

City of Palo Alto

Date: May 26, 2010

MINUTES FOR MEETING OF April 28, 2010Opening

The City/School Committee held a meeting in the Council Conference Room at 250 Hamilton Ave, Palo Alto. The meeting was called to order at 8:15 a.m.

* All handouts can be viewed in the City Manager's Office 7th Floor 250 Hamilton Ave.

City of Palo Alto Representatives Present:

Greg Schmid, Chair of Committee, Council Member
 Nancy Shepherd, Council Member
 Lynda Brouchoud, City Auditor
 Steve Emslie, Deputy City Manager
 Rob De Geus, Community Services Division Manager of Recreation
 Ian Hagerman, Senior Auditor
 Katie Whitley, Administrative Assistant

Palo Alto Unified School District Representatives Present:

Camille Townsend, Board Member
 Dana Tom, Board Member
 Barbara Sin Klausner, Board Member
 Melissa Baten Caswell, Board Member
 Barb Mitchell, Board Member
 Cathy Mack, CBO
 Bob Golton, CBO and Bond Manager
 Carol Zepecki, Student Services Director

Oral Communications

There were no oral communications.

Approval of Minutes –
March 24, 2010

MOTION: Townsend moved to approve the minutes from the April 28, 2010 meeting. Tom seconded. Minutes were approved 4-0

Service Efforts and
Accomplishments (SEA)
Report

Lynda Brouchoud, City Auditor, thanked the Committee for the invitation to present the SEA report. Brouchoud introduced Ian Hagerman, Senior Auditor and passed out copies of the 2009 SEA report and the summary report that goes with the SEA. She gave a brief overview of the City Auditors Office. She said the City Auditor is independently appointed by the City Council so they can assess city departments, programs, services or activities and provide independent recommendations. She said the Municipal Code defines the mission of the Auditor's Office which is to promote honest, efficient, effective and fully accountable city government. The way they do that is performance audits of the government programs at the lowest cost possible. They are held accountable to federal standards.

She said one of the things the Auditor's Office tracked in 2009 was what saving was found doing audits. In 2009 there were \$766k confirmed benefits from performance audits now with a full year we have tipped \$3 million. Another thing that was looked at how many recommendations have been implemented. Last year 45% of outstanding recommendations were implemented and are very happy with that number because a lot of them are long term recommendations. There is a higher implementation rate of the more recent recommendations at 65%. She said the Board has their financial statements prepared by an external auditor. In Palo Alto the City Council actually selects a CPA firm to do that but wanted to point out that there is that difference between financial audits and performance audits.

The SEA report passed out was from 2009 and in a couple of months they will be preparing the 2010

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report. It's the 8th annual report. It covers 5 years of trends which is nice because movement in some of the key indicators being looked at. She said whenever possible comparisons to other cities are looked at. It incorporates the results of an annual survey. The entire survey is attached at the back of the report. 1200 random surveys are sent out each year and there was a 37% return rate in 2009 which is very high. She said the report covers all city departments. At the beginning of the report there is a background chapter that covers community characteristics. Then there is an overall chapter that covers spending, staffing and Council priorities for 2009. She said each service department has their own chapter. A sample of one of the trends pointed out in the overall chapter was over 5 years the General Fund expenditures increased 19% but in the last year they started to decrease which is when we started to see the impact of the recession. Every department with the exception of planning had zero growth or a decrease. On the staffing on the 5 year trend there was a decrease of 3% and in the 1 year there was a decrease of 2%.

Caswell asked what percentage of the city's expenses are salaries. Brouchoud answered staffing went down but benefits went up. She said on page 12 of the report there was more information related to staffing. If you look at the General Fund, salaries went up 14% to \$59.6 mil out of \$140 million. She wanted to recognize that the citizens rated Palo Alto in the top 5% nationally for overall image, education opportunity, place to work, recycling and number of residents visiting the website.

Townsend asked if the actual question about education was at the back of the book and Brouchoud answered yes the survey question was in the back. How the information is presented is in the background section under community characteristics. Shepherd asked about Parks and Rec programs and whether that would fall under PAUSD and Brouchoud answered for educational opportunities the report shows in general about how residents rate opportunities.

Brouchoud pointed out the report always has a visual graph showing the story for that program or department as well as a verbal description. She said at the bottom of each page there are charts that track the trends that are integrated with expenditure data, key performance measures from departments and the ratings from the residents giving a nice blend of sources of information.

