwise, we're wasting our money.

Council Member Kniss: Well, CalPERS isn't a top priority. I don't know what is. That's kind of big deal

Vice Mayor Scharff: I think we're getting lost in the idea of a top priority. Top priority does not mean top importance. I don't mind if you want a separate one where we say these are things that are most important to us or maybe we could change and have a different one that says, achievable goals for 2017. If we're getting hung up on the notion of what's – look, no one is going to argue – I'm never going to argue that – look, Proposition 13 Reform, CalPERS stability, there's a lot of other big issues we don't have on here. (Crosstalk)

Council Member Kniss: Let me come back at that.

Vice Mayor Scharff: We as a City are not going to achieve that in 2017.

Council Member Kniss: Ok, but here's what we don't know and I think Niccolo would agree. We don't know what's going to be coming up this year and what Jim said was, if there's something that we think is really important, we'll call Mark and say, you know what? We'd like a bill on blah



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blah blah, whatever that happens to be but there's also going to be a number of things that come out of Sacramento that we can't even guess about over the next few months and there may be some things that we want right back at and say we don't support that and we hope that you won't support it either.

Vice Mayor Scharff: So, you're a 100 percent right. That's what we do and that's what goes with all these things and that's the framework for a bill they follow. The question is, do we as a Council want to be proactive?

Council Member Kniss: Right, that is and do we want Mark to write a bill for us?

Vice Mayor Scharff: Right. So, that's the question, do you want Mark to write a bill or anybody else cause Mark may or may not. It I'm fresh assemblymen, I'm not sure I'm going in there – I'm definitely not taking on Calpurse and I'm definitely not taking on Prop 13. (Crosstalk)

Council Member Kniss: Think of Mark as...

Vice Mayor Scharff: ...Definitely not doing that.

Council Member Kniss: (Inaudible)

Vice Mayor Scharff: The question I have is – we're going to follow all this stuff and if meaningful Proposition 13 Reform comes up, we're going to be all over and be in support of it. They know that. The question is, are there things of less hugeness that we as a Council can get behind and probably get done, that we think is useful? That's all I'm (Inaudible) (Crosstalk) for.

Chair DuBois: Can I suggest maybe we recall this one just importance priorities?

Vice Mayor Scharff: That's fine.

Chair DuBois: Then, we have the short – in probably two or three things about active sponsorship?

Vice Mayor Scharff: Let's do that. I'm perfectly good with that.

Council Member Kniss: Yeah, that's fine. Great and it moves this along as well.

Chair DuBois: You have two or three (Inaudible).

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Vice Mayor Scharff: Well, I think I would argue that the two things because they seemed excited about it, would be autonomous vehicles in Palo Alto and I actually would be happy if we just get teacher housing but I do think if we could – do you see a way to broaden it? See, teacher housing is politically really palatable so, it's a nice Segway into the whole thing.

Council Member Kniss: Well, teacher housing has already been done. So, we know it can be done.

Vice Mayor Scharff: It's actually really tough but it can be done.

Council Member Kniss: At least it has been done in our area.

Vice Mayor Scharff: Yes, I would say city government – maybe you guys – you're going to have to word-smith this but you heard what public employees – right? If you can throw in public safety.

Mr. DeLuca: I was going to say fire employees and you've got the ...

Ms. Dauler: Well, we can say local public employees. (Crosstalk).

Vice Mayor Scharff: That's the knee-jerk thing.

Mr. Keene: The fire guys lived in (Inaudible) and don't want to have to live here.

Vice Mayor Scharff: So, it's really the police, right?

Mr. De Luca: Well, then they got their concern too. Yeah, (Inaudible), definitely. What we see coming up this year – so as you were saying Councilwomen – on Monday, all the new members get sworn in and bills are eligible to come out on Monday. A couple officers that we've talked to, they're going to release some things, nothing out of the ordinary. It's usually the day before the bill deadline, as you all know, that's when the trick stuff gets introduced. They come back in session I think January 7<sup>th</sup> and they hit the ground running. Here's what we know for sure. Senate has a super majority; the assembly has super majority plus one. The interesting caveat in the assembly, this new Democrat via assembly mod. – Moderate Democrats become they're own little respectively (Inaudible). They don't always go with party lines. The Transportation Proposal looms, the commitment from the governing leadership, they want to get something done. There will be something on housing, whether it's the Buy Right Proposal revised or something else. We've got a park bond that's hopefully

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coming and then Cap and Trade are still out there that has not yet been decided. Then, to make matters even more fun, there's Cannabis. Prop 64 passed for adult use. The State had really good medicinal guidelines that have yet – medicinal regulations guidelines have not yet come out so we see that's going to be emerging. That's going to be coming along. Those all impact local control and what Cities can and cannot do. Then, of course, something that the City's been active in years past, towards the end of the session and I mean this respectfully, there's always been like a labor bill that's kind of the tip of the cap to labor. It hurts Cities but it's good for retirements. We've been active on the City's behalf for years past. We always expect something like that. I think on behalf of the City, we do a lot of being on the offensive but also be on the defensive. To answer the question, when it comes to prop. 13, many Cities that we work with and we primarily work with Cities have always said Prop. 13 Reform. So, depending on what the City decides, there are ways that we, through our network can either build a coalition, the City could be the lead, the City could a voice, the City could be a supporter. There are many different ways to skin a cat when it comes to what your leg. priorities are. Before I came down today, I checked in with Senator Hill's office, they're still working their bill package. They're going to be doing something on gun control. Specifically, as you know as of late, there's been a lot of theft of public safety handguns. They did a bill last year about having a lock box in your police car. They're going to do something this year about having Police Departments do an inventory of their firearms. That's going to impact Cities. That's really to get to – cut to the chance of guns ending up on the streets. They're aware of the work the City did last year on privacy and technology so, Senator Hill still putting it in his bill package. We told him, we obviously want to work with him. We'd love to be supportive of his proposal and vice versa. Then with the new incoming assembly person, we're also very excited about that too.

Council Member Kniss: I'd like to bring up something to you to that I actually do feel strongly about and I know our own City attorney hesitated on it but having just run for office and heard about this a lot. A big issue with restaurant tours is the tipping, the no tipping or the tipping and one person, [Jessie Kohl] stopped me and we talked for quite a while about it and she said, you literally are going to put restaurants out of business. Someone has to take up the cause. She said we have no trouble paying 15, she said we pay more than that for most of our back of the house workers but to be paying that wage for those that make tips, according to every restaurant tour I've heard from is very difficult. Someone will have to take up that cause and ...

Chair DuBois: You're suggesting Statewide not local in Palo Alto?

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Council Member Kniss: Well, I think it's got to be Statewide. I don't think it can be done City by City and I think that's been the big problem. I know there will be a big push back from the unions. That's really tough but I'd love to work with you Niccolo and figure out is there some way that we can make that happen because they restaurant tours have really pleaded with us about that?

Mr. DeLuca: Two weeks ago, Ms. Dauler set up for some meeting for myself and agency heads to the kind and get into the weeds of the day to day operations of the City and how we can be helpful, highlights of some legislation things coming up. That was very helpful and when I was down, we talked about the tipping issue. My recommendation is I would like to first speak to the Restaurant Association. In a perfect world, they would be the ones leading the charge and that's something we could be supportive of how you all see fit, whether overtly or covertly, totally depends on you. Many Cities, especially in the Bay Areas, putting minimum wage up and minimum wage going up anyway, I understand what some of those concerns are. I would prefer to talk to the Restaurant Association and see if this is something that they're working on.

Council Member Kniss: Whatever way you think is the best avenue to pursue this because I can't believe that what they're saying isn't true. I don't think it's a hollow threat to say that it is going to be – as one of them said you'll have two or three really good restaurants but it's very hard for the smaller restaurants to do that. That would be a major concern to me.

Vice Mayor Scharff: I'm perfectly fine putting that in one of these things.

Chair DuBois: Yeah, I would agree. I think we need to wrap this item up. We started to adding kind of active advocates section with two items in it.

Mr. DeLuca: Active -- I like that.

Vice Mayor Scharff: So, should we make the Motion?

Chair DuBois: I had a question for you two about the Carbon Tax. Do we want to ...

Council Member Kniss: Cap and Trade?

Vice Mayor Scharff: Where are, you looking (Inaudible).

Chair DuBois: So, that's just Cap and Trade.

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Vice Mayor Scharff: Under financial?

Chair DuBois: It's Financial E.

Council Member Kniss: Cap and Trade is huge right, you know?

Chair DuBois: Is it appropriate to talk about being able to do a local Cap and Trade and invest in that locally? Is that part of the discussion on this item?

Council Member Kniss: Do you mean is this...

Mr. DeLuca: Can you say that again?

Council Member Kniss: ... one of our priorities?

Chair DuBois: We were actually having a discussion last night about considering a local carbon tax and being able to use those funds to invest in local sustainability programs.

Council Member Kniss: Oh, interesting.

Mr. DeLuca: You know, I don't know. I can look into that. I do want to throw it out there, Cap and Trade has many different meanings for many different people. So, I'm glad differentiating between a Carbon Tax – kind of some of the dialog in Sacramento is about how to spend Cap and Trade funds and even the extension of Cap and Trade. When we can be more specific... (Crosstalk)

Chair DuBois: This is more about a local Carbon Tax... (Crosstalk).

Mr. DeLuca: (Inaudible).

Chair DuBois: ...and using that money (Inaudible) (Crosstalk).

Mr. DeLuca: So, within. Would you define local the city or the region?

Chair DuBois: City.

Mr. DeLuca: City. I will check that out.

Chair DuBois: Is that something we want to add to the active list or just have it?

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Council Member Kniss: Yeah, do that because that's going to be a major issue.

Vice Mayor Scharff: That's fine. I'm good with that.

Chair DuBois: Ok, so do we want to restate what the Motion is?

Ms. Dauler: Maybe I can go over some of the things that I personally heard and then everyone else can kind of throw in; it's just to be sure that we do this before you do that. The top 2017 Legislation Priorities, we're going to retitle those Important Priorities. We then have three areas of active addvicacy: autonomous vehicles, local public employee housing and local carbon tax.

Vice Mayor Scharff: Right, so it's the ability to do local Carbon Tax. (Crosstalk).

Ms. Dauler: Right. That we would advocate for. (Crosstalk).

Mr. DeLuca: That we keep within. (Crosstalk) Keep the proceeds within.

Vice Mayor Scharff: Then for stability to designate Palo Alto and possibly some of the surrounding areas as a place where you can have autonomous vehicles, just like Contra Costa.

Mr. DeLuca: So, City streets ...

Vice Mayor Scharff: Right.

Ms. Dauler: The pilot I think you mentioned too, Mr. Vice Mayor?

Vice Mayor Scharff: Yeah, as a pilot – you could work with – it'd be similar to Contra Costa gone through because it's a good model but (Inaudible) (Crosstalk).

Council Member Kniss: I won't discourage you from including that but it wouldn't be in my top three. I don't – why am I so enthused about autonomous vehicles?

Chair DuBois: Again, these aren't top three, they're ones that are actively being discussed this year that could happen this year. That's the way I am interrupting this.

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Council Member Kniss: If the two of you think it's so important, fine. I don't really care if everyone out of their car or not.

Vice Mayor Scharff: That's our whole City's Policy, get people out of their cars. Where have you been?

Council Member Kniss: You would get people out of their cars and send them off all by themselves without anybody in them?

Mr. Keene: Just a more minor aspect, I think we have a number of actual major car companies and start-ups in town that really are probably on the pioneering frontier of autonomous vehicles. The need to actually be able to test drive in real life, I mean is a critical component to being to accelerate the kind of uptake on that and it just seems that it's part of our brand identity as a City and a center for intervention and our interest in dealing with some of these congestion issues that we've got; to be thinking about it.

Council Member Kniss: Do we currently forbid them from doing that?

Mr. Keene: Yes, well there's – you're right – in some...

Council Member Kniss: Because you see the Google cars all over.

Vice Mayor Scharff: There's someone in them.

Council Member Kniss: Yes, there is somebody in them (Inaudible) (Crosstalk).

Mr. Keene: Some of the key things are clearly... (Crosstalk).

Council Member Kniss: (Inaudible).

Mr. Keene: ... autonomous without a vehicle without drivers I mean.

Mr. DeLuca: There'd have to be changes to the vehicle code. The CCTA bill designated a section of Contra Costa County where they could test these buses and so, -- actually a buddy of mine worked on the bill and he was like, I had no idea how many different issues this touched upon, insurance, collision, etc. etc. but one of the first things you have to do is designate the routes that we can do this on.

Vice Mayor Scharff: Think about it from Palo Alto's point of view. We could actually recreate a shutter system or on autonomous vehicle system that would come pick you up, you wouldn't need to – you know, it could pick four

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people up or whatever. There could be a whole host of things that might actually work in terms of getting people out of their cars if we could pilot this in our City.

Council Member Kniss: Go for it.

Ms. Dauler: Then lastly, we are going to include language regarding exempting tipped employees. Maybe that will go under Financial Section Priorities?

Council Member Kniss: Yeah, I'm going to ask Niccolo what that fits under because I watch his face and he was thinking, you really want to take this on? How about the Restaurant Association starts with that one?

