



POLICY AND SERVICES COMMITTEE SUMMARY MINUTES

Regular Meeting
June 14, 2022

The Policy and Services Committee of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 7:01 P.M.

Present In-Person: Cormack, Tanaka

Present Virtually: Burt

Absent: Stone (Chair)

Oral Communications

Public Comment: **NONE**

Agenda Items

1. Office of the City Auditor's Presentation of the Non-Profit Agreement Management Audit Report and Recommend the City Council Accept the Report

City Auditor Kyle O'Rourke thanked all audit participants and introduced Project Manager Chiemi Perry who presented the item to the Policy and Services Committee (Committee).

Chiemi Perry reported the United Nations (UN) Guidebook on Promoting Good Governance in Public-Private Partnerships defines governance as the process in government actions and not just what is done, but how things are done. Potential risks associated with non-profit agreements include inconsistency, poor performance, and noncompliance, negative financial implications of operational inefficiency, failure to provide intended services, reputational damage, and limited non-profit service providers. Best practices include clear policies and procedures, measurable goals, and regular evaluations. Overall objectives are determining whether appropriate procedures are applied consistently by all departments for entering into and monitoring agreements, and whether monitoring activities are implemented to ensure performance requirements are met. Approximately 50% of the City's non-profit agreements belong to the Community Services Department (CSD). Staff selected ten

SUMMARY MINUTES

agreements among various departments to assess the consistency with which procedures are applied. Among the ten non-profit agreements evaluated, three did not provide adequate information regarding reporting and performance expectations, and three had instances of non-compliance with the agreements and reports required. Staff recommends the City define the service level expectations such as goals, performance measures, and reporting requirements consistently in all non-profit agreements to identify underperformance and ensure appropriate actions are taken. Additionally, the City should verify that responsibilities in the agreements are attainable prior to signing, and track performance to identify risks associated with continuing or discontinuing contractual relationships. Six out of twelve lease agreements with annual rent of \$1 referred to no or little performance and reporting requirements. The City should analyze the non-monetary support based on estimated fair market rental value and non-monetary benefits provided, and lease agreements with significantly reduced rent amounts should include performance and reporting requirements.

Assistant City Manager Kiely Nose noted that the organization's policies and procedures regarding the agreements need to be revised and strengthened in accordance with the audit recommendations.

City Manager Ed Shikada indicated it may be valuable to see the range of non-profit agreements that the City is engaged with. The audit was beneficial for analyzing areas that could improve in maintaining a level of consistency in expectations, while also taking a risk assessment framework perspective on where attention should be paid. Follow-up steps will be led by the City Manager's Office upon Committee review, recommendation, and ultimately Council direction, should it proceed as drafted to finalize the Public-Private Partnership Policy update.

Public Comment: **NONE**

Mayor Burt asked how to tighten standards without jeopardizing the ability of some community partners to help the community in a cost-effective manner.

Mr. O'Rourke suggested a risk-based approach when considering accountability measures that need to be put in place. Accountability measures in the agreements should be adapted in accordance with the size of the agreement, the nature of the services provided, and the capacity of the non-profit.

SUMMARY MINUTES

Ms. Perry added that the City and non-profit organizations are working together for the common goals. Upfront planning and communication are important.

Mayor Burt inquired how simple the process would be.

Mr. O'Rourke answered potentially a short annual report describing how funds were spent and outcomes the City received.

Mr. Shikada disclosed the Human Services Resource Allocation Process (HSRAP) is very structured and has good measures included in the ability to review performance issues on an ongoing basis.

Mayor Burt stated that the report served as a great reminder of the partnerships the City has had and the benefits derived from those partnerships.

Council Member Tanaka asked if other cities had a system of accounting for determining at any time the amount contributed to the non-profit organizations.

Ms. Nose was uncertain if Baker Tilly found any examples from other jurisdictions when they were conducting comparative research. Different cities have different reporting requirements for non-profit support and depends on agency policies. Baker Tilly recommended that some level of non-monetary support be identified, and Staff agreed that periodic reporting to Council regarding overall space amounts would be part of the follow-up and completion of findings.

Mr. Shikada noted that the estimate is meant to provide an overall sense of scale and quantification of value.

Council Member Tanaka thought it would be interesting to examine the City's square footage for non-profits and the total market rent received.

Council Member Cormack acknowledged the need for additional resources. She inquired whether Staff would pursue a standardized or customized approach.

Ms. Nose indicated that it would depend on the policy and the body in which certain departments have non-profit partnerships.

