



CITY OF  
**PALO  
ALTO**

**POLICY AND SERVICES COMMITTEE**

Tuesday, June 14, 2022  
Regular Meeting  
Council Chamber & Virtual  
7:00 PM

**Supplemental Reports Added**

Pursuant to [AB 361](#) Palo Alto City Council and Committee meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

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Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to [city.council@cityofpaloalto.org](mailto:city.council@cityofpaloalto.org) and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

Call to Order

Oral Communication

*Members of the public may speak to any item NOT on the agenda.*

Action 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 **Late Packet Report**

**Presentation**

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

**Presentation**

### 3. Race and Equity Quarterly Update **Late Packet Report**

#### Future Meetings and Agendas

#### Adjournment

#### PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to hybrid meetings via email, in person, teleconference, or by phone.

1. **Written public comments** may be submitted by email to [city.council@cityofpaloalto.org](mailto:city.council@cityofpaloalto.org).
2. **In person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers, and deliver it to the City Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
  - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
  - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
  - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
  - When called, please limit your remarks to the time limit allotted.
  - A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit \*9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

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#### AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact (650) 329-2550 (Voice) 48 hours or more in advance.



# City of Palo Alto

(ID # 13910)

## Policy and Services Committee Staff Report

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Meeting Date: 6/14/2022

Report Type: Action Items

**Title: Office of the City Auditor's Presentation of the Non-Profit Agreement Management Audit Report and Recommend the City Council Accept the Report**

**From: City Manager**

**Lead Department: City Auditor**

### **Recommendation**

The City Auditor recommends that the Policy & Services Committee review the attached Non-Profit Agreement Management report and corresponding recommendations for improvement and recommend that the City Council accept the report.

### **Background**

Baker Tilly, in its capacity serving as the Office of the City Auditor (OCA), performed a citywide risk assessment that assessed a wide range of risk areas, including strategic, financial, operational, compliance, technological, and reputation risks. The purpose of the assessment was to identify and prioritize risks to develop the annual audit plan.

During the [FY2021 risk assessment](#), the OCA identified risks related to nonprofit agreements and included an audit activity in the annual audit plan.

### **Discussion**

Through various agreements, the City of Palo Alto (City) often supports nonprofit organizations that serve the community to achieve their mission. Such agreements include grant agreements (e.g., Community Development Block Grant (CDBG)), professional services agreements, general services agreements, facilities agreements, and lease agreements. The OCA performed a review of the City's practices to management agreements with nonprofits.

The objectives of the audit activity were to:

- 1) Determine whether appropriate policies and procedures are applied consistently by all departments of City of Palo Alto for entering into and monitoring agreements with nonprofit organizations.
- 2) Determine whether adequate processes and monitoring activities are implemented to ensure that performance requirements are met by nonprofit organizations.

Through the audit activity, the OCA identified four (4) recommendations. The City Manager's Office concurred with each finding and has drafted action plans for each item.

The Office of the City Auditor will perform periodic follow up procedures to validate that the recommendations have been addressed as indicated in management responses.

The analysis, observations, and recommendations are summarized in the attached report.

### **Timeline**

The timeline for implementation of corrective action plans is identified within the attached report. All corrective actions are scheduled to be implemented by Fall of 2022.

### **Resource Impact**

Included in the management responses is a recommended initial step of establishing an updated policy and procedure regarding these partnerships. This will be completed by existing staffing and prioritized among other competing projects.

Overall, the best practices recommended will require additional resources to ensure a higher and level of oversight and a more consistent approach compared to current decentralized operations. The recommendations included in the audit report will impact staff resources, particularly for departments that manage facilities occupied by a significant amount of nonprofits and or leases, such as the Community Services and Administrative Services Departments. In addition, other recommendations included in the report would require consultant services such as appraisal services.

### **Policy Implications**

The City's Public/Private Partnership policy (1-25/MGR) last revised in 2007 and the City's Leased Use of City Land/Facilities Policy (1-11/ASD) will be updated as part of the City's responses to this audit.

### **Stakeholder Engagement**

The Office of the City Auditor worked primarily with the City Manager's Office and engaged with additional stakeholders, including the Community Services Department, the Administrative Services Department, and the City Attorney's Office, as necessary.

**Environmental Review**

The audit report and its findings are not considered a Project under the California Environmental Quality Act (CEQA).

**Attachments:**

- Office of the City Auditor - Nonprofit Agreement Report (P&S 6.12.22)





Attachment: Office of the City Auditor - Nonprofit Agreement Report (P&S 6.12.22) (13910 : Presentation of the Office of the City Auditor Non-



# City of Palo Alto

Office of the City Auditor

Nonprofit Agreement  
Risk Management Review

June 14, 2022

# Executive Summary

## Purpose of the Audit

Baker Tilly US, LLP (Baker Tilly), in its capacity serving as the Office of the City Auditor (OCA), performed a Nonprofit Agreement Risk Management Review. The objectives of this review were to:

- 1) Determine whether appropriate policies and procedures are applied consistently by all departments of City of Palo Alto (the City) for entering into and monitoring agreements with nonprofit organizations.
- 2) Determine whether adequate processes and monitoring activities are implemented to ensure that performance requirements are met by nonprofit organizations.

## Report Highlights

### Finding 1: Nonprofit Service Agreements

(Page 18)

It is important for the City to assess and monitor performance of nonprofit organizations to ensure that the intended services are provided to citizens efficiently and effectively. In many of the 10 nonprofit service agreements the OCA reviewed, the Scope of Services section included the City's expectations such as goals, expected activities, performance measures, deliverables, and periodic reporting requirements. However, three agreements did not include adequate information on performance and reporting expectations. Additionally, three agreements had some instances of noncompliance with the required reports and deliverables. The responsibilities the City is required to perform are also included in some agreements.