Mr. DeLuca: I would probably put it under economic development. I don't have a good poker face, do I? I was just thinking – I mean – it's fraught and I think when you use a small restaurant tour – a small mom and pop – that's the way to do it.

Council Member Kniss: I know it's... (Crosstalk)

Mr. DeLuca: We can talk (Inaudible)

Council Member Kniss: I know it's fraught with (Inaudible)

Mr. DeLuca: We're not afraid of hard bills.

Council Member Kniss: I do know that that's a – union's will look at it one way and you know, the smaller business will look at it another.

Chair DuBois: The other one I mentioned and again, I just want to explain it and I don't know if you guys support but I do think it's important for the City again, is the rule around Stanford with the FPPC and having a discussion – you know, is there an exception because of the size and scope of Stanford. It's not a traditional non-profit and that impacts our Commission Boards, Council seats. So, adding that under the local (Inaudible) section.

Council Member Kniss: I'm not quite sure I know what your suggestion is, say it again.

Chair DuBois: My suggestion and maybe it's not the right approach – we did talk about this last year, which would be to treat the Stanford land trust as a for-profit instead of a non-profit, in terms of conflict issues.



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Vice Mayor Scharff: I guess I don't understand the conflict issue (Inaudible). You're saying we treat it a for-profit or a non-profit – maybe you could – I don't understand. I thought if it was a for-profit or a non – it wouldn't make a different.

Council Member Kniss: We're asking the University as a whole?

Vice Mayor Scharff: The first question, is it ok for him to advocate to get himself out of the conflict of interest?

Mr. Keene: This is why we hired him. (Crosstalk) (Inaudible).

Council Member Kniss: I was going to say we got another poker face going now.

Terence Howzell, Principal Attorney: What exactly do you – what are you proposing that the lobbyist needs to do with respect to Stanford? What action?

Chair DuBois: I'm suggesting that they would propose a specific amendment to the FPPC rules on the conflict in regards to Stanford University, in particular. Again, because Stanford is unique in terms of its landholding in California; with its ownership of a shopping mall and a research park but it's currently treated as a non-profit, which one penny of influence causes a conflict of interest. Where a lot of things are really not of significant impact on Stanford so if you treat it as a for-profit, it would have the effect of does it effectively change the share price of Stanford.

Mr. Howzell: Before I respond, let me just (Inaudible).

Mr. Keene: I would think this would be a better situation that has to come back to the Council, right or action. I think we better let the attorney consult with the City Attorney on this. Just giving the other conversations that you guys have been having so you can be informed when we come up there.

Chair DuBois: Right and it can exclude me. I really did – but it comes up constantly with the Boards.

Mr. Howzell: I think there's another setting that we should have this conversation in and I think it would not include you but I appreciate your kind of explaining further what you were intending and then again, you can kind of explore this in a different setting.

Chair DuBois: Sounds good.

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Council Member Kniss: Takes that back to that Motion that we were trying to get at.

Chair DuBois: I think Heather actually captured all the other changes.

Vice Mayor Scharff: I think you got them all.

**MOTION:** Council Member Kniss moved, seconded by Vice Mayor Scharff to recommend the City Council approve the 2017 Legislative Strategic Initiatives with the following changes:

- A. Replace, "Top 2017 Legislative Priorities" with "Important Priorities;" and
- B. Add a Section titled, "Active Advocacy" including the following topics:
  - i. On a pilot basis, authorize Palo Alto and potentially the surrounding area as a place for autonomous vehicle testing; and
  - ii. Local public employee housing; and
  - iii. Ability to implement a local carbon tax; and
  - iv. At the state level, exempt tipped employees from minimum wage.

**MOTION PASSED:** 3-0 Berman absent

Ms. Dauler: Depending on what you would like to do. Next (Inaudible) we do have Steve Palmer and on the phone, we might have (Inaudible) calling [Laura] who are happy to speak with you about federal issues that may be coming up (Inaudible).

Vice Mayor Scharff: Yeah, I'd love to hear about (Inaudible) (Crosstalk).

Council Member Kniss: Steve, I will not miss going to Washington in March for anything. I will be very anxious to see if the White House is still standing.

Steve Palmer, Van Scoyoc Associates: Well, who will be occupying it is the question because he's going to be staying in New York apparently, a good deal of time. Vice Mayor and Members of the Council -- he is moving but his family is not apparently. So, thank you for the opportunity to be here, Steve Palmer of Van Scoyoc Associates and what I wanted to do and I can do it a number of different ways but you know, given your focus on lobbying priorities, we can talk about some of the key issues we've been working on

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for the City this past year. That's where I'll invite maybe, my college (Inaudible) to be allowed to talk a little more too. There are, quite quickly, four issues. Flood control issues, working with the Corps of Engineers, the energy bill on hydropower relicensing, one is for the U.S and then the FA bill, you (Inaudible) and the Community engagement. We can come back to that if it's easier because it's probably more interesting and timely to talk about kind of what's happen since the election. You know, a lot, obviously. To say that anybody predicted this was going to happen in Washington – you know, there wasn't anybody on the inside of the (Inaudible) that thought that this was going to happen so, the transition you're seeing is publicly playing our very slowly. You're naming Secretary – Cabinet Secretaries – they will all be confirmed by the Senate by January 21<sup>st</sup> pretty much. He's sworn in on January 20<sup>th</sup> – the House and Senate come in on January 4<sup>th</sup> so, they'll be in position. They're going to start the process so the cabinet will be in place, the sub-cabinet will have to come along slowly. There are 4,000 political (Inaudible) in Washington so, all of those people will hit the streets on January 20<sup>th</sup>, the Democrats will leave, the Republicans will slowly come in, Trump's people will slowly come in. It really is a battleship that does take forever to turn. There are really five big issues that I want to kind of – that we kind of anticipate will be coming up next year and how the City will be affected by them. Let me talk just in very broad terms and you can – I'm happy to try and answer any questions. Probably in the order that they're going to try and do them, Reform – Repeal and Reform of the Affordable Care Act, how will they do that? They've already passed legislation. President Obama's vetoed it so, they have a bill that can pass both House and Senate to repeal the Affordable Care Act. Now, it's incumbent on them to develop something to substitute that and that has not been made public. That's one of the great unknowns and obviously, that – there are a lot of pieces that the Republicans like, there are a lot of pieces they don't like and so it's a question of where they're going to find the ability to integrate those into something new and that remains to be seen. That's probably going to be done in a bunch of reconciliation bills so, that they don't need 60 votes, all they need is 51 votes and they will certainly have that because it's likely the Senate's going to be 52, 48 at the end of this process by December, when Louisiana finishes its vote. Forget about the recounting, I'm not even going to even touch on – get into that. The second big bill which will also be a part of the second budget reconciliation is Tax Reform. This is where in an effort to drive down corporate tax rates and simplify them, they're going to have to be looking for other sources of revenue. One of the keys sources of revenue that affect what the City does is Tax Deductibility of Administrable Bonds -- taxes, and bonds. That is something that has been on the table. It's been talked about for a long time. There a lot of opposition to it among all National (Inaudible) Cities, Conference Mayors, (Inaudible) and all the public entities that use taxes and bonds but nonetheless, even President

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Obama had proposed capping that tax deductibility at 28 percent. So, it's been out there for a while. Nothing has happened on it yet because Tax Reform has not really gotten to that point or where now it could happen. Now, this seems to be among congressional Republicans. That's their number one or two priority depending on who they are talking about.

Vice Mayor Scharff: Tax Reform.

Mr. Palmer: Tax Reform – Corporate Tax Reform primarily. By in large, they are still saying deficit neutral so, they're not trying to cut federal spending when they do it, they're trying to make it deficit neutral. To do that though if they reduce the rates, they have got to eliminate some of the tax expenditures; charitable contributions, sale tax, mortgages deduction, munisable bonds, taxes, and bonds. Those are the big ones. It's going to be a real fight over those kinds of things because the individual groups are all going to mobilize against that. The third big area...

Council Member Kniss: About that... just quickly on that one. The Tax Reform, meaning overall less taxation on business?

Mr. Palmer: Correct.

Council Member Kniss: Just simplify it.

Mr. Palmer: Sorry. There are different ways in which you can do that. You can certainly eliminate those tax expenditures like I talked about. There's also the three trillion dollars of corporate tax profit that are parked overseas right. You could force repatriation of that and that's what Chuck Schumer, the new Senate Democratic leader really wants to do. He and Paul Ryan, the Speaker of the House, have been working on some version of that. They were hoping to put that towards infrastructure – I'll come back to that but that was also another way to bring some revenue and kind of reduce corporate rights. The third big issue is Repeal Regulations. There's going to be on day one, the President – now President- Elect but when he's sworn in, he'll be able to wave his hand and any pending rule that isn't finalized, he'll be able to wipe off the books. He doesn't have to go through the Administrative Procedures Act. He can do that unilaterally and he will do that. They are going to work in Congress to try to pass – normally they pass one by one bill to repeal certain regulations. They're going to try to incorporate all of those into one or two big bills. Basically, to say, here President Trump, we're going to give you the authority to be able to get rid of these regulations and do it that way. A perfect example and I'm kind of stealing [Laura's] thunder a little bit, is the waters of the U. S. That's a final rule, that's in place right now. They wouldn't be able to – I'm sorry a perfect

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example but use this an example – they wouldn't be able to wave their magic wand and get rid of it. They would have to actually have to pass some kind of legislation to rescind it, to repeal it or block the implementation of it, while they go through the normal rulemaking process to rescind it. That could take a little bit longer but that's going to be a real focus and some of the power plant emissions, clean air act rules that are in place. Those are all pending, those are all subject to be repealed/rescinded or significantly modified.

Chair DuBois: Can you explain the impact of that Waters Rule, a little bit?

Mr. Keene: It's not necessarily a bad thing. (Crosstalk).

Mr. Palmer: Yeah. No, for most communities and I don't know Laura, if you can turn her on, I'll let her chime in. Essentially to start to kick it off and Laura's more involved in this than I am but to kick it off, the EPA and the Corps of Engineers issued a rule that now a final rule that basically has said, that virtually nearly every little piece of land that has water on it could be declared as part of – under the jurisdiction of the Clear Water Act. Therefore, that would go waterway that has all sorts of implications and Laura, I'm going to turn it over to now and let you talk.

Laura Donahoe, Van Scoyoc Associates: Sure. Can everybody hear me ok?

Mr. Palmer: This is Laura Donahoe of Van Scoyoc Associates.

Ms. Dauler: Yes, Laura, we can hear you.

Ms. Donahoe: Hi. Thanks so much for letting me join via phone call. As Steve was talking about, at the moment the waters of the U.S or (Inaudible) is in final form. It is currently (Inaudible) nationwide decision by the (Inaudible) Court and there have been individuals on both sides of that, we know (Inaudible) and tried to weigh in respectfully but as Steve stated, President- Elect Trump has been rather public about his lack of support for the rule. As Steve laid out there, certainly a few avenues for which that rule, ones he's takes office could be stopped or even walk back. I think we fully expect with the decision to (Inaudible) the funding of FY '17 to the new Congress. That Congress will specifically tell both the EPA and the Corps of Engineers that they are not allowed to spend any federal funds that implement that rule and that's where we're really going to start to see the beginning of that rule being stopped or tried to be walked back. The City, on a few occasions over the past few years has weighed in with the EPA and the Corp of Engineers, both when the rule was in the proposed state and the final state, submitted comments expressing concern about how the rule

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would impact local governments and the additional costs associated with the rule to local governments as well.

Mr. Palmer: Laura, as Jim the City Manager just mentioned, the repeal or revisions of this is not a bad thing for the City. This is one of the areas where it actually will be beneficial. I think there are a number of areas where we don't know the exact impact. If I could just through these last two items that we anticipate are going to be big issues next year, Infrastructure Initiative. President-Elect Trump has talked about a trillion-dollar program to invest in infrastructure. He's starting to back away from that a little bit, under pressure from Congressional Republicans who don't necessarily want to see that kind of spending. His proposal, which is not very well defined, was really to bring public-private partnerships into infrastructure, not just transportation but water and broadband and hospitals. It's not clear exactly what that means because -- he also talks about tax credits -- if you have a project that is big and has a revenue stream you can generate from it, my -- the Palmer Construction Company can come in and build it, as we understand it, get a significant tax credit as a result of his initiative and then charge -- then I would be in position to charge the toll essentially for that and I'd get a tax break as well as a toll revenue for building that infrastructure initiative for that project. It's not something that going to be money falling out of the sky for new projects. It's not going to be something that will automatically enhance the ability of the Grade Separation project but it's something, you know, we have to keep an eye on as it's defined and Congress then weighs in. this is where I mentioned the tax repatriation of overseas revenue could come into play because if people like the Speaker of the House and the Democratic leader in the Senate want that, they can then supplement with whatever Trump is talking about.

Mr. Keene: Steve, could I just say one thing on that? This is my understanding on the way the concept has been -- I mean in many ways the infrastructure conversation would one, from an equity point of view would actually privatize a lot of public infrastructures and create a revenue stream that would flow to say, private investors. Then, secondly, as Steve hit on, that would also only fund investment in infrastructure for which there is something like a good revenue stream. So, the abilities sort of repair decaying whatever it is, that doesn't have a revenue stream. That stuff's pretty much out as far as infrastructure so, road and bridges and things in which you can kind of collect toll on and those sorts of things is where those things would happen.