Brouchoud said for the Council Priorities for 2009 the economic health of the City there were a few new added questions added about how residents rated downtown shopping, dining and entertainment experiences, infrastructure investment and promoting business growth and economic development. She put it up to illustrate some of the nuances in the data. For example, 73% of the residents rated us as good or excellent but against the comparisons of other cities Palo Alto actually ranked 84%. A number that might look lower may actually be higher among the comparisons.

Brouchoud said another area she wanted to point out was economic health of the City. The General Fund revenues decreased from \$149 million in fiscal year 2008 to \$146 million in fiscal year 2009. It is a concern when that type of downward trend is seen. She said primarily the sales tax, transient occupancy tax and other charges all declined in that year. However there was an upward trend in property tax, utility user tax and service charges increased but not enough to offset the down trend.

They also looked at job and retail growth ratings over time. They found in the last several years, Economic development seemed to dip a bit. Retail growth as "too slow" started to increase in the last year. Maybe the economic situation was starting to influence this area. If you look at the last year, the data prompted the question - are the services really declining or is it from the economic recession because this data shows how the residents are rating us.

Caswell asked if the survey asked a question what residents value most. Brouchoud answered no, although a few years ago the survey had a multiple choice question. There is a question that is at the end of this presentation that is similar. Caswell said that a resident could complain about more this year than in the past but not value it that much then it's not as important.

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Brouchoud moved on to the Government Ratings Over Time slide. She said what they wanted to see was our rating being influenced by the economic state. City of Palo Alto is at the high end but showed a slight decline in 2009. Ratings for the overall direction of the City were bumping up and down and there is no apparent reason why. Chair Schmid said it was the first year of a two year budget which may be why. Brouchoud said in comparison, the County also had a steep decline. Nationally Palo Alto's ratings are similar compared to other cities jurisdictions. The State had a very steep decline.

The next item Brouchoud discussed was the Sense of Community Ratings Over Time. She said she contacted the survey company and asked them if they had been able to determine if the economy has been influencing what's been going on in surveys ratings in general. They had completed a comparison of other cities. She said what they found was in the last year 08-09 the ratings for the community, services didn't decline. They held steady or showed slight increases and that is what Palo Alto also showed. The availability of affordable child care was one of the areas Palo Alto has always scored lower even though there was a slight increase. Chair Schmid asked why that was so. Caswell said historically it hasn't been available. Chair Schmid asked if that was true of the after school care that is provided at the district. Caswell said there is sometimes not available. Chair Schmid asked how many kids are in the program. Townsend said 2 portables at every school. Chair Schmid said the number was very surprising to him. Caswell said it is hard to find a space. Brouchoud said this was one of the ratings that have always been below the benchmark. Chair Schmid asked if that was a City program. Brouchoud clarified it's not a City program; it's asking residents how they feel about the affordability of child care in Palo Alto.

Brouchoud said she asked Townsend what area might be of interest to hear at this presentation and she said sales tax. On the back table she provided copies of the most updated sales tax revenue information. She said her office gets involved in this because they track revenue recovery. The annual sales tax revenue totaled \$18.6 million for the third quarter 2009 down from \$21 million in the third quarter in 2008. The 4th Quarter results were similar. There was a 5.2% decrease in local business revenue. Because we are tied in with the county pool, when we took that into consideration there was a 1.2% increase.

Townsend asked if Stanford Shopping Center feeds into the City. Brouchoud answered yes, the sales tax revenue is included. The shopping center is really important to the City because it falls under the category of general retail and that's where we get the largest sales tax revenue. In the 4th quarter (State goes on the calendar year so this was December) there was a decrease of 14.4% in the general retail category.

Statewide sales tax revenue has shown a 9 consecutive quarter decline. The City revised it's fiscal year 2010 sales tax projections downward to 17.3 million and the proposed for fiscal year 2011 is 18.2 million which is a slight increase but still not back up to what it used to be. That is significant because it's a good chunk of the general revenue.

Brouchoud showed a slide with a comparison of the 4th Quarter results including the holiday shopping season 2008 to 4th quarter 2009. There was \$5.2 million revenue generated from Stanford in 2008 and that decreased to \$4.5 million in 2009 holiday season. The miscellaneous category of all other areas (blue piece on the pie chart on page 16) showed a decrease as well. She said there were some "holding steadies" when looking at the downtown, a slight increase of \$100K. This slide shows what the geographic areas are doing.

Tom asked what type of sales happen at the Stanford Research Park. Emslie said business to business sales. As an example he said if a copy machine is purchased, sales tax is paid on it.