#### Key Recommendations

- All nonprofit agreements should define the service level expectations, including the goals, performance measures, and reporting requirements that enable the City to monitor the performance of nonprofit organizations and achievement of intended benefits. The higher the risk associated with an agreement, the more refined the performance and reporting expectations should be. The City should also ensure that appropriate City resources are assigned to high-risk agreements to manage such contracts and relationships adequately. Appropriate corrective actions should be taken upon identification of poor performance.
- The City should take steps to ensure that the City's responsibilities in the agreements are achievable before the agreements are signed.
- The City should track performance to identify the risks associated with continuing or discontinuing the contractual relationships with nonprofits and take appropriate actions.

### Finding 2: Nonprofit Lease Agreements

(Page 19)

The City enters into lease agreements as a means of supporting nonprofit organizations in the community. The OCA obtained all lease agreements the City had with nonprofit organizations as of August 2021 and compared the terms. Six out of 12 lease agreements with annual rent of \$1 or less have separate service agreements that are administered by the City's project managers from the applicable City departments. For the other six agreements without separate service agreements, four lease agreements do not include any performance and reporting requirements other than brief descriptions of services to be provided on the premises. Two other agreements require only annual submission of a report of operations.



Additionally, the City's Leased Use of City Land/Facilities Policy does not discuss the process to ensure that the intended services are provided on the premises. Furthermore, the City's non-monetary support was not analyzed using the estimated fair market rental value as required by the policy.

**Key Recommendations**

- Lease agreements with significantly reduced rent amounts should include performance and reporting requirements, if there is no separate agreement for the services provided on the premises. Depending on the risks associated with an agreement, the City may need to assign a project manager, a liaison and/or a relationship manager from the appropriate City department(s) to monitor the performance.
- The City's non-monetary support should be analyzed based on the estimated fair market rental value and non-monetary benefits to be provided by nonprofit organizations to determine the appropriate compensation for nonprofits' use of the City-owned properties.



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# Introduction

## Objective

The purpose of this audit activity was to:

- 1) Determine whether appropriate policies and procedures are applied consistently by all departments of City of Palo Alto (the City) for entering into and monitoring agreements with nonprofit organizations.
- 2) Determine whether adequate processes and monitoring activities are implemented to ensure that performance requirements are met by nonprofit organizations.

## Background

The City strives to provide services that benefit its citizens. Through various agreements, the City often supports nonprofit organizations that serve the community to achieve their mission. Such agreements include grant agreements (e.g. CDBG<sup>1</sup>), professional services agreements, general services agreements, facilities agreements, and lease agreements. The City encourages the formation of public/private partnerships and has established the Public/Private Partnerships Policy.

### Public-Private Partnership (PPP)

The PPP is defined in the PPP Reference Guide<sup>2</sup> as “a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance.”

Although PPPs often use private sector investment to finance infrastructure projects when public funding is not readily available, there are different types of PPPs formed to address various needs of governments for many functions. Unlike a simple contractual relationship such as outsourcing, “a genuine PPP implies a triadic relationship between the public authority, the private-sector partner, and members of the public concerned with the service. A PPP is or should be a mutually beneficial agreement directed toward serving social purpose.”<sup>3</sup>

Partnerships with community-based organizations are different from typical contracting services. Partnerships involve a contractual relationship between organizations with common missions for their mutual benefits. Therefore, it is important to identify the most suitable partners for the services to be delivered. Successful partnerships rely on communicating regularly, establishing expectations, and assessing performance.<sup>4</sup> It is important to ensure that

<sup>1</sup> “Annually, the City of Palo Alto receives funds from the U.S. Department of Housing and Urban Development (HUD) to administer the Community Development Block Grant (CDBG) program. This program funds various nonprofit agencies to implement services that benefit low- and moderate-income persons and address community development needs.” [Community Development Block Grant – City of Palo Alto, CA](https://www.cityofpaloalto.org/Community-Development-Block-Grant)

<sup>2</sup> PPP Reference Guide in the PPP Knowledge Lab administered and maintained by the World Bank Group ([PPP Knowledge Lab | PPP Reference Guide](https://pppknowledgelab.org/guide/sections/83-what-is-the-ppp-reference-guide) <https://pppknowledgelab.org/guide/sections/83-what-is-the-ppp-reference-guide>)

<sup>3</sup> Sadran, Pierre. "public-private partnership". Encyclopedia Britannica, 25 Sep. 2019, <https://www.britannica.com/topic/public-private-partnership>.

<sup>4</sup> Making the Most of Contractual Collaborations with Community-Based Non-Profits, 2013, [https://www.ca-ilg.org/sites/main/files/file-attachments/making\\_the\\_most\\_of\\_contractual\\_collaborations\\_with\\_community-based\\_non-profits\\_final\\_7-19-13\\_0.pdf?1436996039](https://www.ca-ilg.org/sites/main/files/file-attachments/making_the_most_of_contractual_collaborations_with_community-based_non-profits_final_7-19-13_0.pdf?1436996039)

contractual relationships are reflective of the expectations the City holds for all of its partners. As relationships increase in longevity, this importance is amplified.