Mr. Palmer: That's correct. So, the last thing looking ahead and then I'll turn it back to Laura to talk about a couple of things we've been working on. Looking ahead, the last thing is the budget, just to kind of give you a sense

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of where we think the budget is heading because if you're thinking about programs that fund a lot of the city initiatives right now, they fall under the discretionary spending of Congress. We're operating under a continuous resolution until December 9<sup>th</sup>, right now for the Fiscal 2017 Budget, which we're in. Congress is not saying they want to kick the can into April, maybe into May of next year, they want to have another continue resolution which will have to pass by the end of next week that will fund the government until May, without any changes at all. Just continuing current funding. That's not a bad thing given the uncertainty of where things are going. Now, we have no crystal ball but when you look at programs like Community Development Block Grant Program or Public Safety Grants and things like that, neither – President-Elect Trump did not run on deficit reduction. We don't anticipate looking into – again, the crystal ball is pretty unclear but we don't anticipate that's going to be a priority the first year. I think there's going to be a year where there's largely status quo for the budget – for the domestic budget because they're going to focus on things like the Affordable Care Act or building the wall or whatever these big campaigns issues. There's a year – which is not a bad thing – there is the year of transition, which will maintain stability for a lot of programs that the City cares about. Just last two things so, competitive grants will be a key for securing federal funds, let's say for the (Inaudible) Grade Separation. Interestingly enough, earmarks are starting to creep back into the discussion. A week before Thanksgiving, the House voted on new leadership and their rules for the coming year, their operational rules, their internal rules. One of the rules at exists right now, is they banned earmarks. There was a Motion by several Republicans, among their own Republican Conference to reinstate earmarks and the Speaker had to stop the vote because he was – they were going to win and he didn't want that to be one of the first things President Trump had to deal with. They are going to vote on it again in March and it's unclear – he said in March, I don't know if that's a firm date but it's unclear whether it's a public vote or private vote or the Democrats participate or not and if it's public, it's probably going to go down but if it's private, they may actually try to reinstate earmarks again this year. Lastly, -- is because -- then again, I'll turn it to Laura quickly -- public budget sequestration via across the board cuts is going to come back again at the end of this year – end of next year so about a year from now. That's something in terms of how that affects discretionary spending of like CDBG and other programs that the City relies on. It's something we're trying to keep an eye on. What I'd like Laura quickly do is to give you a quick update on the Flood Control Project, what we've been doing. Talk about where the energy conference legislation is and then I'll just finish by talking about the FA bill. Laura?

Ms. Donahoe: Thanks, so much Steve. We are continuing to work with the JPA on the San Francisquito Creek project. Earlier this year we work with

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both (Inaudible) in the House and (Inaudible) in the Senate, we were able to get language included in both the House and Senate Energy and Water Prohibition bills to provide more clear directions to the Corps of Engineers about the urgency to continue to keep this project moving. It has certainly stalled over recent years and because we are not that far out from a (Inaudible) flood event, it is important that the Court continue to move this project along. We were pleased to see that both of the House and the Senate bills did incorporate language to provide that direction to the Corps. Currently, the project is awaiting approval by the Corps for a waiver. We've spoken to both headquarters and division of the Corps and we know there will be a meeting in mid-December in which all of the pending waivers, including ours, will be discussed and we need to make sure to weigh in about the importance of processing this waiver so this project can continue to move forward. The energy bill is one of the few issues that is currently still up and has some life left in it. Both the House and the Senate are continuing to negotiate (Inaudible) report. I spoke to a couple of staffers and the House (Inaudible) got with members of the conference Committee, specifically regarding the hydropower relicensing issues that have been a priority for the City and as of this afternoon, those provisions are still being discussed as part of the bill. We have heard that the Senate, in particular, has been pushing to make sure those are included. It's difficult to say right now what the prospects of getting a final bill are actually in the tighten calendar because we expect them to leave at the end of next week but if there is a bill, it certainly does look promising for the hydropower relicensing to be included in that final bill.

Mr. Palmer: Laura, thank you and I'll just quickly say the FAA Authorization Bill – the Congress passed an extension of the FAA Bill this year. It has to be addressed next year. Noise and public engagement were not touched this year so, the good news is, between the Bay Area and Phoenix and other areas, the FAA had gotten the message that they can't just unilaterally decided that they're going to change the flight patterns. They actually have to talk to people. Part of that – just a quick background, Congress gave them that authority to basically put a notice in the newspaper and say, ok we told everybody this was going to happen. Now, they've walked back on that and they're really trying to statutory tell the FAA they have to talk to people – excuse me – and actually get public input from them on these changes. It's not necessarily going to change the noise or where the flights go but it's going to at least allow for a public hearing on those concerns.

Chair DuBois: (Inaudible) Congressmen and women pushing on this in terms of holding up the appropriation?



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Mr. Palmer: It's actually a FAA multi-year bill they'll have to deal with next year. I don't want to say holding it up but I think they realize there is a real interest in trying to do something to get a better input to the FAA. The FAA has a terrible no invented here syndrome that if they don't think of it, they don't want to consider it from anybody else and I think Congress is now trying to deliver the message, you have to talk to people. Is it going to reduce noise...? (Crosstalk).

Chair DuBois: (Inaudible) (Crosstalk).

Mr. Palmer: It's not going to reduce noise and it's not going to reduce necessarily change where the flights go but it's going to have to force a dialog with communities.

Chair DuBois: You're familiar with what happen to our Select Committee and...

Mr. Palmer: Yep.

Chair DuBois: Yes, ok.

Mr. Palmer: No, thank you and with that, I know we've gone longer than you probably hoped but I want to turn it back to you and certainly happy to answer any other questions or Niccolo if you have other things you want to say.

Chair DuBois: Yeah, we kind of skipped; I don't know if you covered what you wanted to cover.

Mr. DeLuca: For the most part. Yeah, really answered a lot of your questions and kind of predicting what's going to come through in Sacramento. It doesn't really start – new members get sworn in on the 5<sup>th</sup> and then session starts on the 7<sup>th</sup> of January.

Chair DuBois: Any questions (Inaudible).

Council Member Kniss: I think you did a great job of covering what's going on but I don't know how you're keeping up with the bouncing ball at this point?

Mr. Palmer: I'm not going to say I necessarily had a crystal ball. That was maybe a lot speculation.

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Council Member Kniss: I guess I worry that stuff is just going to kind of disintegrate and...

Mr. Palmer: Well, the great unknown is who's going to be the Cabinet Secretary of the Department of X and who's going to be the administrator of that agency that actually implements the program and those people have wide discretion and so will Congress and that's going to be the difficulty. The challenge is going to be – like you said the bouncing ball is really going to be moving fast next year. This has been a very slow year for Congress because of the conventions and campaigns and everything and I think it's just going to be lighting speed next year.

Council Member Kniss: Well, here's an example of something that is already a concern, I serve on the Clean Air Board and there's concern that as the rest of the country lowers their qualifications, lows their requirements for clean air and so forth, which they are likely to do and we keep ours, that companies will leave California and with the companies go the jobs. I don't think that's out of the question. If we're talking about reinstating coal burning and some of the Southern States and so forth, there could be some really long term effects that might not be as evident right now as they certainly will be shortly.

Chair DuBois: You think there's any appetite to move on the Public, Educational and Government Fees) PEG Fees? Is that an issue people care about?

Mr. Palmer: Laura, do you want to talk about that really quick?

Ms. Donahoe: I could not hear what ...

Ms. Dauler: It was about PEG Fees Laura. If there's any appetite to move forward on the PEG Fees issues?

Ms. Donahoe: (Inaudible) move forward on what?

Ms. Dauler: PEG Fees.

Ms. Donahoe: Oh, PEG Fees. You know it will be interesting to see once we're in the new Congress. We have been working on that issue with trying to get some traction with better funds and Staff and we've been working with some other (Inaudible) in cities throughout the State that have had been struggling with the PEG Fee issues as well. (Inaudible) certainly showing some interest in wanting to be helpful on the issue but there has been some resistance from the Senate Committee both on the Republican

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and Democratic sides because this is wrapped up in a sort of larger bill and this is one of the pieces that I think they are open to continuing to propel this bill forward in the next Congress. I think the strategy moving forward is we're going to try and keep this issue on two separate tracks, one being a separate legislative standalone bill and the other to work through (Inaudible) to see if they would be willing to put language in the FY '18 (Inaudible) bill next year to address this issue. So, that's sort of the dual track approach that we are going to look to try and implement that in the New Year and see based on Congress's appetite and where it's going to (Inaudible) and see if we can get some traction on that too.

Chair DuBois: Great thanks and ...

Mr. Palmer: I was just going to add that for issues like that, it's going to take a while for things to shake up because again, they're going to be focused on so many of these big issues – sort of the meat and potatoes are going to slip probably into the second half of next year.

Chair DuBois: Ok. On the State Transportation Bill, 7.4 billion proposals and then you said there was 200 million if you have a local transportation funding measure. Could you just talk about...?

Mr. DeLuca: Absolutely. So, that was last year's proposal. This year we don't what they are going to put forward though last week the Governor, the Protem, and the Speaker signed a letter to all those interested parties saying, you know the special session on transportation has ended though we're committed to doing something in 2017. The Governor has been clear; his proposal was about three billion dollars. The Senate and the Assembly give or take, where about \$7 to \$8 billion. What's not clear is how are you going to get there? There's been a discussion about the gas tax There's been a discussion about the increase of the vehicle license fee. Something that's – they really want to kind of stick it to vehicle car owners because they're not, as they say paying their fair share through the pump but they're still using the roads so there definitely could be an increase in registration for electric vehicles, sorry. What's been consistent is funding gets split 50/50, State gets 50 and then cities and counties get 50. It's for roads, repaving, some bridges etc. etc. and then as a City, once your pavement management index gets to 85 or higher, then you can use the revenues which would be annually on bicycle and pedestrian improvements.

Chair DuBois: Thanks.

Council Member Kniss: So, no tax on those cars without drivers?

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Mr. DeLuca: Not yet. They might be next.

Chair DuBois: Cool. Do you have any questions?

Vice Mayor Scharff: No, I'm ready to move on.

Chair DuBois: Great.

Council Member Kniss: I think it's fascinating. We've got our local State Assembly and Senate, totally Democratic. We have our National completely dominated by the Republicans. It's setting up in a challenging way.

Mr. DeLuca: Definitely. From Sacramento, there's definitely a hope of taking advantage of the 2/3rd but there's also some concern of is the Governor and leadership going to have to play defense against the President-Elect and what he may propose so, it's optimism, some pessimism but it'll be interesting.

Council Member Kniss: Well, I know LA is really concerned though about what happened to their funding because if that relationship deteriorates, they have a great deal to do with the funding of whether it's San Francisco or LA or wherever it is and that does always trickle down to the rest of us in that same situation.

Mr. DeLuca: Definitely.

Chair DuBois: Thank you guys for coming tonight. Thank you, Laura for being on the phone. Thank You, Heather.

Council Member Kniss: See you both. See you in D.C. Niccolo, we'll see you in Sacramento.

### 3. Consideration of Potential Increases to the Human Services Resources Allocation Process (HSRAP) Budget for Fiscal Year 2018 and Beyond.

Chair DuBois: Alright, so Item Number 3: HSRAP Funding. You guys have a presentation?

Rob de Geus, Director Community Services: Good evening Council Members. I'm Rob de Geus, Director of Community Services, joined here by Minka van der Zwaag who oversees our office of Human Services and she has a brief presentation on the background on the HSRAP program and why this item is before you this evening.

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Minka van der Zwaag, Manager Human Services, Community Services: Thank you, Rob. Good evening Chair DuBois and Council Members. We are happy to be here tonight to present this Staff Report on possibilities for HSRAP funding. As you know, HSRAP is the City's primary mechanism for funding human service efforts in the Community since its inception in 1984. So, current funding is \$448,000 and it's divided amongst 14 agencies. Just as a quick reminder, Avenidas, and Palo Alto Community Child Care are no longer part of the HSRAP process but are direct service providers in the City. So, we're here tonight because of a discussion during the Fiscal Year '17 Budget process at the Finance Committee meeting on finance and the discussion centered on the point that current HSRAP funding was equal in dollars amounts to what it was 14 years ago, which was the last year before an annual CPI was suspended. So, as I prepared this introduction for you tonight I thought it would be interesting to go back to the original purpose of HSRAP from 1994 to see if we had strayed from our origins and that point the City was funding a variety of non-profits in a variety of City departments but those contracts, as I mentioned, were in several City departments and they were several different applications and oversight processes and the City was also providing some services that they thought could possibly be better provided by non-profits. On this slide, you will find the original purpose of HSRAP and I believe these principles are still relevant and in place today. I kind of would just quickly like to go them. So, the purpose of HSRAP is to serve as a framework by which the City defines its role and funding priorities in response to our identified human service needs in the Community in the face of shrinking financial resources. HSRAP is a collaborate process and a collaborative planning approach to identify these human service needs using the skills and the knowledge of Staff, Community groups and the Human Relations Commission and HSRAP is a basis for collaboration with other funding and service providers, public and private to enhance the capacities of systems of human's services delivery. So, as originally defined in 1984 and redefined by the Human Relations Commission (HRC) and Council during its review of the 2012 Human Service Needs Assessment, HSRAP's funding goal is as follows. The primary goal of HSRAP is to meet the needs and improve the quality of life of low-income and vulnerable populations while considering and addressing their financial, social, cultural, psychological and physical barriers that prevent residents of the Palo Alto Community from accessing the human services they need. In regards to an accounting of HSRAP funding since 2001, the following graph is in your packet and it's showing here on the overhead. As mentioned before, starting in Fiscal Year 1994, HSRAP grantees started to receive an annual Consumer Price Index (CPI) increase as a result of a Council policy decision. Those increases and continued in Fiscal Year '03, at which time they were discontinued due to budget constraints. As you can see from the chart, HSRAP has gone up and down and these are a reflection of several things. So, they will show a year

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with static budgets, reductions due to budget constraints or non-reallocations of special one-time grants or increases for selected agencies. I did want to point out that as we prepared this presentation for you this evening and investigated deeper into HSRAP history, one key noticing came up that we wanted to pass along. You will see noted a funding decrease of a \$109,000 from Fiscal Year '03 to '04, which is a 24 percent decrease. Upon closer inspection, we discovered that \$68,000 of that total was not actually decreased but a transferring of the Palo Alto Mediation Program contract from the regular two-year HSRAP contracts – side of HSRAP, to the sole sources side of HSRAP alongside Avenidas and Pack and we just want to point that out to you. On this graph...