Brouchoud said some of the challenges moving forward were pulled from the summary report she passed out. If you go online to the website there are links for all of this information she is giving today. The last page is all about the challenges moving forward. They have categorized it as still

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trying to provide services to the residents that are really valuable and keep the nice amenities of living in Palo Alto with the reality of the budget situation. That has been a significant topic for the Council and Finance Committee and even Policy and Services.

Brouchoud said infrastructure back log has been a major emerging issue in the city. The Auditor's Office has done an infrastructure report card a couple of years ago. The City has done a series of studies as well and streets, buildings, sidewalks and all those are included in this. She said coming out of the Finance Committee meeting last night the figures projected through 2028 are \$450 million in back log. It is not just projects that we are behind on; it also takes future needs into consideration into that \$450 million.

Caswell asked how this compares to the Cities around us. Brouchoud said that she hasn't looked at how they characterized their infrastructure.

Schmid said the Council is creating a Blue Ribbon Task Force to sit down and look long term at projections and make recommendations for bond issues and what needs to be taken care of on an annual basis and make sure the numbers are up to date.

Brouchoud said it is good that Council is really looking at this issue and there are two elements that go into that. One is to make sure the City has an updated and correct dollar amount and the other is once they have the correct figures, finding the right funding structure.

Chair Schmid said there is an issue with aging. They are building a new Mitchell Park Library and it's the first new building in 50 years and that all the facilities are showing their age.

Shepherd said that part of the scope of the new Blue Ribbon Task Force is to define what infrastructure means. She said stay tuned.

Brouchoud said the Long Range Financial Forecast shows deficit in the coming years as well and it is not just a one time fix. This is something to be looked at long term. She said even with all of the budget challenges the residents are still giving the City high ratings across the services. She said one of the questions asked on the survey was do you feel the City is able to provide valuable services with the current fiscal condition and 64% said yes.

Caswell said at the beginning of the presentation Brouchoud said that 45% of recommendations have been implemented in the past and 65% of more recent and asked what is keeping it from being 100%. Brouchoud said it predates her coming to the City but the prior year there was a 7% implementation of the recommendations and when she got here they met with each department to find out what was going on. She said it was a combination of issues between some recommendations needing time to implement and some disagreement but also things have changed. She said she told them as long as the internal weaknesses pointed out in the internal audit are being addressed, if they have a different way of doing that, the Auditor's office is open to that. There are still some outstanding ones out there that are being worked on and they are there to provide support to the departments.

Townsend asked if a survey goes out every year. Brouchoud answered yes, they use a company named the National Research Center because they are faster, can provide the information cheaper and they give the comparison data.

Chair Schmid said as a Council Member throughout the year this report is carried around for budget process to say how we are doing, see what services are valuable so it becomes a very effective tool and a very rich source of information.

Brouchoud said this report is a city wide effort and lot of work and data are needed to compile this report.

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Klausner asked if Brouchoud was a working year round on implementations with the employees and monitoring follow up. Brouchoud answered yes. She said the Auditor's office has an annual workplan that the Council approves and the topics they look at can change every year. There is always something new and they balance that with the routine reports on the overall performance.

Tom asked if the Auditor's office did a full sweep of departments annually or select areas to go deeper and rotate year to year. Brouchoud said her office does a city wide risk assessment when they look at trends in the expenditures, revenues and staffing and use that to highlight the high risk and publish that and it helps create the workplan. She said they also solicit feedback from Council and staff on areas and topics they think are emerging. The workplan ends up being a hybrid of what's on the risk assessment and requests received.

Chair Schmid asked if there were any other questions or comments on this item. Ray Bacchetti (community member) said yes. Bacchetti said he felt this report is a gem and thought so since he discovered it a few years ago. He wondered if it had ever been considered to use this report as a resource for the kids. He said it could be used in Social Studies and kids could get involved with community and the city departments. He said he would hope that this report would be put in the hands of the Social Studies teachers and in school libraries because it's an under used resource.

Shepherd wanted to point out the Auditor's office needs to follow strict procedures and the tasks are very deep and broad. She said although it seems like the Auditor should be able to whittle off that list very quickly but when you look at all the areas to cover it a very intense process.

Chair Schmid said he wanted to conclude that this report is a very valuable tool and very empowering for groups around the City. Brouchoud said that her card was on the back table if anyone had follow up questions or comments.

Review of Recent City Council/PAUSD Board Meetings

Emslie said one item of mutual interest is the Foothill/Cubberley tripartite meeting coming up. He said originally the meeting was supposed to happen within 60 days and due to scheduling it will be a bit longer but the City is taking the lead on getting that set up in the first week or two of June.