The benefits of PPPs are the combination of the private sector with its expertise, resources, and technology and the public sector with services to the public and protection of their interest. However, there are some challenges for the public sector. The procurement and contracting processes for PPPs can be complex. Citizens may not understand PPPs and criticize a lack of transparency.<sup>5</sup> According to the Guidebook on Promoting Good Governance in Public-Private Partnerships<sup>6</sup>, one of the challenges a government faces is “instigating the procedures and processes involved in delivering successful PPPs and establishing new institutions. Moreover, PPPs require a new type of public expertise that facilitates projects and monitors their performance.” The Guidebook also states, “to work well they require well-functioning institutions, transparent, efficient procedures and accountable and competent public and private sectors, i.e. ‘good governance’.”

### The City’s PPP Policy

The City’s Public/Private Partnerships Policy (POLICY AND PROCEDURES 1-25/MGR) dated August 2007 categorizes partnerships into three categories and describes them as follows:

1. “Co-Sponsorships” are the most common type of PPPs and can take the form of one-time event or annual agreements. They are entered into by staff and normally have no or minimal financial impact.
2. “Alliances” involve organizations that have been created for the sole purpose of supporting a City program. They do not receive any direct financial benefit but work closely and cooperatively with staff to implement City goals. They are approved by the City Council if there are any staffing or budgetary implications to the partnership.
3. “Joint Ventures”<sup>7</sup> involve organizations that have programs or missions independent of the City and enter into a contractual relationship with the City for

Public/private partnership is an agreement between the City and a nonprofit or private organization to provide services or to assist in funding of public facilities and programs. Such partnerships may take various forms, including:

- Acceptance of or solicitation of service or facility proposals
- Facilitation of such proposals through the City’s regulatory process
- Waiver of City General Fund fees to help reduce project costs
- Contributions of City matching funds for construction of facilities to be owned and controlled or operated by the City
- Provision of facilities to private partner at no charge or at a subsidized rent

*Source: Public/Private Partnerships Policy (POLICY AND PROCEDURES 1-25/MGR) dated August 2007*

<sup>5</sup> Public-Private Partnerships (P3s): What Local Government Managers Need to Know by Lawrence L. Martin, PhD, MBA, Professor of Public Affairs, University of Central Florida, Orlando; A Policy Issue White Paper for ICMA, International City/County Management Association ([Public-Private Partnerships \(P3s\): What Local Government Managers Need to Know | icma.org](https://icma.org/documents/public-private-partnerships-p3s-what-local-government-managers-need-know) <https://icma.org/documents/public-private-partnerships-p3s-what-local-government-managers-need-know>)

<sup>6</sup> United Nations, 2008 ([Guidebook on Promoting Good Governance in Public-Private Partnerships | UNECE](https://unece.org/economic-cooperation-and-integration/publications/guidebook-promoting-good-governance-public) <https://unece.org/economic-cooperation-and-integration/publications/guidebook-promoting-good-governance-public>)

<sup>7</sup> “Joint Venture” under the City’s policy is not the same as a legal joint venture under California partnership laws.

mutual benefits. Each joint venture is uniquely negotiated by the staff and approved by the City Council.

According to the City's policy, PPPs may be initiated by staff, by City Council, or by a private/nonprofit organization. A City-initiated partnership may incorporate incentives, including waiver of non-enterprise fund building and planning fees, reduced lease rates, and free use of space, that are negotiated on a case-by-case basis.

### The City's Agreements with Nonprofit Organizations

The City has established partnerships with nonprofit organizations<sup>8</sup> in the administration of services such as senior services, the animal shelter, urban forestry, local museum, and suicide prevention activities. As of June 2021, there were 46 nonprofit service agreements with a FY21 contract amount of \$10,000 or more, as summarized below. The detailed information is available in [Appendix A](#).

**Table 1: The City's Nonprofit Service Agreements as of June 2021  
(FY21 Contract Amount of \$10K or More)**

Responsible Department	FY21 Contract Amount	# of Nonprofit Agreements
Community Services	1,983,433	7
Community Services/Human Services	1,518,188	14
Planning & Development Services/CDBG	1,300,067	12
Public Works	363,258	3
Transportation	350,000	1
Utilities	324,472	2
Administrative Services	160,000	1
Planning	145,000	1
City Manager	100,000	2
PWD-Watershed Protection	84,795	1
Library	35,000	1
Fire	15,000	1
<b>Grand Total</b>	<b>\$ 6,379,213</b>	<b>46</b>

As the City continues to experience difficult years with limited fiscal resources and staffing due to the COVID-19 pandemic and on-going recovery, successful PPPs are significantly important to provide the services and programs that meet the needs of the public efficiently and carry out the City's mission in a sustainable manner.

### Lease of City Land/Facilities

The City's Leased Use of City Land/Facilities Policy (POLICY AND PROCEDURES 1-11/ASD) dated October 2006 was established to ensure that City real property is used in the best interest of the Palo Alto citizens and taxpayers. The development and operation of facilities on City-owned property should further public use or provide a public benefit. Open competitive and/or bid

<sup>8</sup> The Internal Revenue Services' Exempt Organizations Business Master File Extract data shows that approximately 820 tax-exempt organizations based in Palo Alto filed tax returns between 2018 and 2021 (as of December 2021). [Exempt Organizations Business Master File Extract \(EO BMF\) | Internal Revenue Service \(irs.gov\)](#)

processes are used to solicit proposals prior to awarding an Option to Lease (or Lease), and the information considered includes the following:

- The extent to which the proposed leased use satisfies a public need for the proposed services and/or uses
- Consistency of the proposed use with existing City goals and objectives
- The impact of the proposed use (traffic impacts, noise impacts, energy conservation, etc.) upon the immediate neighborhood, the community generally, and the environment
- The degree of public access
- The history and assessment of the proposed group's ability to carry out the construction, if any, and operation of the facility and services as proposed

There were 32 lease agreements with nonprofit organizations as of August 2021 ([Appendix B](#)).