Vice Mayor Scharff: So, wait, that means there's actually \$68,000 more in HSRAP than shows on this afterward, is that correct? I mean, the money is no longer in HSRAP but that money that was in HSRAP. So, it's the equivalent of spending an extra \$68,000 dollars.

Ms. Van der Zwaag: Well, that funding went to the sole source and then Palo Alto Mediation program was pulled out of HSRAP in 2007 and that funding went with it. So, that service is still being provided.

James Keene, City Manager: So, the gap on it would narrow by that amount, between 2003 and (Inaudible)

Vice Mayor Scharff: Right, wasn't as large.

Ms. van der Zwaag: On this slide, you will see the current HSRAP grantees as well as their current funding allocation and their agency request and that goes back to their initial agency request starting in Fiscal Year '16.

Chair DuBois: Could you just (Inaudible) on that for just a second. It's kind of interesting how many of them actually requesting less than the funding they're getting?

Ms. van der Zwaag: I think as result of some of the increases, some of the CPI, some of them are actually getting more than their original requests and some of them – yes, some of them are getting more than they even asked for. What were you're – I'm sorry.

Chair DuBois: Yeah, I see that. That they are getting more than they asked for.

Ms. van der Zwaag: That is true due to – some of them – some people – some HSRAP grantees, they'll say we want \$11,000 and it's a pretty

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reasonable request and we're able to accommodate it. Some of them say we want \$80,000, we have \$30,000 now but we'd love \$80,000 next cycle and we're not able to accommodate that kind of increase due to the static nature of the HSRAP funding. You will see that pretty wide disparity of some grantees that are getting very close to what they wanted. Some that are getting more than they initially asked for due to some of these CPI increases, so you will see both of that on this worksheet.

Chair DuBois: Great and also, I don't know if there are people here who wanted to speak but if you do, you should get a card.

Council Member Kniss: Tom, one follow-up to this. A number of organizations also give grants, as you probably know. I sit on two of those organizations that give out grants and we have a method for assessing their need and so forth. Do we do that? Do you make field trips? Do you go out and visit each of these?

Ms. van der Zwaag: Yes, so either Staff or members of the HRC, once during each cycle do go out and visit each of the HSRAP grantees.

Council Member Kniss: Each of the ones.

Ms. van der Zwaag: Yes.

Council Member Kniss: When have you altered the grantees recently?

Ms. van der Zwaag: When have we added grantees?

Council Member Kniss: Yes.

Ms. van der Zwaag: I would say this current cycle, these are all the same grantees as the last cycle. So, '16- '17 is a two-year cycle. Then '14-'15, we added three new grantees and that was probably the first time we added grantees in several years.

Vice Mayor Scharff: So, the same organizations have continued to get this kind of support?

Ms. van der Zwaag: That is correct. HSRAP is very much a steady group of grantees that have been receiving City funding for many years and have used that funding from the City to be able to leverage that type of steady support to be able to leverage foundation or County funding or foundations to be able to...

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Council Member Kniss: My point is that this is a different mechanism than what many other organizations do. Many other organizations...

Ms. van der Zwaag: Clear the slate.

Council Member Kniss: ... Or they – you know, some of them do come up again but many of them rotate.

Ms. van der Zwaag: That is true. I think when you speak to representatives of the HRC when they've talked about – when they review the actual HSRAP grantees, they'll looking more at it as not so much are we funding the same agencies over and over or what do we see are the key needs in our Community and they have seen these providers as the key providers of those needs that they believe are being addressed – need to be addressed.

Council Member Kniss: Thanks.

Ms. van der Zwaag: You're welcome. Next, I'd like to talk about the Needs Assessment portion of HSRAP and what role that plays. HSRAP responds to a wide scope of needs that have been identified over time and reassessed regularly as part of establishing the priority of needs for each HSRAP funding cycle. The breath of HSRAP, the Human Services Needs Assessment varies with each cycle and the results of each need assessments are reviewed and discussed by the HRC. In 2012, Staff and the HRC did a very large scale review of the needs in the Community and that included through surveys, focus groups, stakeholder interview, demographic data collection and inquiries to professionals in the field. This year, since a new HSRAP RFP will be issued in December for a new 2-year process starting in July 2017, Staff sent out a survey to our current HSRAP grantees plus other key human service organizations in the Community. We asked questions that would assess on current service needs, barriers, gaps, and trends in the Community and the responses you see here are based on the opinions of those responses that we received. You'll see as far as the overall top five human service needs affordable housing, emergency financial assistances, affordable medical and dental care, disability services, behavioral health. I'll let you just take a moment to look at those. The other area I just wanted to read out where the top trends that we heard from our agencies and of course, the housing cost – the cost of living for clients but I thought the interesting part of that was the cost of living for the non-profit employees and sometimes the incomes for the non-profit employees are not that far above some of the incomes of some of the people that they are helping. So, I will go onto the next slide. As part of the Needs Assessment, we also updated a verity of demographic information and I've included one of those graphs here today. I think it's interesting to note that 32 percent of Palo Alto



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residents live on \$50,000 a year or less and this graph will give you what that break down is for – these are households so there are about 26,000 households in Palo Alto.

Vice Mayor Scharff: So, that's all it says?

Chair DuBois: It's not added in (Inaudible)

Vice Mayor Scharff: No, she said 32 percent live below – it says 21 percent here.

Ms. van der Zwaag: Below 50 percent so 21 and 11.

Vice Mayor Scharff: Below \$50,000?

Ms. van der Zwaag: Pardon me?

Vice Mayor Scharff: Ok, so explain it then. So, it's additive?

Ms. van der Zwaag: So, it's below the \$50,000 so I added the 21 and the 11.

Vice Mayor Scharff: I don't believe that's the way this works.

Ms. van der Zwaag: OK.

Vice Mayor Scharff: I think you can't be right. It's got to be 34 percent below \$100,000, 21 percent below \$50,000 and 25 percent below \$11,000 because otherwise, you're telling me that 60 some percent of Palo Altons live below \$100,000 dollars. That is just not true.

Ms. van der Zwaag: Ok. Well, maybe I could be reading the way it should be added together but these are the...

Vice Mayor Scharff: Yeah, I think you're just misinterpreting the data.

Ms. van der Zwaag: Ok.

Council Member Kniss: Hang on a minute, what's being misinterpreted?

Chair DuBois: If you look at \$50,000 (Inaudible)...

Vice Mayor Scharff: Twenty-one percent.

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Chair DuBois: There are 5500 households that includes the 2800 .

Vice Mayor Scharff: Right, I think it does. It has to, it simply has to.

Ms. van der Zwaag: Well, I'm sorry about that.

Chair DuBois: It's still a large number. Thirtyfour percent is still...

Ms. van der Zwaag: Well, I'm sorry about that but thank you for pointing that out. In reviewing the 2016 results, it is clearly apparent that the area cost of living, especially the need for affordable housing is the top issue affecting both clients and employees of local human service agencies. This is an enormous problem but Staff feels like the affordable housing issue is beyond the capacity of HSRAP to address. Looking at the 2016 results and then reflecting back to 2012, viewed broadly the needs have changed little over the years as seen through the eyes of providers and those who are recipients of assistance. However, during recent years, based on the results of these regular needs assessments, the following gaps and funding categories have been identified and added; tutoring, youth well-being, elder abuse, social service coordination and day services for the homeless. Since 2012, HSRAP has received ad hoc funding increases as decided by Council as funding was available during the budget process and this graph quickly goes over what those increases were so, five percent in Fiscal Year '12, 18 percent in Fiscal Year '14 – so that was a 7.2 percent increase across the board and \$23,000 for three new agencies and those where the agencies I allocated to earlier when you asked me when the last time was when three agencies were added and that Vista Center for the Blind, that was Palo Alto Housing and that was Dream Catchers. That was kind of on the heels of the results of the Fiscal – of the 2012 needs assessment and then having the extra funds enabled us to be able to respond to some of those identified needs. In Fiscal Year '15, there was a 20 percent increase so that was a 2.6 percent across the board CPI and \$68,000, that was given to new and emerging needs. We allocated those funds during a special process so the regularly based line HSRAP allocations were already given and then Staff and the HRC oversaw an extra process for current grantees to be able to respond to new and emerging needs. Also, during that year, the Council approved a reserve fund of \$50,000 for HSRAP, so that would be able to use under Council authorization if there would be a needed – during a Budget crisis, if there was a suggest cut to HSRAP, those funds could be allocated. In Fiscal year '16, there was a 2.6 percent increase and in Fiscal Year '17, there was a 2.6 percent CPI as well and also, there was the approval of the emerging needs fund of \$50,000. While these increases were impactful, they did not reflect an on-going systematic or policy based approach to increasing HSRAP funding, which is one of the options Staff has brought before the Committee

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to consider tonight. As far as the policy discussion tonight, I'd like to bring forth these four suggestions for your consideration. Staff realizes that there are competing needs for the City budget and an increase in one area often means a cut in another area. So, with that knowledge in mind, we bring forth these options for your consideration. One would be to create a policy to increase the total amount of HSRAP funding each year according to an index such as a consumer price index. The second would be to increase HSRAP funding to \$644,300, which is the resulting amount if the Fiscal Year 2003 funding of \$444,862 was compounded annually by 2.5 percent out to Fiscal Year '18. So, \$644,300 represents an increase of approximately \$196,300 from the current funding. Three would be to institute an annual increase of \$49,070 over the next four years to bring the total HSRAP fund to \$644,300 by 2021 and the last would be to provide annual increases on ad hoc basis considering the needs and funding available which are essential, the process as is followed right now. I'd like to see Rob would like to add something to that presentation before we take any questions you might have.

Mr. De Geus: Thank you Minka. I just – a quick shout out and thanks to the non-profit partners that we have, we have many of them, they do important vital work and so thank you to them.

Chair DuBois: So, we do have two cards from the public so why don't we go to the public first. So, first speaker Leif Erickson.

Leif Erickson: Council Members thank you for an opportunity to participate in the conversation. I'm not here to lobby for a particular agency but just to participate in this policy conversation. Follow-up on Minka and Rob's comments, we as partners of the City are a real bargain for you all. We, in terms of our Staff salaries, we are way cheaper than City folks and just the way that we operate and leverage and draw in other resources to do our work, we're a real bargain. The work that we do, in terms of Safety Net and quality of life, are the issues that are important to the broader Community so we appreciate the partnerships and we collaborate – we're not independent agents flying around but we collaborate through Project Safety Net, through Health Cities and many of the Community events and so on. There are many things – this is not about benefits to my agency, this is about benefits to the City and to the Community. The chart was very interesting about the level – essentially level dollar amount because that the way many of us experience, you know the work that we've been doing, of trying to bring in revenue to Staff our operations and it – you know, as the dollars shrink, they might be the same but really, they're shrinking because the expenses are higher and they are worthless. We're having to scale back on the work that we do in the Community. Fewer events, fewer Staff, fewer hours, 90 percent of our budget like many non-profits is people and the

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people is the service we provide so, we're – even though the dollars are the same, it's scaling back. I wish that [Ray Bacchetti] was here with us tonight because he did so much essential work in documenting the need and doing the research and beautiful writing that he did and the reports that he did. He was such a resource in this conversation. I hope that his spirit is here with us to kind of guild us as we try to make decisions. Thank you.

Chair DuBois: Our second speaker is Valerie Stinger.

Ms. van der Zwaag: Yeah, why don't you sit right next to me?