SUMMARY MINUTES

Council Member Cormack felt the utility payments on Page 20 were inconsistent, and the Council Liaison mentioned on Page 18 may not be sufficient in some areas to manage risks. She asked about the Girl Scouts being excluded from the list of lease holders on Page 19.

Ms. Perry indicated the Girl Scouts were not included as no agreement had been received.

Council Member Cormack requested information regarding when the policies will be updated, or the resources are in place to implement the necessary changes.

Mr. Shikada believed there was a specific timeline, and the assignment is pending the hiring of the Assistant to the City Manager.

Mayor Burt hoped that the Committee would ensure a balance between appropriate levels of accountability and not undermining the work and partnership that many of the groups provide to the community.

MOTION: Council Member Cormack moved, seconded by Mayor Burt to recommend the City Council accept the report.

MOTION PASSED: 3-0

2. The Office of the City Auditor's presentation of the Quarterly Report for the Period of January - March 2022

City Auditor Kyle O'Rourke reported the annual audit plan and Citywide risk assessment were approved by the Committee on March 8, 2022. Staff finalized the selection of Financial Auditor, obtained approval from City Council for a new contract, completed activities related to the Single Audit, and presented the Single Audit Report. City Council consented to the Construction Project Controls report and Public Safety Building memorandum. The Quarterly Report for the period ending December 31, 2021, was presented to the Committee. Preliminary planning for initial peer review for City Auditor evaluation will be completed next fiscal year (FY). No reports were received by the Fraud, Waste, and Abuse Hotline during the period of January to March 2022.

Public Comment: **NONE**

SUMMARY MINUTES

Mayor Burt inquired about the Fraud, Waste, and Abuse reporting compared to historic data, and whether the reporting occurs exclusively on-site or virtually in addition.

Mr. O'Rourke advised the Fraud, Waste, and Abuse Hotline is intended for employees only and it is available electronically. Baker Tilly has submitted six quarterly updates to the City and received only two reports during that time period, which is consistent with other jurisdictions.

MOTION: Council Member Cormack moved, seconded by Mayor Burt to recommend the City Council approve the Office of the City Auditor's Quarterly Status Report covering January– March 2022

MOTION PASSED: 3-0

3. Race and Equity Quarterly Update

Deputy City Manager Chantal Cotton Gaines presented a quarterly update to the assignments and activities related to diversity, equity, inclusion, and belonging. Fourteen of seventeen assignments provided by City Council have been implemented, and the remaining three are Assignments C, K, and L. Staff has implemented the new RMS system and officers are regularly entering data into the Department of Justice (DOJ) database. The first reporting period to be used for DOJ annual data reports will be January 2023. The City negotiated an expedited extension with all labor groups, including the Palo Alto Peace Officers' Association (PAPOA). Negotiations for a successor agreement begin in the Fall of 2022. Staff is collecting updated employee demographic information and developed a framework for the data. Board/Commission demographic surveying was completed in 2021, and the summary report will be uploaded to the race and equity webpage. Staff has requested that the county include a north county site in the Trusted Response Urgent Support Team (TRUST) Program. Psychiatric Emergency Response Team (PERT) program and Mobile Crisis Response Team (MCRT) continue to be successful resources to the City.

Public Comment: **NONE**

Mayor Burt asked how the City could better communicate information regarding the TRUST and PERT programs to the community.

SUMMARY MINUTES

Ms. Gaines advised that MCRT was another available resource. She indicated that a portion of the federal Community Project Funding (earmark) could be utilized to expand community awareness about all resources available.

Mayor Burt asked how many cities have these three or similar complementary programs.

Ms. Gaines disclosed that two or three PERT programs exist in the county, and there is interest in MCRT having a north county site. TRUST sites are located near Gilroy, East San Jose, and the north county area.

Council Member Tanaka inquired whether there had been any progress in exploring racism against Asian Americans.

Ms. Gaines explained that the recommendation related to the Asian American experience and history in the City and was approved by City Council to go before the Human Relations Commission.

Council Member Cormack inquired regarding whether City data reports could not be viewed at this time.

Police Captain April Wagner advised that data is submitted directly through the DOJ website. Data is stored in a format that returns as a text file not observably readable, and the new Deputy Director of Technical Services is working the Information Technology (IT) Department to decode the data.

Council Member Cormack requested clarification regarding whether the microaggression and implicit bias training will be for Council in August.

Ms. Gaines answered yes, Boards and Commissions, City Council, and Liaisons.

Council Member Cormack noted that the equity and inclusion official position will be observed in the budget next week.

NO MOTION

Future Meetings and Agendas

Deputy City Manager Chantal Cotton Gaines announced that the next meeting will be in August.

Adjournment: The meeting was adjourned at 8:07 P.M.