#### **Prior audit findings**

The prior audit "Audit of Nonprofit Service Agreements" dated August 29, 2019 reported that, while the Office of Human Services that oversees more than half of the City's nonprofit service agreements effectively monitored contractor performance using an established process and tools, some other departments did not have an established process or tools, which resulted in undetected errors and noncompliance. The report listed four recommendations to improve the City's oversight of nonprofit service agreements. Management's corrective actions were scheduled to be completed by December 2020. Two of four corrective actions are related to Palo Alto Downtown Business and Professional Association (PADBPA) and are currently on hold as a result of the onset of the COVID-19 pandemic. The other two corrective actions were reported as "closed". The detailed status of the corrective actions is shown in [Appendix C](#).

#### **Scope**

The OCA reviewed a sample of 10 out of 46 nonprofit agreements with a FY21 contract amount of \$10,000 or more as of June 2021. We also interviewed the project managers and administrators and reviewed the agreements and related staff reports as well as the documents used to monitor the performance for the selected agreements.

#### **Methodology**

The OCA performed the following procedures:

- Obtained a list of nonprofit agreements from City management.
- Judgmentally<sup>9</sup> selected the agreements for review, considering the responsible department, the contract amount, the prior year audit, and other criteria.

<sup>9</sup> Judgmental sampling is a non-statistical sampling that involves selecting a sample based on auditors' experience, knowledge, and professional judgment and is appropriate when auditors do not need to draw conclusions about the population.



- Reviewed the selected agreements, relevant staff reports and public meeting minutes, nonprofit organizations' websites, relevant policies and sections of Municipal Code.
- Interviewed the project managers for the selected agreements and obtained the reports and other documents for performance monitoring.
- Obtained all lease agreements with nonprofit organizations as of August 2021.
- Reviewed all lease agreements provided and summarized the information for comparison.

## Compliance Statement

This audit activity was conducted from June 2021 to April 2022 in accordance with generally accepted government auditing standards, except for the requirement of an external peer review<sup>10</sup>. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**The Office of the City Auditor greatly appreciates the support of the Project Managers and Administrators of nonprofit agreements in conducting this audit activity.**

*Thank you!*

<sup>10</sup> Government auditing standards require an external peer review at least once every three (3) years. The last peer review of the Palo Alto Office of the City Auditor was conducted in 2017. The Palo Alto City Council approved a contract from October 2020 through June 2022 with Baker Tilly US, LLP (Baker Tilly) and appointed Kyle O'Rourke, Senior Consulting Manager in Baker Tilly's Public Sector practice, as City Auditor. Given the transition in the City Audit office, a peer review was not conducted in 2020 and will be conducted after the third year of Baker Tilly's contract.

## Detailed Analysis

### Nonprofit Service Agreements

A list of all nonprofit agreements was compiled by the City departments and included 71 agreements (excluding lease agreements). Some of the agreements were expired, not relevant to the scope and objectives, or had a FY21 contract amount of less than \$10,000. Ultimately, the population of agreements considered for this audit activity included 46 nonprofit agreements, each of which had a FY21 contract amount of more than \$10,000 as of June 2021 ([Appendix A](#)). As shown in Table 1 in the Background section, the Community Services Department is responsible for approximately 50% of nonprofit agreements included in Appendix A.

The OCA selected the 10 nonprofit agreements (Table 2 below) by identifying agreements with a FY21 contract amount of \$100,000 or more and agreements from various departments that were not reviewed during the previous audit since our understanding from the previous audit report is that some departments do not have an established process or tools. The selected agreements included a few agreements from Community Services Department that were reviewed previously but covered all departments that had agreements with a FY21 contract amount of \$100,000 or more.

**Table 2: Sample of Nonprofit Organizations by Responsible Department**

Responsible Department	FY21 Contract Amount	# of Nonprofit Agreements
Community Services	1,776,260	3
Community Services/Human Services	477,341	1
Transportation	350,000	1
Public Works	333,258	2
Utilities	308,333	1
Administrative Services	160,000	1
Planning	145,000	1
Grand Total	\$ 3,550,192	10

Although most of these agreements were not specifically assigned to the categories (Co-Sponsorships, Alliances, and Joint Ventures) in the formal documents such as staff reports to the City Council, these agreements appear to be Joint Ventures due to the contractual relationship and financial impact.

Many of these organizations have long-term relationships with the City, and the partnerships were initiated in various ways: three organizations were selected through the Request for Proposal (RFP) process; four organizations received a sole source exemption; two organizations were requested by the City Council; and one organization became a separate entity after being a City-funded project.

- [Friends of the Junior Museum and Zoo \(Friends\)](#) has been supporting the Junior Museum and Zoo (JMZ) since 1962 and initially approached the City to raise the capital funds necessary to renovate the JMZ. The City Council directed staff to enter into a “Joint Venture”<sup>11</sup> with the Friends in 2007.