Valerie Stinger, Human Relations Commission Vice Chair: Hi, I'm Valerie Stinger. I'm Vice Chair of the Human Relations Commission and I'm speaking for the Commission tonight and I'm going to read some notes if that's ok? We have spoken to the Finance Committee in the spring to support these budget initiatives which considered the annual allocation for the HSRAP funding. We continue to support these initiatives and we appreciate the opportunity to speak to this agenda item this evening. It was important then, during the budget discussion in the spring and now post elections, it's critically important that we allocate funds to adequately fund services and to prepare for unforeseen and emerging needs in our Community. The charge to the HRC is to review the HSRAP proposal and make recommendations to the Council. As you asked Liz or Council Women Kniss, sorry – part of our activity to due diligence is to do site visits. We also invite agencies in the Community to our learning series, which begin many of our Commission meetings and so by the time we actually review the proposals in the 2-year cycle, across the seven members of the Commission, we have a fairly strong idea of the strengths and weaknesses, the needs and the barriers to success that our agencies face. As you know, the current HSRAP funding is the same – almost the same, 3,000 dollars' difference between Fiscal Year 2003 and Fiscal Year 2017. As Vice Chair, I would like to ask your support for option two, that is to increase HSRAP funding to \$644,000 in Fiscal Year 2018. This is a level of funding will make existing programs sustainable. We've heard of needs, for example, and this is more antidotal than the survey data that Minka shared with you – to increase space at Adolescent Counseling Services. Particularly to take in consideration to how to make Project Safety Net sustainable over the long term. This is a level of funding can also bring in new programs or allowed existing grantees to innovate and respond to emerging needs. For example, we've heard of the needs for preschool programs in subsidized housing, improve senior nutrition programs, translation services to serve a changing demographic and our agencies are requesting help with increased Staffing costs to the meet the \$15 an hour minimum wage. Finally, steady predictable funding allows agencies to plan better. To conclude, I believe that this option does

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the most to help local agencies in their delivery of services. Does the most to promote prudent financial planning. Thank you for your consideration and also the Commission is always available to answer questions or do a study session on something that would help you.

Chair DuBois: Great. Thank you. Alright, any questions, comments?

Vice Mayor Scharff: Yeah, so first of all I just want to understand. We keep saying it's essentially the same as it was in 2003. It's not, it's 34 percent higher. So, we're saying it's essentially same because it's the same rate as the inflation rate? Is that correct? I mean, in 2003 it's substantially lower than it is today. We've given – I'm not really tracking this argument about it's substantially less.

Mr. de Geus: I think per dollar, it's pretty much the same, right around that \$450,000 it was in 2003 and that's what it is today.

Vice Mayor Scharff: Alright. So, in 2003 -- maybe I'm miss reading this -- it looks like it's...

Ms. van der Zwaag: There's Attachment A also Vice Mayor, that shows the actual dollar amount.

Vice Mayor Scharff: Alright, so where's Attachment A? Let me look at that because I was looking at the graph, which had it at like three something.

Council Member Kniss: Are you at the back of... (Crosstalk)

James Keene, City Manager: It's viewed on Page 3. (Crosstalk)

Chair DuBois: Look at Page 58.

Vice Mayor Scharff: Ok, so Page 58, alright.

Council Member Kniss: This is where you are?

Ms. van der Zwaag: Yes.

Vice Mayor Scharff: I'm slow getting there.

Ms. van der Zwaag: It's on your left-hand side.

Vice Mayor Scharff: Oh, I see, ok. So, in 2003 – ok we were at \$444 – ok so then why does that not match the history of the HSRAP funding graph?

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Mr. De Geus: Well, it should. Let's look at those.

Ms. van der Zwaag: It should.

Vice Mayor Scharff: Does it because it looks like in 2003-2004 was a...

Mr. Keene: Well, I think they are maybe one year off. (Crosstalk)

Vice Mayor Scharff: Oh, so is it...

Chair DuBois: 2002-2003 (Crosstalk) It took all that time to get back.

Council Member Kniss: Is that just the beginning?

Vice Mayor Scharff: Yeah, that's just the beginning. I just wanted to clarify and make sure I understood where we on this and what the story is. Ok, makes sense to me now. I guess my comment is that when I looked at the Staff Report, I saw that the last thing on the resource impact on Page 7 said, 'the resource impact will depend on the Committees decision on the funding options presented for consideration as none of these factors into the current budget assumptions that reflect and anticipate budget deficit in 2018. Any increase in funding will limit available resources for other programs priorities including basic levels of services. As such it may be prudent to revisit and consider this issue as part of the FY 2018 budget process. So, the level of resources available can be completely evaluated' and this is really what we've been doing. That's why during the great recession, I think it fell actually a little bit or it may have remained constant when we were doing cuts to everything. I think we cut 20 million plus out of the budget at the time. Then as the economy improved, we've actually given some decent increases to HSRAP. We have – Jim you're going to have to help me out here – but currently the budget for next year is looking what?

Mr. Keene: Well, our current estimate is \$4 to \$6 million structural deficit. That doesn't deal with a number of unanticipated – I mean hard to estimate issues. I would say we're at \$6 million as the target and like I said there are some other uncertainties.

Vice Mayor Scharff: What I would say is that first of all, I think the agencies do great work and I'm fully support of it. One of the things we complain about in California is that there's so much in the State Budget that's mandated. You can only spend money on this, you can only spend money on that. As a Council, we've pretty much stay away from that. We do a budget process where we look at the entire budget and finance goes through the

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process and says, you know we have so much money, how are we going to spend it? Anything else but option 4 says, were going to take this out of the budget process and we're going to say, we're going to spend this money by giving these increases and getting it to that, regardless of the budget process. Now, I would hope that through the budget process we could get to that higher number but I do think that if it's not part of the totality of the budget process, you don't have things in context and you can't make those decisions easily about what the tradeoffs are. The reason Palo Alto, frankly, has a – I would say on the whole has been fairly fiscally conservative and runs a good ship and has an AAA bond rating – is that Council Members have to say, ok we're going to spend the money on this but that means we can't spend it on this and by making those trade-offs and going through that budget process, it forces you to be fiscally responsible and I do not think we should go ahead and say, we're going to take this out of the regular budget process and say it's special and there for always going to spend money on that. I would actually say, especially on something like HSRAP because if we do ever have to cut it, it's much harder to say – to promise money in the future for something like this which the service agencies rely on, build their budgets around and cutting it becomes very, very painful for everyone involved. It's much more pleasant and much better, I think for everyone to say, in this budget, it looks like we have the money to give more and to get further up to there. I just think that's a much better process. So, I know I'm going to support Number 4.

Council Member Kniss: Let me ask some of the kind of different types of questions. With non-profits, you usually look at what their administrative costs are. Some of these are fairly small and just talk about the size of the agency and with all due respect, knowing what some people on their own to do, which is excellent. A number of agencies have actually come together, children and family services merging and they do that because their money goes a lot further when they're spending less on administration and when they can do that merging. Is that a conversation that you may with some of our recipients especially, as far as the admin costs go and so forth?

Ms. van der Zwaag: I have not lead in to have that specific conversation. I know as far as HSRAP funding, we have strongly recommended that these agencies work together as closely as possible and to look how they could use the expertise of one agency and the expertise of another agency to work together and amplify the results for their recipients of those services. I think we look at the grantees that we are giving money to and try not to have a duplication of exact services so, we're not paying for agency A, B, C to do specific things...

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Council Member Kniss: Coming at my question, it's about the administration cost. I hear the rest of it. I'm glad you're working together but if you go in and you take a look and you say, what do you anticipate the – you're giving money away. You're giving our money away. You're giving the Cities money away so the question is, what is the administrative cost of those organizations you're giving to?

Ms. van der Zwaag: I think the – for...

Council Member Kniss: Is there an answer?

Mr. de Geus: I don't think we have that data.

Ms. van der Zwaag: I don't think we have that specific data. You know, we have some data looking into what they pay as a percentage of total income for Staffing and for rent, that's some of the information that we do have but that specifically, what you're asking I don't have at this moment.

Council Member Kniss: So, I think – I don't know about the rest of you but that's one of the things I always look at when I'm donating to someone, is what's your admin. cost...

Ms. van der Zwaag: Right.

Vice Mayor Scharff: "Absolutely."

Council Member Kniss: ...because it's so important to make those dollars go a long way. I certainly support that they're working together closely and so forth but the reason many agencies have come together – even the Silicon Valley Foundation merged with the two counties in order to, again, enhance what they could do from their administration standpoint. So, I would like to be one of the areas that we look at. Make sure that – I know every one of these groups and I think we all do but still, I think it's our responsibility as the agency giving this to be sure that that is the case and I think 10 percent is usually – am I right Leif, looking at this so roughly 10 percent for admin. costs?

Mr. Erickson: Or lower. "Seven percent."

Council Member Kniss: Or lower. That would be great if it was lower. One of my favorite groups is seven percent and I think it's important to take a look at that.

Ms. van der Zwaag: I definitely will look at that.



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Council Member Kniss: Have that on the record, know if you're giving to people year after year, you know what the background is. I'm glad to see that you upped – looks like you might raise some of it on Dream Catchers. I like Dream Catchers, they get by on a shoestring.

Ms. van der Zwaag: They definitely get by on a shoestring. A lot of these grantees spend a good deal of their budget on staffing but because their service model is based on that the actual staff member is providing the service so it kind of looks different than a – for instance non-profits that are an environmental non-profit or so forth. Human service nonprofits are very high in staff costs for that very reason. That the service is the case manager. Their service is the tutor and so forth.

Council Member Kniss: Also, because as I said, I sit on a couple of other Boards and I do know that we do see very similar agencies coming to us for money as well. They're all deserving. I simply want to make sure we know the background data as we're continuing to support these groups year after year and then if it's appropriate in some of these cases, that we urge merging, which I think really helps in the long run. I can't think of how many groups I have known that have merged but it's many. Especially, in the last 10-years. Thanks,

Chair DuBois: I have kind of several questions first. I don't know if you know or perhaps Leif but the impact of the Minimum Wage Law, I know we excluded non-profits but are we seeing an impact because the wage and private industries are...

Vice Mayor Scharff: Did we exclude non-profits? Did we?

Chair DuBois: Did we, or didn't we? I thought we did.

Ms. van der Zwaag: I thought on a County-wide basis they had excluded non-profit but I am not that well versed on that. As far as one of the attachments in the report, it gives some information on the non-profit Community (Inaudible) but that (Inaudible) (Crosstalk)

Chair DuBois: But my thinking was that because they can make more money at for-profit organizations, is that impacting the ability to hire staff?

Council Member Kniss: The County pays the same – I know don't know if we're talking about the County or the County but the County gives non-profits the same as – the non-profits workers get the same as a for-profit.

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Mr. Keene: Leif, you might know.

Mr. Erickson: Our staff could all make more money elsewhere.

Council Member Kniss: Oh, yes, right.

Mr. Erickson: (Inaudible) (Crosstalk)

Chair DuBois: I was glad to see there's a reserve fund now. How are we using that reserved fund?

Ms. van der Zwaag: We have not accessed the reserved fund yet. Since the reserved fund was instated, there has not been a year where there has been a suggested cut to HSRAP so, it remains intact.

Chair DuBois: I see but the idea would be to smooth out and dips.

Ms. van der Zwaag: Correct. If there was a five percent decrease or whatever percentage amount to HSRAP, the thought would be that we could access the reserve fund to keep HSRAP whole in those years.

Chair DuBois: Ok. It really seems like reliability/predictability is pretty key and those swing up and down. I know the City – there was a recession, the City had it tough but I'm sure it was very hard on the non-profits. I guess another question, you as a representative, you know, do you already rely on this money? Vice Mayor Scharff was saying that if...

Ms. van der Zwaag: I think you'll need to come up Leif so that it could be recorded or so we can hear you.

Chair DuBois: Vice Mayor Scharff was suggesting since we budget this for year to year that you're not relying on the money but I'm wondering...

Vice Mayor Scharff: No, no, I said they do rely on the money.

Chair DuBois: Well, you were saying if we were to mandate it or whatever...

Vice Mayor Scharff: Well, if we were mandating an increase they would then rely on the increases and if we didn't come through with them, that would be a problem.

Chair DuBois: Ok.

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Mr. Erickson: In our case, the dollar amount is relatively small as a percentage of our overall budget but we leverage the commitment of the City to our work in order to tell our story with that credibility to other funders. For many of us, the wild fluctuations up and down -- for many different reasons, our challenge for non-profits and so as much consistency as we can identify where there are contracts with city or School District or other agencies helps to level things out. The HSRAP grant for us is a very small percentage of our overall budget so fluctuations are not going to be that intimidating.

Chair DuBois: Great, ok, thank you. So, you were speaking just to the increase versus the base level?

Vice Mayor Scharff: Well, I was speaking to where we are now. I think that is -- where we are now is what, \$450 or whatever. That should go to Finance this year is what I was speaking to. So, I was speaking both and then Finance would decide what the increase was for this year in the holistic part of the whole budget and then from that point of view, that would probably be the new base and then you would hope to keep the new base but I don't think you want to say, I think that's a finance process during the whole budget process where you make choices. You say, this is how we're going to spend the money this year. Especially, when we are entering into a deficit year. That's what I'm saying.

Chair DuBois: I just think a lot of these non-profits are closely relying on the money that they're getting today.

Vice Mayor Scharff: No question.

Chair DuBois: It's not that we're starting at zero each cycle.