Emslie said High Speed Rail is also a mutual interest. He said the City and PAUSD have made comments on the Program EIR and are now preparing comments for the Alternatives Analysis.

Chair Schmid said at the Finance Committee meeting on May 25 it was the recommendation of the Committee to not cut the crossing guard position.

Council Member Shepherd asked if the Resource Officer position could still be cut and Schmid answered yes.

Townsend asked about the cross-town shuttle service cuts. Chair Schmid said the recommendation was to reduce pick up from every half hour to every hour except during commute time and that would remain the same.

Mitchell asked about the cuts to the park and field maintenance. Chair Schmid said 5 positions were cut and the service was being outsourced. The net savings per year would be about \$125,000.

Chair Schmid asked if there was a report out from PAUSD on recent meetings. Golton said they are in a different budget process. The Board resolved the budget in March. He said the revenue and expenditure assumptions are holding and there are no plans other than a very placid budget adoption.

Emslie said there was one other issue on the City side. The Stanford Draft EIR is out circulating for
City/School Liaison Committee Meeting

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public comment.

Update on ABAG/Housing Issues

Emslie said that ABAG is the conduit for the state to assign each city in the state housing goals necessary to meet state requirement. Emslie said that between 2007 and 2014 the City is required to build 2600 units at all income levels over that 7 year period. The Planning department is preparing a draft of the housing element to go through all the different hearings with Commissions and be ready for Council early next year with a recommendation for adoption. The plan must be certified by the state after review and determined compliant.

Shepherd said if we are not in compliance, the Building department will be shut down and no permits issued so it is a very serious issue.

Chair Schmid said at Council meeting the other night for the first time the discussion of the housing element happened and gave some general directive that instead of accepting the ABAG numbers and building from the ground up, identifying sites. They gave a directive to what sites should be clustered and there was some directive in going over 50 feet within a quarter mile of the transit district and also to look at housing which would be senior or non family types. He said whatever comes from that would have direct impact on the PAUSD.

Update on Teen Mental Health

Zepecki said that Project Safety Net presented to PAUSD the summary of this year. Project Safety Net is working on a larger summary that would identify the 22 main targets and expects that to be ready in June. She said gaps are continuing to be discussed. She said a reporter from NY Times Magazine is interested in doing an article about Community response to the suicides.

De Geus said they'd spoken to the reporter back in February and asked that he carefully consider because we are still in the cluster. The reporter still wants to do the story and focus on the Community. De Geus said since the story will be done, Project Safety Net thought they should get involved. The concern is that then the other local media will want to run their own stories. The NY Times Magazine article should be run in a Sunday edition in early August.

Zepecki said they received the \$50,000 grant. There is an additional \$250K grant that could be applied for that Project Safety Net is working on. They would submit a preliminary proposal and if it's approved they would submit a formal proposal and the funding would be able to start in October.

De Geus said the gate keeper training has been completed for the summer camp supervisors and life guards. They used the Question, Persuade, Refer (QPR) method. He said the last part of the training was role playing and found that extremely helpful yet difficult even though they knew each other.

Caswell asked for a breakdown on the number of teens on staff for these programs. De Geus said the numbers are not exact but thinks that there are 60-70 lifeguards, 40 camp counselors, 40 coaches and about 30 counselors at the Children's Theater. De Geus thanked the Board for all their support and encouragement. He said the big struggle that they have is how to effectively sustain this effort.

Shepherd said that she'd spoken to Chief Burns (Police) and Vic Ojakian on this topic and they said the Resource Officer is very instrumental with Project Safety. She said she was told that the Resource Office is instrumental in getting kids over to mental health services and can identify that on a weekly basis. She said Vic Ojakian said about half the police force is trained in this area. She suggested that De Geus speak with Burns and Ojakian about this. She said Ojakian has done some training with the police offices and they are first responders at multiple levels. The officers are getting CIT training. De Geus said that most cities have about 20% trained in CIT and Chief Burns' goal is to have every officer trained.

Mitchell said that she wanted to mention that PAUSD schools have had the QPR training and it will

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continue.

Future Meetings and
Agendas

The next meeting is set for June 23, 2010 back at the City of Palo Alto. Tentatively on the agenda there is:

- Update on Emergency Preparedness
- Traffic Safety
- Update on Teen Mental Health
- Budget Updates from City/PAUSD

Adjournment

The meeting was adjourned at 9:30 a.m.