<sup>11</sup> CMR: 416.07 dated November 14, 2007 [Microsoft Word - CMR 416-07.doc \(cityofpaloalto.org\)](#)

- [Palo Alto Transportation Management Association \(PATMA\)](#) was created to support the City's strategies and entered into a Funding Agreement with the City in 2016 to address concerns expressed by the City Council.
- [Canopy](#) was created<sup>12</sup> to support the City's Urban Forestry Section and has a contract with the City since it became an independent 501(c)3 in 2002. A sole source exemption was granted pursuant to PAMC 2.30.360(d) due to lack of adequate substitute or equivalent provider.
- [Avenidas](#) received in 2015 a sole source exemption pursuant to PAMC 2.30.360(d), as it is the only provider of comprehensive services to senior adults in the community. The City transferred its Senior Adult services to the organization in 1978 and allocated funds in the HSRA<sup>13</sup> until 2014. When Avenidas requested removal from HSRA, the City Council directed staff to contract directly with Avenidas.
- [Project Safety Net \(PSN\)](#) transitioned from being a City-funded project to a separate nonprofit organization in 2020. As PSN continues to provide youth and teens mental wellness support services, the City will provide its financial support through 2025.
- [Downtown Streets Team \(DST\)](#) has a contract with the City since 2006. A sole source exemption was granted pursuant to PAMC 2.30.360(d) due to lack of adequate substitute or equivalent provider capable of outreach to homeless individuals while providing cleaning services of outdoor spaces.
- [MidPen Media Center](#) was designated as the "Access Corporation" in 2001 to operate and administer cable television public, educational, and government access channels. A sole source exemption was granted pursuant to PAMC 2.30.360(b)(2) to provide cablecasting, production, and streaming services as the solicitation of bids would be impracticable due to the complexity associated with bringing in a new provider.
- [Alta Housing \(formerly Palo Alto Housing Corporation, or PAHC\)](#) has administered the Below Market Rate (BMR) housing program for the City since its inception of the program in 1974. Alta Housing was one of two organizations that responded to a RFP in 2019.
- [Ecology Action](#) was awarded a contract from proposals submitted in response to a RFP in 2014 for energy efficiency services to administer and deliver a commercial energy savings program.
- [Pets In Need \(PIN\)](#) was awarded a contract in 2019 to provide animal shelter services. PIN was the only organization that submitted a proposal in response to RFPs in 2015 and 2016.

<sup>12</sup> [History - Canopy : Canopy](#)

<sup>13</sup> "Human Services Resource Allocation Process (HSRAP) is a grant program open to organizations who deliver direct services to Palo Alto residents so that they have a safety net of services." [Human Services – City of Palo Alto, CA](#)

Having standardized contract templates is a best practice to ensure that contracts are created efficiently and include all intended terms and clauses although there are no identical contracts as all services provided by these organizations are unique and each department administers own contracts. The following five contracts' structures are almost the same: Canopy (Public Works), Project Safety Net (Community Services), Alta Housing (Planning), Ecology Action (Utilities), and Pets In Need (Community Services). The remaining contracts for review are also very similar but include fewer sections and/or different section titles than those five contracts (as some of them are unique, i.e. Funding Agreement, older agreement, etc.), but several key sections (such as Indemnity, Assignment, Nondiscrimination) are included in almost all contracts.

The Scope of Services and Schedule of Performance are usually included in Exhibit A and Exhibit B, respectively. Scope of Services is where

expectations such as goals, activities, deliverables, and periodic reporting requirements are defined. The agreements for Canopy (Public Works), Avenidas (Community Services), PSN (Community Services), PIN (Community Services), Ecology Action (Utilities), and PATMA (Transportation) list specific performance expectations and reporting requirements that tie to the reports, which enable the City to monitor performance.

#### Example – Project Safety Net

##### Recitals

##### Agreement Sections

1. Scope of Services
2. Term
3. Schedule of Performance
4. Not to Exceed Compensation
5. Invoices
6. Qualifications/Standard of Care
7. Compliance with Laws
8. Errors/Omissions
9. Cost Estimates
10. Independent Contractor
11. Assignment
12. Subcontracting
13. Project Management
14. Ownership of Materials
15. Audits
16. Indemnity
17. Waivers
18. Insurance
19. Termination or Suspension of Agreement or Services
20. Notices
21. Conflict of Interest
22. Nondiscrimination
23. Environmentally Preferred Purchasing and Zero Waste Requirements
24. Compliance with Palo Alto Minimum Wage Ordinance
25. Non-Appropriation
26. Prevailing Wages and DIR Registration for Public Works Contracts
27. Miscellaneous Provisions

##### Exhibit

- A. Scope of Services
- B. Compensation
- C. Insurance Requirements
- D Use of Premises

The City has individuals serving as liaisons with the board of directors of some of the nonprofit organizations, which helps the City understand the nonprofit partners and communicate better.

- The Friends – The contract requires City’s liaison(s) to the Friends board of directors and/or any board committees. The staff liaison and City Council liaison attend the board meetings.
- PSN – The Project Manager is an ex-officio director of the PSN board of directors. The City’s Community Services Department and Human Relations Commission are also members of PSN’s Partners Council.
- Avenidas – There is a City Council liaison to the Avenidas’ board of directors.
- PATMA – A City representative is a member of the PATMA board of directors. The staff liaison and City Council liaison attend the board meetings.

In recent years, there were some unfortunate events that required and will require the City and the relevant nonprofit organizations to work together to address:

- DST faced lawsuits and complaints from former employees about workplace culture in 2010s. When the existing contract expired in November 2020, City Council approved a one-year (instead of three-year) contract after asking about alternative vendors and policy development, and directed staff to obtain documents related to governance from DST. In May 2021, DST provided the City with the documents including revised board bylaws, employee handbook and managers manual. The City’s HR Director reviewed the documents and concluded that they were satisfactory. In December 2021, the City Council approved the amendment No. 1 that extend the contract term by two years, through January 11, 2024.
- Soon after the City’s investigation of a tragic incident involving PIN employees was concluded, PIN sent a letter to the City in November 2021 to provide one year’s formal notice to terminate the agreement. In this letter, PIN noted the City’s failure to meet some of the timelines for the construction and renovation projects specified in the Agreement. The Director of the Community Services Department presented to the City Council in February 2022 that the following projects (totaling \$1.8M) have been completed: Medical suite design and construction; Modular building purchase and site prep; New kennel building design; and Existing kennel renovation re-design. She also presented that New Kennel building construction (over \$2M) has not been completed. PIN now has a new Interim Executive Director and is negotiating with the City for a new or amended agreement.