Mr. Keene: If I might just clarify, Mr. Chairman. I hear what you're -- what you're saying is baseline funding for 2017 exists and presumably when we come to the Council, we're starting -- or finance -- we're starting at that baseline. I think that personally, I want to weigh in on the Motion made by or the position that Vice Mayor has. Just in the meetings I had with Staff today on the budget I was talking to them about, we really have got to start to put more detail in the fiscal impact on our Staff reports, even going forward over the next six months because we're going to be making -- the Council will be forced to make difficult trade-off decisions and I don't want you to get to April and May and suddenly say, gee whiz, I would have thought differently about something you brought us in January. Why'd we commit to that knowing now that that has an impact? We've got to make a reduction somewhere else so I don't think that holding it off is beneficial.

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Secondly, just as far as your thinking, just based on past experience; one, I think the idea of building in a guaranteed cost of living or other adjustment is really not good public policy. One it makes it very difficult to make those adjustments in the future, two you get other folks making the same argument, that they're subject to the same inflationary levels and I've seen some Cities sort of desimate it by a policy lock-ins on some guarantees that make it extremely difficult for the Council to ultimately exercise its ultimate desrection and decision-making responsibility is to make some of the tough choices between these calls. Lastly, you even run into that a little bit, even in this idea of while it is admirable and we certainly leverage (Inaudible) about you, I think with the seed money or the support money the HSRAP program provides but again, the idea of normalizing on a consistent way, into the inflation rate – again, this is a case that any other cost that we have in the City – it opens a door to people making that same case. We've lost 10 percent in purchasing power over the same time. I think the best option is for the Council to – on this annual basis, have to make the choices and the tradeoffs about what is most important. In many ways, that's one of the most fundamental things that you all should not, I think, make automatic in any way.

Chair DuBois: Just finish a couple quick ones. You're saying, one of these options that are in the Staff Report, you're not supporting?

Mr. Keene: I think you do Option 4. I would definitely oppose Option 1. It can sort of sound nice and easy, I'm just –(Inaudible) give extreme examples but I know of Communities where special taxes have been passed to fund a particular service that can then just grow and grow and grow and they take all of the revenue capacity and they lock out other things.

Chair DuBois: When it comes around during the budget season, you know, having Council remember to mentally increase it by 2.5 percent, assuming the money's there. I mean how do you... (Crosstalk)

Mr. Keene: I think that's appropriate.

Chair DuBois: ...how do you set – well, it would be nice I guess if Staff proposed – when they came to propose the HSRAP funding annually – you know proposed these small increases and then that can be discussed as part of the budget but you know, we're in a situation where...

Ms. van der Zwaag: That's what's happening.

Mr. Keene: Yeah, that's what we've been doing in the last few years.

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Chair DuBois: Because this does seem like – I think Liz's point about understanding the overhead is good but knowing these organizations, I think the overheads pretty low for most of them. It is probably one of the cheapest ways to get a lot of these services for our Communities. That seems like a good investment of funds to me. I'm sorry, you had some more comments?

Council Member Kniss: I'm going to sound Grinchy for a minute. (Inaudible) for the County for 12 years. In truth, our City has a different mission than the Human Services support. I don't in any way object to it but you have an enormous budget at the County that is \$5 billion. There are many of these here that are supported by the County and I would strongly urge and Leif I know you know the drill as well as I do, you know, look for more from the County. Looking here at Momentum, Momentum is heavily supported by the County, as it should be.

Ms. van der Zwaag: "Right, right."

Council Member Kniss: I don't know how Downtown Streets is doing now. I happened to hear them at Rotary a couple of days ago, They're a terrific group.

Ms. van der Zwaag: Right and they greatly expanded over the last several years.

Council Member Kniss: Right, but as these grow, you know, let's make sure we support them in their ability to look to other areas for resources and so forth. Once again, I don't in anyway regret that we do this kind of support but at the same time, as we said we'll get into our budget and we need whatever it is that a half a million dollars might buy and that puts us in an awkward spot. I would find myself in the same place that Greg found himself. This is an ad hoc decision, we do the best we can, we don't know where the rest of the needs will be for the City this year. I see, as part of what your job is, is to keep an eye on this group, tell them where else they can go for funding and many other areas do that.

Ms. van der Zwaag: Right.

Council Member Kniss: The Community Fund of Palo Alto has many applications that come in every year.

Ms. van der Zwaag: Definitely, all of our non-profits are very savvy at diversifying their funding sources.

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Council Member Kniss: Some more than others.

Ms. van der Zwaag: Some definitely more than others. I would totally agree with you.

Council Member Kniss: All non-profits are not created equally so, again I'm sounding grinchy, not meaning to be like that but I think that our job is to know where the greatest need is and fill it there.

Ms. van der Zwaag: Right.

Council Member Kniss: Do you want me to make that a Motion?

Chair DuBois: Well, I'd like to make one more comment before you do, if that's alright?

Council Member Kniss: Alright.

Chair DuBois: I am hearing and listening to the idea about automatic increases but I am concerned that it's taken 12 or 13 years to get back to where we were and so I would be supportive of a Motion that proposed that the Fiscal Year '18 Budget proposal came in at \$644k request to be evaluated as part of the budgeting process. Just to recognize kind of the catch-up and then we would just move forward on an ad hoc basis from that point.

Vice Mayor Scharff: I would not support that. I believe that violates the City Managers role in setting the budget. The City Manager has the role to set the budget, Finance then goes and looks at it. Any Finance Committee member can make that Motion to raise it and then they obviously have to offset it somewhere else. If you're not on Finance for whatever reason, then you can take it to Council when it comes to Council. I think there's no shortage of people on Council who are focused on HSRAP.

Chair DuBois: I think that's how we got here. The Finance Committee raised this, went to Council, came to Policy and Services.

Vice Mayor Scharff: Right.

Ms. van der Zwaag: That's correct.

Vice Mayor Scharff: I think that it's a – but I think the issue here is not how much we give HSRAP, the issue is what is the process?

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Chair DuBois: Right. I'm saying we go through the Budget process but – actually since this has been through Finance and to Council, that it does not come back at \$444 this year.

Vice Mayor Scharff: Well, I don't know what it's going to come back but I think it should be up the City Manager to make that decision in light of the totality of the Budget.

Chair DuBois: Ok. Again, I'm kind (Inaudible) support would maybe be recommending to the City Manager to come in at the higher level but that's where I am.

Vice Mayor Scharff: Ok, I'll make a Motion that we support Option 4.

**MOTION:** Vice Mayor Scharff moved, seconded by Council Member Kniss to recommend the City Council provide annual increases on an ad hoc basis considering need and funding availability.

**MOTION FAILED:** 2-1 DuBois no, Berman absent

#### 4. Discussion and Recommendations for 2017 City Council Priority Setting Process.

James Keene, City Manager: Ok, Mr. Chairman, can I – given the hour – jump in?

Chair DuBois: Yes.

Mr. Keene: The last item before you this evening, agendized is the discussion and recommendations on the 2017 City Council priority setting process and again, quickly just as far as background. It was what, four-years or so ago – Greg would remember – where Council actually went through a process and set up some procedures on how to conduct the generally the priorities setting process of which, us coming to P&S is a result of that directive. I think in a general way, what the Council was interested in is trying to have – to arrive at the priorities setting session of the new Council in the New Year already having done, sort of some solicitation and vetting of the potential ideas for the priorities. The requirement of coming to P&S really having one: some potential discussion from your point of view about the – this is directed from the Council – the process to be used for the priority setting session. In most years, that's usually been well, let's just sort of do what we've been doing and then secondly, to be sure that we selicite from the Council and in the case of new Council Members coming on but not yet sworn in, soliciting from the incoming new Council Members their

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thoughts for priorities and to also invite the public earlier on to comment. So, you – we went out and we put things on open City Hall, in the website and other ways to solicit input and we've gotten what Cash, several hundred comments from the public. We included those in your original packet as recently as this evening, we put out a little supplemental with some additional comments that came in. I think we summarize those as repeating items that we had before with some new comments focused on leaf blower enforcement, fiber to the premise, and Cal-Train grade separation. You've gotten a lot of comments on airplane noise and other issues before hand. Now, we have not yet sent out to the City Council, we were going to do that tomorrow. The email just sort of saying, what are your comments and do it for the new Council. We haven't necessarily, as I recall, always handled this consistently as to how we take what the Council suggests and also what the Community suggests and try to organize it or sort of pre – sometimes try to group it into some groupings so that it's easier to look at when it arrives to the Council. My thought was and I wanted to get your direction on this, would be to ask the Council to give us their comments back by the 10<sup>th</sup> of December and we always have the potential – we have a meeting on December 13<sup>th</sup>, we could at least share those with all of you and you have a busy agenda but if there's any feedback that you wanted to give or any process. There have been times where either the Committee has asked one or two members of the Committee to even work over the holiday break with me to look at and group some of the priorities in some way for the Council. That being said, it's not a perfect process anyway because usually each year there's one or two Council Members who doesn't send them in and then we get them at the meeting anyway. So, it's not meant to be mandatory, it's meant to just try to get a jump on the priorities setting process. Lastly, I would just put out one other thing is that this does talk about the Council priority setting process. I'd at least like to surface the idea of not concluding anything now but alerting you to the fact that I've been talking with the other CAOs, a little bit with the ALT about having some discussion about maybe an enlarged Council retreat process that maybe does some prelude to the priorities setting process but would allow a way to – you've got a new Council to kind of do some work together. Even maybe take up some issues related to roles and procedures and some discipline about meetings in a way that we haven't done before. All of those things to be as effective as possible...

Council Member Kniss: What was that last sentence?

Mr. Keene: What was it? Which one? Something about being something we haven't done before exactly but, I think that's relevant to the whole idea of setting priorities, you want to achieve those priorities. It's a little akin to what Greg was talking about when we were looking for actionable items that



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can actually get accomplished. It's one thing to set priorities, then we also want to try and make sure that we meet them. That's our intro and we're here to...

Council Member Kniss: Let me – I just want to ask something first. Thank you.

Mr. Keene: Looks like you got some public here also.

Council Member Kniss: This will be my, I guess the fifth retreat.

Vice Mayor Scharff: Sorry, say that again.

Council Member Kniss: This will be my fifth retreat so, -- unless it's my fourth but I think it's the fifth.

Chair DuBois: Have you advanced?

Council Member Kniss: Pardon?

Chair DuBois: Have you advanced at all?

Council Member Kniss: Have I advanced, never. Took me a minute, sorry. In every one of these retreats, we have agreed, together, on certain things. We agree at what time we might start, what time we might finish, how long we might talk, how frequently we might meet and we agree on certain perimeters every year and so far, we manage to forget most of them within five to six weeks.

Vice Mayor Scharff: You think it lasts that long?

Council Member Kniss: Well, maybe it doesn't. Maybe it doesn't. A couple of things come to mind. Most of you have talked to other City Councils and know what they do. Many of them use a facilitator. I would like us to seriously consider a facilitator. I don't think that we are good at facilitating ourselves and I don't think that we have frankly, the skills to do that. Having worked a lot with facilitators, we did that at the County until we just fell apart totally and said, we're not even going to have retreats anymore because it wasn't productive, which is too bad. I think when you get to that point but those are the kinds of things I would like to really think about. There are still nine of us, in two years there will be seven of us. That's a huge change I think and how we run as a City and how we interact as a group. That would one of the areas that I'd particularly like to start in and if we're going to have a facilitator, I think and I'm sure you know good ones

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too because you get around and you're involved in the rest of the County and the rest of the State and so forth. I think that's one of the things we should look at right away and not wait and if you really want somebody to work with you during the beginning of the vacation, we have two weeks off I hope. I'd be glad to do that. I bet Greg would too. You don't have any big plans do you, Greg?

Vice Mayor Scharff: Yeah, I have no plans.

Chair DuBois: I would as well.

Council Member Kniss: I would put that out there as a very serious consideration and I don't know if we've done that before. Not that I know of.

Mr. Keene: We have not done a facilitated retreat and you know, I would say for the most part – now 9<sup>th</sup> year that I'm here, the setting of some priority itself has been the dominant focus of the one and only retreat that the Council has each year. There have been ancillary related conversations sometimes hardly at all, sometimes more in some of these procedures and protocols or presentations on big issues. I think that a retreat or retreats or whatever is a great idea. I would say that weren't the governing bodies I've worked with that have done that and have done is successfully have been a higher performing governing body and I don't mean that in a judgmental way, I mean ability to kind of work together and manage to the work plan and communicate as good. What I do think is, a recommendation from you all would be helpful. Even if it's general about what your intentions are. We've been already sort of collecting some names of different potential facilitators but I do think that there should be some process for – I don't think the whole Council really would effect to be involved but you know, the Mayor and Vice Mayor or some subset to sit with us to actually interview some folks because I think that the chemistry between the facilitator and – most of these folks do the same thing.

Vice Mayor Scharff: So, the Mayor going off the Council. I'm sure how useful it is to have the Mayor do that.

Mr. Keene: Yeah. No, I was talking about – this would have to be the new mayor... (Crosstalk)

Vice Mayor Scharff: The new Mayor and Vice Mayor, that's what I was thinking.

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Mr. Keene: ... I think we could start to put together some things. Probably the ability to select somebody would have to take place in the new year itself, do you know what I mean?