The City’s Public/Private Partnerships Policy (POLICY AND PROCEDURES 1-25/MGR) mentions subsidized rent. Out of 10 agreements reviewed, the following three organizations whose agreements are administered by Community Services Department had a separate lease agreement with \$1 annual rent: The Friends, PSN, and Avenidas. The remaining contracts selected for review did not have any lease agreement with the City.

## Lease Agreements

The City’s Real Estate and Property Management division in the Administrative Services Department provided copies of all lease agreements with nonprofit



organizations as of August 2021. The OCA created a table listing 32 lease agreements for comparison, as shown in [Appendix B](#).

Out of the 32 lease agreements, there are seven agreements with \$0 rent and five agreements with annual rent of \$1 (Table 3 below). The OCA calculated the total annual market rent of these 12 properties to be \$30M based on the [CoStar Submarket Reports](#) generated by the City's Real Property Manager, at the request of OCA, in August 2021. Lease terms such as a security deposit and utility payments vary from agreement to agreement.

**Table 3: The City's Lease Agreements with Nonprofit Organizations as of August 2021  
(Annual Rent of \$1 or Less)**

Organization-Tenant	Location	Separate Service Agreement	Non-monetary public benefits	Annual Rent (2021)	Estimated Annual Market Rent Value*
<a href="#">The Elizabeth Gamble Gardens</a>	Gamble Property	No	Development and operation of a public garden center to provide horticultural classes and library, demonstration gardens, etc.	\$ -	\$ 6,648,476
<a href="#">Community Skating, Inc.</a>	Winter Lodge	No	Upgrade, maintain, and operate a public ice skating facility and ancillary services	\$ -	\$ 10,782,106
<a href="#">The Stanford Area Council Boy Scouts of America</a>	Lucie Stern	No	Provide a beneficial service to the youth and community	\$ -	\$ 149,045
<a href="#">Friends of Palo Alto Library (Ground Lease 2009)</a>	Cubberley	Yes	Rent is waived in consideration of SUBLESSEE's continued book and other Library sales which benefit and provide funds for Palo Alto Public Libraries	\$ -	\$ 331,800
<a href="#">Friends of Palo Alto Library (Ground Lease 2010)</a>	Cubberley	Yes	Rent is waived in consideration of LESSEE's continued book and other Library sales and LESSEE's mission to provide funds for City Libraries	\$ -	\$ 331,800
<a href="#">Palo Alto Community Child Care</a>	Ventura	Yes	Provide child care related uses, services and activities	\$ -	\$ 1,393,560
<a href="#">Palo Alto Community Child Care</a>	College Terrace	Yes	Provide child care related uses, services and activities	\$ -	\$ 132,720
<a href="#">Museum of American Heritage</a>	Williams property	No	Operate a historical museum and a park open to public	\$ 1	\$ 435,653
<a href="#">Environmental Volunteers</a>	Sea Scout Base	Yes	Perform the project by developing and operating a facility to house EV's offices and programs and to provide various educational and training programs	\$ 1	\$ 579,522
<a href="#">PROJECT SAFETY NET</a>	Cubberley	Yes	Provide support services to organizations and individuals dedicated to youth wellbeing and suicide prevention.	\$ 1	\$ 31,123
<a href="#">Avenidas 2015</a>	Downtown	Yes	Provide support services to older adults and their caregivers; a broad range of activities and services responsive to the interest and needs of senior citizens	\$ 1	\$ 1,154,664
<a href="#">Friends of Junior Museum and Zoo</a>	JMZ	Yes	Construct the project in full compliance with the Facilities Agreement	\$ 1	\$ 7,963,200

\* OCA estimated the annual rent market values by multiplying the size of entire property listed in the leasing agreement by the average monthly market rent of \$5.53 per sq.ft. that was multiplied by 12 months. OCA calculated average monthly market rent of \$5.53 sq.ft. for Palo Alto using the monthly market rent values listed in the CoStar's Submarket Reports for Palo Alto Downtown (Office, Retail, Industrial) and Palo Alto (Office, Retail, Industrial) that were generated by the City's Real Property Manager, at the request of OCA, on August 23, 2021. Therefore, the calculated market rent values may be significantly different from the actual market values as of August 2021.

For the 20 leases with annual rent over \$1, the total annual rent is \$765,500, which is 10% of the estimated total annual market rent (see the [Note 4](#) below the table in Appendix B). These nonprofit organizations provide Palo Alto citizens with a variety of services such as childcare, education, and recreational activities.

The OCA compared some of the terms among lease agreements and noted the following variances:

Utility payments tend to be made by many of the nonprofit organizations with annual rent of \$1 or less. Utility payments are made by the City for the most of lease agreements with annual rent over \$1.