Vice Mayor Scharff: When do we normally do the retreat?

Mr. Keene: Right now, the clerk is holding January 30<sup>th</sup> and the 4<sup>th</sup> or something of February. We have two dates out there.

Vice Mayor Scharff: That's really hard to hire someone in two weeks.

Mr. Keene: Well, what we're hoping to do was to be able to identify who would be available for those dates and see if we could get people to put placeholders and then let them know well, we want to do some preview. As I've said, I think that how somebody works with the Council is key.

Chair DuBois: We seem to be jumping around a little bit. Maybe we should set a little structure to the discussion. I think we had a question. The Staff Report suggested we would have priorities at the meeting tonight, we don't. You're saying maybe at the next meeting but generally I thought – so there's a – how do we gather priorities? What's the format of the meeting? What's the location of the meeting? What's the length of the meeting and if we had a moderator, would there be different sessions?

Council Member Kniss: I'm talking about a facilitator, though, not a moderator.

Chair DuBois: Facilitator, yes.

Vice Mayor Scharff: I like the facilitator idea. I will weigh in and say that's a great idea, Liz, glad you came up with it. No, it's a really good idea.

Council Member Kniss: (Inaudible) they met for about five hours.

Chair DuBois: No, I know. I think I've heard the City Manager mention the idea of maybe a two-day retreat, previously?

Council Member Kniss: We've never done that.

Vice Mayor Scharff: Right.

Chair DuBois: Then we also this year we had a check in on the work plan, kind of mid-year which I thought was very good.

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Vice Mayor Scharff: That was really good, I agree Tom. That was great. That was so helpful.

Chair DuBois: So, we could talk about that as part of the retreat.

Mr. Keene: Well, jumping back around. One of these things we do at this point is to try and engage the Community with some input and we have done that. I think you may have – need to hear from folks. I don't know if anybody is still here.

Chair DuBois: Were you going to submit a card or?

Ms. Jennifer Landsman: About the priorities?

Chair DuBois: Were you planning to speak?

Ms. Landsman: (Inaudible)

Chair DuBois: Yeah, I don't have any cards.

Ms. Landsman: I'll take a time to just thank you and the City for everything you've done and Council Member Liz I know that when you commented with Steve Palmer, you know, how much we can do on airplane noise and what is our ability to move the needle. It sometimes seems like we can't but we actually can and I think Steve Palmer mentioned that when he said the FAA is listening and there is stuff we can do for the authorization, some input we can provide; not by ourselves but with all the other Cities that are involved with this. We have a big network with all the Cities (Inaudible) in those Cities so I think there's something we can do. So, I just want to thank you because the Cities involvement will help move things along the way. In terms of the priorities setting, I'm just here to listen to see how we can engage effectively so if you give us feedback (Inaudible) the public, we can respond. Thanks.

Chair DuBois: Great, thank you, Jennifer.

Mr. Keene: Mr. Chair, just to be responsive to your concern, I'd like to propose that we could add this to the 13<sup>th</sup> agenda. We will get at least a few days out in advance to the Committee...

Council Member Kniss: December 13<sup>th</sup>.

Mr. Keene: December, I'm sorry what the Committee – what the Council Members has submitted and then you can look at that meeting and choose

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to decide whether or not it's sufficient as is. Do you want to organize them in some way or do you want to delegate – you know do you want to a couple members of the Committee to look over it over the holidays?

Chair DuBois: So, if we put that one aside. Maybe tonight we can resolve any other questions, right? So, I don't know if there's an appetite for proposing a two-day meeting or sticking with a five-hour meeting? Again, I don't know if you had some thoughts on how you would actually structure a two day.

Council Member Kniss: Are we going to (Inaudible)? It sounds to me that there are two parts of this, though. One is the priority setting...

Mr. Keene: Right.

Council Member Kniss: ... which is very different from how does the Council interact together and become an effective body? That to me is such a different – that I almost don't know how to separate the two.

Chair DuBois: That could be two days.

Council Member Kniss: Well, you could do two days. It would be helpful maybe if you know, since I know you know some facilitators, to ask what's worked best for them. One facilitator I know usually they do just a one day retreat and she does them with a lot of other cities in this area but I haven't heard of a two-day retreat but I guess you could do it.

Vice Mayor Scharff: I was just going to say, I think it's really hard to make these decisions right now, sort of in a vacuum frankly.

Council Member Kniss: Yeah and I'm feeling sort of...

Vice Mayor Scharff: I actually – so my initial thought frankly, is we have met the priorities that we currently have. You know where right in the middle of a Comp. Plan. We're right in the middle of talking about housing, parking, movability, and mobility. Infrastructure hasn't moved forward enough to where I think it will drop off. Healthy Cities, Health Community I think there's still a lot of work to do there. I don't know what you think Liz?

Chair DuBois: I don't think we're here to determine priorities. I think we are here to talk about the process for gathering the priorities.

Vice Mayor Scharff: I know we are but they – well, I think there's a process for gathering them and there's a process for doing the first-day retreat as

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well. I mean what do we think is the priorities? Should we start with the facilitation? Should we start with priorities? How much time are we going to allocate each...? (Crosstalk)

Chair DuBois: I guess what I was asking, I was asking it poorly by talking about two days but really what I was saying is what is the agenda? What are the items... (Inaudible) (Crosstalk)

Vice Mayor Scharff: Let's see how many – if all Council Members put forward and say, you know – and I do think in the email when you ask them, you have to tell them what the current ones are. I mean if there's, -- you know – if there looks like there are stronger consequences for these, that would change my opinion on how much time we're going to need for priorities and if Council Members submit 30 different new priorities. Then yeah, we may need two retreats. I don't think anyone really wants to spend Saturday and Sunday. I could be wrong.

Chair DuBois: Well, it could be less time. Could be a couple hours, it could be a facilitated thing on Council Protocols.

Vice Mayor Scharff: Exactly.

Chair DuBois: Then the next could be priorities.

Council Member Kniss: I'm just thinking of a local group I know that just used a facilitator for one morning because there was a board that wasn't functioning well together and that one morning worked very well. I think there – and maybe you put that in one box and then you say, and this priority setting is a very different kind of animal to work with than it is work with a group and try to bring that group into a smoothly functioning, well-oiled organization that doesn't need until 12:30 at night, for example.

Vice Mayor Scharff: So, our charge low, right, from the City Council was actually much narrower. Our charge is not determined what the retreat looks like. Our charge is simply to discuss and consider making recommendations to the City Council on the process to be used to be able to identify the priorities. So, I think we need to do that and I would argue that the process is not that difficult. The process is going out and asking Council Members. We've already asked the public and then we need to put them in some sort of grouping or something, right? That's normally the process we've done in the past.

Chair DuBois: I thought this worked fairly smoothly the last couple of years.

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Vice Mayor Scharff: It has.

Chair DuBois: In terms of the process at the meeting, I thought the dot voting works pretty well.

Vice Mayor Scharff: I agree.

Chair DuBois: I mean if we want to interrupt this very narrowly, I mean I do think that's going to go to Council for approval, we could talk about what is the process for the retreat itself.

Vice Mayor Scharff: We could.

Mr. Keene: I have a couple of thoughts. I actually think two days – I mean it doesn't have to be two days, even together necessarily. I think it's more that the content of the work the Council could do together would ultimately lead to more than one day. That's my own sense because I think there are several things to consider. One is, it is a new Council; 1/3 of the Council is new and 1/3 of the Council has departed. There's a lot of benefit to a forming process of people coming together and some of that is even getting to know each other and the truth is when you have rookies that are coming on the Council, they don't – no matter how much you guys know this from being there watching the Council, it is different than being on the Council so, there's that piece of it. Secondly, how do you really come to some – enforceable isn't the right word but agreements about how you will work together and how you will accomplish and how you can really have an effective check in on, are we on track to accomplish what we want to accomplish or not. In the same way of the work, plan checks in had some benefit, just even doing that. To really have some check-ins on how are we doing on managing the meetings and really getting some things done. So, that's the second thing. The third is actually setting your priorities and as Greg was saying – I mean all of you, we could be in a situation – it's been very much like the last couple of years and you could fairly expeditiously move through and maybe keep most of what you have or modify it somewhat or you could have something where there's a whole injection of a whole bunch of new things and that could take more time. Then lastly, just to throw another wrench into the whole thing, I've been talking with the CAOs and ELT that we acknowledge that the priority setting process is still just the subset of all of the work that is taking place in the City. Even though I'm not a real big fan of strategic planning at this sort of level, I do think that it would be worthwhile for us to think, is there a broader, strategic plan or agenda that the Council has; let's just say for the next two years that you would want us to look at. Of which the priorities are component but there's all this other stuff we're doing. I mean, there's all these issues related to

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finance and budget or to work the quality of our workforce and retention to 50 other issues. It might be very helpful for us to figure out some way to do some high-level conversation about that broader piece of it that says, we're not going to force these into our priorities but we're going to acknowledge there's a lot of dark matter out there that affect what we do.

Chair DuBois: Do you think of that as a strategic plan or almost like an operating plan?

Mr. Keene: Well, I think it's an operating plan but I think the Council has to have some discussions about where you see clearly the emphasis because yeah.

Chair DuBois: One other thing, just listening to you. One thing I would say, even if we end up with these priorities, it's worth going through the process (Inaudible) for the ...

Vice Mayor Scharff: Oh, absolutely.

Chair DuBois: ... new members (Inaudible) (Crosstalk).

Council Member Kniss: Just to kind of go back to what – is our goal to – it says in January, making recommendations to the Council in January in the process to be used at the annual retreat. So, does that mean that we are not going to try and set the annual retreat before the end of the year?

Vice Mayor Scharff: No, I think it's in January. (Crosstalk).

Chair DuBois: (Inaudible).

Vice Mayor Scharff: January 31st.

Mr. Keene: Yeah. It's always – we've always been doing it at like the end of January.

Council Member Kniss: Right, Ok. That's just about the process to be used. So, we can decide, I hope, pretty soon when the retreats going to be.

Chair DuBois: Yes.

Council Member Kniss: Since ... (Crosstalk).

Mr. Keene: I'm guessing (Crosstalk) based on what Tom was even saying...



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Council Member Kniss: Now, most of us already have our phone out (Inaudible) if we're here then.

Mr. Keene: ... that most likely, you can sort of say, we except using the process for the priority setting retreat the way we've been doing it and the truth is, you won't know if you want to change that until you get to see what the priorities – the list of priorities is. I think you could say, let's just stick with what we've got. We're going to anticipate it. We'll wait and see what we've got.

Vice Mayor Scharff: That's what I was thinking.

Mr. Keene: Secondly, you do have a specific directive from the Council to prepare for the priorities piece so if, (Inaudible) you want to somehow work with us after the meeting on the 13<sup>th</sup> to just sort of go through a little thing of how do we group what we've got. I mean I always feel better doing that with a Council Member too, just to make sure that we're doing it and being respectful of sort of your perspectives. Then lastly, though, it would be helpful if you made some recommendations, even if they were general about enlarging the retreat process to deal with these other issues and asking us to come back with some more information. Whether it's – I don't know how we handle P&S when the year ends?

Vice Mayor Scharff: We could make those Motions now.

Mr. Keene: Yep, you could do those now.

Chair DuBois: And they could come to Council...

Mr. Keene: And we could come to Council...

Chair DuBois: In January, right?

Mr. Keene: Yeah, we could do that January 9<sup>th</sup> meeting, for example.

Vice Mayor Scharff: I'll move it ASAP.

Chair DuBois: Do we need to – do we want to propose basically an agenda for the meeting?

Vice Mayor Scharff: Not tonight.

Council Member Kniss: No. I wanted to propose a date though because the date is what's making me nervous.

# TRANSCRIPT

Chair DuBois: We'll find out the date but I thought the City Manager was saying was proposing more of a format. I mean, what are you saying? We're just going to say it's a bigger meeting and then...

Vice Mayor Scharff: No, no, no. I thought – ok, so yes. If you mean by a format that we should follow the priority setting that we've done in the past, right? Using the same dots, using the same procedures. That at the next meeting, February 13<sup>th</sup>, you'll collect the information from Council. They'll come back to us. Any Council Members have had any other priorities they want to submit, we'll look at that. We'll try and group them together at the next meeting and then we'll also make recommendations that you can come back to us with more information about facilitation, how long it will take; the hours. Then we have that information, we can then say...

Chair DuBois: I was thinking we could say something like, during the retreat process, we want to potentially have an activity to introduce Council Members to each other, talk about Council protocols, talk about meeting management, do priority setting and have a discussion about the strategic operating plan. We would actually (Inaudible) a straw agenda that we would propose.

Vice Mayor Scharff: I think that's a good straw agenda. I'm totally fine with that, I just want to have some information about having a facilitator and how a facilitator would fit into that and what the role of a facilitator would be? What are we trying to achieve? I don't want to have a facilitator unless we have clear goals. So, at our next meeting, I wanted to understand that and that's why I wanted him to come back with that but yes, I think those are all fine.

Chair DuBois: I think going back to Council with some level of detail (Inaudible).

Vice Mayor Scharff: No, no, no that would be great.

Council Member Kniss: Does it have to be on a Saturday?

Mr. Keene: No.