#### Maintenance

- City is responsible for maintenance and repair of the structure (20 of 32 agreements)
- Tenant is to perform all maintenance and repairs (10 agreements)
- City and Tenant work in cooperation to develop capital improvement related items (2 agreements)

Rent increases are determined based on one of the following two methods as described in each agreement:

- Annual adjustment based on Consumer Price Index (13 of 20 agreements)
- Annual percentage (2-3%) increase (7 of 20 agreements)

Late charges may be applied when tenants do not make payments on time. Late fees are determined in various ways. Many agreements require to pay a late charge equal to five percent of the overdue rent if rent is not paid within 10 days after the due date. The variation of this method is as follows:

- 5% after 10 days (11 of 20 agreements)
- 6% after 10th day + \$100 (4 agreements)
- 6% after 5 days plus interest at 12% from the 5<sup>th</sup> day (2 agreements)
- Charges (based on a schedule of charges) after 10th day and additional charges every 30 days (2 agreements)
- No late charge (1 agreement)

Holding Over clause allows a month-to-month tenancy after the term of the lease has expired. Under this clause, a month-to-month tenancy is subject to all terms and conditions of the lease agreement. There are 18 lease agreements using this clause.

- Four lease agreements expired in 2009
- Two lease agreements expired in 2014
- One lease agreement expired in 2015
- One lease agreement expired in 2017
- Nine lease agreements expired in 2019
- One lease agreement expired in 2020

## Best Practices

According to the Guidebook on Promoting Good Governance in Public-Private Partnerships, governance is defined as “the process in government actions and how things are done, not just what is done”, and good governance involves the following six key principles:

- Participation – Involvement of all stakeholders
- Decency – Development and management of rules without harming people
- Transparency – Clarity and openness in decision-making
- Accountability – Responsibility of individuals political power to society
- Fairness – Equal application of rules to everyone in society
- Efficiency – Use of limited human and financial resources without waste, delay, corruption, or burden on future generations

Throughout the OCA’s research around best practices of partnerships with nonprofit organizations, relevant case studies, and articles, there were a number of themes that were present across multiple sources. The OCA identified the common risks and best practice elements listed below for administering and managing contracts with nonprofit organizations.

### Common risks associated with nonprofit agreements

- Lack of transparency resulting from inconsistent contract administration and management
- Poor performance or noncompliance with requirements
- Negative financial impact of operational inefficiencies
- Failure to provide the intended services to the public
- Reputational damage done to the City based on actions of a nonprofit partner
- Limited nonprofit service providers or alternatives

Clear policies and procedures It is important that cities ensure that there are clear guidelines and policies associated with entering into any sort of partnership or contract with nonprofit organizations. These policies should prevent much of the uncertainty in determining with whom a city should partner. Additionally, clear policies and procedures mitigate the risk for disparate treatment from one nonprofit organization to the next. Finally, nonprofits can rely on these policies and procedures to ensure that they are not at risk for losing certain benefits without ample notice. For example, if a nonprofit organization is currently receiving the benefits of a \$1 annual lease, it should be clear to the nonprofit when that lease would be expiring or when the organization is no longer eligible for that benefit from a city.

Measurable goals Cities should be clear about the performance they expect from nonprofits. When administering an agreement, a city should understand what is necessary in terms of performance from the nonprofit partner. Performance goals and key performance indicators should be clearly measurable and defined in an agreement. This allows cities to enter into agreements that allow termination of partnerships without ambiguity. If a nonprofit partner is underperforming against

clear performance goals, cities can identify associated risks and actions to be taken in a timely manner. This also provides visibility for those nonprofit partners who are performing extraordinarily well.

Regular evaluations It is not enough to have clear policies and measurable goals. Cities also need to ensure that nonprofit partners are continually performing against those measurable goals through regular evaluations. Each nonprofit's evaluations will look different. This could be primarily financial reports, or perhaps there are measurable operational goals, but, in any case, cities should ensure that these partners are regularly being compared against their measurable goals. If the regular evaluations are going well, cities have the peace of mind in knowing that their resources are being stewarded well. If the regular evaluations expose issues, cities should have clear policies and procedures to determine next steps.

The City of Palo Alto has a number of partnerships and contracts with nonprofit organizations. In order to have a clear understanding as to whether or not the resources and/or benefits exchanged with them are in the best interest of Palo Alto citizens, the City should ensure that all three elements listed above are in operation. These elements help to mitigate the risk of wasted resources on underperforming organizations or even benefit from additional agreements with high performing organizations. Good governance would help the City navigate difficult decisions to achieve the City's goals.

# Audit Results

## Finding 1: Nonprofit Service Agreements

It is important for the City to assess and monitor performance of nonprofit organizations to ensure that the intended services are provided to the City and/or to citizens efficiently and effectively. In many of the 10 nonprofit service agreements the OCA reviewed, the Scope of Services section included the City's expectations such as goals, expected activities, performance measures, deliverables, and periodic reporting requirements. However, the following Scope of Services did not include adequate information on performance expectations:

- For Palo Alto Housing Corp, periodic reporting requirements are not defined in the agreement although the City expects to receive quarterly and yearly reports (as stated in Staff Report ID #12212).
- For Downtown Streets Team, the Scope of Services includes services to pick up litter, but the reporting requirements did not include any information related to litter pickup (although the actual monthly report includes the litter pickup data). All requirements relate to outreach.
- For Pets in Need, the City does not have an updated Disaster Preparedness Plan, for which the deadline is not clearly stated in the Agreement.

For the required reports and deliverables, the following instances of noncompliance were noted:

- For Pets In Need, all monthly reports the OCA reviewed did not include the information required in the agreement.
- For Project Safety Net, the December 31, 2021, report has not been completed more than two months beyond due date (as of April 2022). In addition, the June 2021 report showed two unmet outcome measures (due to the pandemic and resource shortage, according to the Project Manager). The Project Manager stated that less attention was paid to monitoring the compliance with the agreement due to limited staffing and a shift in priorities during the pandemic.
- For Ecology Action, the Monthly Report and supporting documentation to be submitted in conjunction with each invoice are not available because the Project Manager who was monitoring this contract retired in August 2021 and the Key Account Manager was not able to find the documents.