Vice Mayor Scharff: Well, I think we're going to have three new Council Members that work. Not all three – I think we're going to have you that works full time and have a bit of a ridged schedule and you can speak up if it's not that rigid. I know Adrian works full time. I know Tanaka does. Now,

# TRANSCRIPT

I don't know if Greg – I know it's his own company. I don't know how rigid that is but my sense is getting people like at a full day outside of a weekend.

Council Member Kniss: I think we're going to have trouble getting Greg for a full day, any day.

Vice Mayor Scharff: I'm open to it. Obviously, I can do a full day but I don't want to impose that on Tom who seems or anyone else.

Chair DuBois: For a weekend, I don't know if you were meaning Sunday instead of Saturday.

Council Member Kniss: I just – I think if we leave – this sounds odd but I'm afraid if we leave too much time, we don't (Inaudible) (Crosstalk)

Vice Mayor Scharff: Well, we have two dates which they've held. January 30<sup>th</sup> and February 4<sup>th</sup>, right? Does either of those works for everyone?

Mr. Keene: January 28<sup>th</sup> and February 4<sup>th</sup>. The clerks – haven't you guys tried to put a place hold with the Council on those dates? Ok.

Vice Mayor Scharff: So, January 28<sup>th</sup>, right?

Mr. Keene: Right.

Vice Mayor Scharff: Or February 4<sup>th</sup>? I can do either of those.

Mr. Keene: I like when the clerk did this just in case we needed two dates when they weren't together. You know, we may do one part of this on the 28<sup>th</sup> and also one on the 4<sup>th</sup>.

Vice Mayor Scharff: So, we're going to have to Doodle poll the Council. I think we should Doodle poll the Council now unless you disagree.

Council Member Kniss: For the date?

Vice Mayor Scharff: Yeah, for both dates.

Council Member Kniss: Yeah, I do too. For both dates you mean?

Mr. Keene: Yeah.

Chair DuBois: (Inaudible) say that right. The City Clerk will do that.

# TRANSCRIPT

Council Member Kniss: You want to make two Saturdays in a row?

Mr. Keene: Yes. I think there's potential – (Inaudible) the potential, right? So, once we talk to the facilitator and we look at the design, we'll get a better sense whether or not she or he thinks that two dates are necessary. You know, you would always – then we could drop one if need be or definitely say there's enough content to do it too.

Chair DuBois: Very good. It could even be three hours in the morning each day and not be an all-day thing.

Mr. Keene: That's correct too.

Vice Mayor Scharff: That might be much more pleasant.

Chair DuBois: I think we need to think how the public would be involved if we split it into two things and one day was kind of meeting protocols and Council protocols. It's going to be pretty dry. We could post that right, and maybe less public would feel the need to be there and then the next day would be the strategic plan and the priorities.

Mr. Keene: I think that is the way that – I'm sure that's a way of facilitator would want to design it. There's a sort of...

Chair DuBois: When you talk about a facilitator, we spoke briefly too but are you think also may be of either a speaker or some kind of other presentation or material – you know what I'm thinking of, recently joining Google, they have some amazing training materials. It's not all facilitation. There are pretty inspirational speakers, (Inaudible) talk kind of things. I don't know if you were thinking along those lines.

Mr. Keene: Well, I think I would (Inaudible) – just as a whole separate issue, I think that might be something that we should think about injecting into your work.

Chair DuBois: It's specifically about working together as a Board.

Mr. Keene: Right, well I mean clearly any facilitator who's going to deal with Board governance and effectiveness is going to have to be a speaker and bring some best practice examples and ideas, you know and be able to help guide what does work and what doesn't work. Then, I'm sure there's facilitation around the agreements about how you want to choose and select those things but very much so.

# TRANSCRIPT

Council Member Kniss: That hard part I think is choosing the facilitator...

Mr. Keene: Exactly right.

Council Member Kniss: ...and I know if Tom – Tom at Google you must be running into, you know, kind of the best of the best too because Google can do that. I wish we could. I wish we had the resources that Google does.

Chair DuBois: Again, it's just an idea that – I don't know if you were thinking if the facilitator would do this or it's something you could even think of is ...

Mr. Keene: Yeah.

Chair DuBois: ...there particular videos or things that would actually get people in kind of the right mindset.

Mr. Keene: Yeah, no it's – well, it very well could be we'd end up with two different people for the sessions. It just depends on when we do the interviews. It may be that somebody's just great on the Board governance and relations and team building even and somebody else is better on the priority setting and the strategic operations plan. I mean, it's just tough to say.

Vice Mayor Scharff: We may not need someone on the priorities side.

Mr. Keene: Right. May or may not. That's right, that's true.

Chair DuBois: You'll figure out a location too – I mean I was actually thinking it might be interesting to go somewhere else other than Mitchell Community Center.

Mr. Keene: Yeah, we'll stay in the town of course.

Council Member Kniss: How quickly we get...

Vice Mayor Scharff: Ritz Carlton (Inaudible) Bay.

Council Member Kniss: You know though Tom when I was at the County, we actually had Google offer rooms a couple of times. They did one of our big health conferences at Google. (Crosstalk)

Chair DuBois: ...Foothills Park or I was even...

Council Member Kniss: Well, there's a good Interpreter Center up there.

# TRANSCRIPT

Chair DuBois: I was suggesting outside the City but Cooley Landing and we're using that for an Interpretive Center and such. It's a really nice space.

Vice Mayor Scharff: I don't think we're allowed to go outside the City.

Council Member Kniss: I literally went to a retreat there during my previous life on the Council. I remember it very well. It's a good room to meet in.

Vice Mayor Scharff: In Cooley Landing?

Council Member Kniss: In where?

Vice Mayor Scharff: In Cooley Landing?

Council Member Kniss: No, no the Interpreter Center. (Crosstalk).

Vice Mayor Scharff: Oh, our Interpreter Center. I went to a retreat there too.

Council Member Kniss: It was good.

Vice Mayor Scharff: It was good.

Mr. Keene: Well, there's great food for thought. Do we have Motions or directives from you? Are we clear enough, I mean...?

Vice Mayor Scharff: Well, are you clear enough or do you want a clear Motion?

Mr. Keene: I'm very clear on what we're going to do on how we come back obviously, the next P&S meeting on the priorities. How we would formulate your recommendations to come to the Council on the priority setting...

## **NO ACTION TAKEN**

### Future Meetings and Agendas

The Committee discussed the upcoming meeting schedule. The next Policy and Services Committee meeting is scheduled for December 14, 2016, at 6:00 P.M.

Council Member Kniss: I'm lost here for a minute. The next P&S meeting, which is when?

# TRANSCRIPT

Vice Mayor Scharff: December 13th.

Chair DuBois: We're going to see the other... (Crosstalk).

Vice Mayor Scharff: You better make sure you can come...

Chair DuBois: ... Council Members priorities...

Vice Mayor Scharff: ... or we can change the date if you have a problem.

Council Member Kniss: Wait a minute, hang on. I apologize, I didn't – for some reason I don't think it's on my calendar.

James Keene, City Manager: You have a big agenda so I don't think it's – I'm hoping... (Crosstalk).

Vice Mayor Scharff: what time are we supposed to start that?

Chair DuBois: Six.

Mr. Keene: I don't know if the time is set but you have...

Council Member Kniss: On December 13th, I am not available.

Chair DuBois: Really? I thought (Inaudible) confirmed it?

Council Member Kniss: Seriously.

Chair DuBois: It was the regular meeting, six o'clock and Mark's going to be resigned by then.

Council Member Kniss: Can we switch the date? Greg, how are you on the 13th?

Vice Mayor Scharff: Well, I can make the 13th but I'm happy to switch the date.

Mr. Keene: Is it the timing? I mean if we did it in the afternoon on the 13th, could that work?

Council Member Kniss: The afternoon is fine.

Chair DuBois: I think I have a recycled water meeting that afternoon.

# TRANSCRIPT

Council Member Kniss: You have a what?

Chair DuBois: Recycled water, that's been confirmed. Well, Mark (Inaudible) (Crosstalk).

Council Member Kniss: Any chance you could do it on the 14th?

Vice Mayor Scharff: (Inaudible) you can't do it in the morning, can you Tom?

Chair DuBois: Generally, not unless you wanted to start early.

Vice Mayor Scharff: Well, I'm happy to start early on Tuesday.

Council Member Kniss: Could we just look at the 14th, is that out of the question?

Vice Mayor Scharff: I can do the 14th. I would just skip the Barren Park neighborhood meeting.

Chair DuBois: That's fine. Can Staff do that?

Mr. Keene: I'd have to look.

Council Member Kniss: Could you do that one, Tom?

Chair DuBois: I can.

Council Member Kniss: Let's do it on the 14th.

Vice Mayor Scharff: It's better for me on the 14th. It's much better.

Council Member Kniss: And much better for me. I will cancel something else (Inaudible) (Crosstalk) ...

Mr. Keene: The 14th...

Council Member Kniss: ... on the 14th.

Mr. Keene: Well, we can't do it in the evening. I mean, we have Barron Park neighborhood Town Hall on the 14th, seven to nine P.M.

Vice Mayor Scharff: You don't need to go to that.

Council Member Kniss: I suppose we do this meeting from five to seven?



# TRANSCRIPT

Vice Mayor Scharff: I just said I won't go.

Mr. Keene: Oh, ok.

Chair DuBois: We have a really full agenda.

Council Member Kniss: Pardon me.

Chair DuBois: There's a really full agenda. I don't think you could do it in two hours.

Vice Mayor Scharff: So, you could do it on the 14th?

Mr. Keene: Yeah, because I mean (Crosstalk)...

Council Member Kniss: You know what we could do, though...

Mr. Keene: ...I could let Ed go or something.

Vice Mayor Scharff: Let Ed go. So, let's do it on the 14th. Jim will come to this meeting, (Crosstalk)...

Council Member Kniss: Yeah, because I was going to say... (Crosstalk).

Vice Mayor Scharff: ... Ed will go to the Barren Park meeting.

Council Member Kniss: ... doesn't need to be here for the whole time and then you can leave and we will finish up (Inaudible) (Crosstalk).

Mr. Keene: No, I have to go – I mean – we big – right now you have data collection and privacy policy...

Vice Mayor Scharff: We have big stuff.

Mr. Keene: ... we directions of Staff on basement and construction and dewatering.

Vice Mayor Scharff: So, let's do the 14th.

Mr. Keene: Those will be involved.

Council Member Kniss: Yeah, the 14th is fine.

# TRANSCRIPT

Mr. Keene: Ok. Are you all three good for the 14th? You good?

Council Member Kniss: I just – I'm canceling one thing and I'm going to do that. (Crosstalk).

Mr. Keene: But we're going to start at six, right?

Council Member Kniss: Whatever time you want to start, I could do it earlier if you're...

Chair DuBois: I'd like to do it at six.

Vice Mayor Scharff: Ok, Tom wants to do it at six. Let's do it at six.

Council Member Kniss: You're the Chair, Tom. We do it at six.

Vice Mayor Scharff: Let's basically plan that it's going to be a meeting to 10 so, -- I mean that's sort of the way it – it could later I suppose.

Chair DuBois: Again, Liz to be clear, I think we're agreeing to not discuss most of this on December 14th.

Mr. Keene: That's correct.

Chair DuBois: Just the priorities...

Mr. Keene: Right.

Chair DuBois: ...and see how they group and that's it.

Mr. Keene: Right.

Chair DuBois: The other part will come to Council in January, along with the priorities (Inaudible)

Mr. Keene: Right, so our plan is... (Crosstalk).

Council Member Kniss: What is it we're not discussing? You hand your hand on the HSRAP stuff.

Chair DuBois: The format of the meeting that we talked about.

Vice Mayor Scharff: I thought you were going to come back with the facilitator stuff so, I thought we'd do...

# TRANSCRIPT

Mr. Keene: I won't have that.

Vice Mayor Scharff: Oh, you won't have that?

Mr. Keene: No. No, what I will try to do is lock down with facilitators availability on the 30th and the 4th, just so we know that.

Council Member Kniss: Ok.

Mr. Keene: Our plan would we would come to the first Council meeting on January 9th with the recommendation from the Committee about the retreats and everything. Hopefully, we will have done some preliminary interviews with some facilitators and we will probably ask them for some process direction from the Council to help interview the facilitators and set the agendas for the meetings. That's what we would do.

Vice Mayor Scharff: I think we should do that.

Mr. Keene: Ok?

Vice Mayor Scharff: Yep, alright.

Mr. Keene: Awesome. (Inaudible) (Crosstalk) ...

Vice Mayor Scharff: (Inaudible).

Mr. Keene: ... will be very pleased with you guys.

Council Member Kniss: Pardon me?

Mr. Keene: The ELT will be very pleased with this conversation.

Council Member Kniss: Well, we're delighted.

Chair DuBois: Cash did you have anything else? No? I didn't know if you had (Inaudible) the agenda set for the next meeting? Great.

Mr. Keene: It is now the 14th rather than the 13th.

Council Member Kniss: The 14th at six o'clock at City Hall. Good. It's all there.

Chair DuBois: Alright, meeting adjourned. Thank you.

# TRANSCRIPT

ADJOURNMENT: Meeting adjourned at 9:25 P.M.