The responsibilities the City is required to perform are also included in some agreements. For Pets in Need, the "failure of the City to meet the timelines for the construction and renovation projects specified in the Agreement" was noted in the PIN's Nov-15-2021 letter to the City to provide a termination notice.

As discussed in the Best Practices section of this report, without good governance, the City may not manage risks effectively to achieve the City's goals and serve the best interest of its citizens.



## Recommendation

All nonprofit agreements should consistently define the service level expectations, including the goals, performance measures, and reporting requirements that enable the City to monitor the performance of the nonprofit organizations and achievement of intended benefits. The higher the risk associated with an agreement, the more refined the performance and reporting expectations should be. The City should also ensure that appropriate City resources are assigned to high-risk<sup>14</sup> agreements to manage such contracts and relationships adequately. Underperformance should be discussed with the organizations before it becomes an issue, and appropriate corrective actions should be taken to improve performance.

Additionally, the City should ensure that the City's responsibilities to be included in the agreements are achievable before agreements are signed to avoid noncompliance with the requirements.

Furthermore, the City should track the performance of nonprofit organizations and the City to identify the risks associated with continuing the relationships (e.g. risk of not achieving the goals, reputation risk) and discontinuing the relationships (e.g. risk of not finding alternatives) and take appropriate actions to address the risks in a timely manner. The staff should maintain a list of all nonprofit agreements and periodically report to the City Council on performance of nonprofit organizations and any issues identified, resolved, and outstanding as appropriate.

## Finding 2: Nonprofit Lease Agreements

The City enters into lease agreements as a means of supporting nonprofit organizations in the community. The OCA obtained all lease agreements the City had with nonprofit organizations as of August 2021 and compared the terms.

Nonprofit organizations that lease the City-owned properties are required to provide appropriate consideration that includes non-monetary benefits, according to the Lease Use of City Land/Facilities Policy. A half of 12 lease agreements with annual rent of \$1 or less have separate service agreements that are administered by the City's project managers from the applicable City departments. For the six agreements without separate service agreements, the following was noted as to the service and performance requirements:

- Two agreements include the "Required Services and Uses" section that provides a brief description of services to be provided on the premises but does not include performance expectations or measures.
- Two agreements include the "Use of Property" section that briefly describes the required uses. There are additional sections such as Independent Contractor, Conflict of Interest, and Non-Discriminations that are usually included in the professional services agreement, but no performance expectations or measures are included.
- One agreement includes the "Use" section that provides a brief description of the requirements and the "Annual Report" section that require the nonprofit organization to annually submit a report containing all activities and programs planned for the upcoming year. However, no performance expectations or measures are included.

<sup>14</sup> Agreements with high risk have more possibility that adverse events occur and more effects that are unfavorable, such as failure, injury, loss, and bad reputation. Management should assess risks related to each nonprofit agreement to determine the adequate resources, processes, etc. to monitor the agreement.

- One agreement includes the “Use of Property” section that provides a brief description of services to be provided on the premises and the requirements to present to the City a budget and a report of the operations annually. However, no performance expectations or measures are included.

Although the Leased Use of City Land/Facilities Policy (POLICY AND PROCEDURES 1-11/ASD) provides guidance on entering lease agreements, it does not discuss the process to ensure that the intended services are provided on the premises. Monitoring performance would help the City understand the nonprofits’ ability to deliver the benefits to the citizens and determine the appropriate rental value (including month-to-month rent amounts) when renewing a leasing agreement.

Additionally, this policy requires that the estimated fair market rental value be considered to determine the rent amounts and that the proposed non-monetary public benefits be clearly articulated. However, during this audit, the City’s Real Estate Division was not able to show the estimated fair market rental values and non-monetary benefits given to the City. Understanding actual benefits to the citizens in exchange for the City’s non-monetary support when entering into or renewing a lease agreement would help the City ensure that lease agreements are written in the best interest of the City.

Without analyzing the City’s non-monetary support using the fair market rental value and without defining and monitoring the performance of nonprofit organizations, the City cannot ensure that it receives adequate compensation from leasing the City-owned properties.

## Recommendation

Lease agreements with significantly reduced rent amounts should include performance and reporting requirements to ensure the City receives the expected services, if there are no separate agreements for the services provided on the premises. Depending on the risks associated with an agreement, the City may need to assign a project manager, a liaison and/or a relationship manager from the appropriate City department(s) to monitor the performance. The actual benefit to the City should serve as a basis for reduction of the rent amounts when lease agreements are renewed.

As required by the City’s policy, the City’s non-monetary support should be analyzed based on the estimated fair market rental value and non-monetary benefits to be provided by nonprofit organizations to determine the appropriate compensation for their use of the City-owned properties and to ensure transparency and fairness in allowing rent amounts below the market value.



# Appendices

## Appendix A: The City’s Nonprofit Service Agreements as of June 2021 (FY21 Contract Amount of \$10K or More)

No.	Nonprofit Organization Name	Current Contract Start DATE	Current Contract End DATE	Total Contract Amount	FY21 Contract Amount	Responsible Department	Purpose	Reviewed during 2018 Audit	Lease <sup>1</sup>	Reviewed during this audit
1	Abilities United	7/1/19	6/30/21	\$55,101/yr	\$55,101	Community Services /Human Services	HSRAP - Disability services.	Yes	No	No
2	Acterra	4/8/16	6/30/21	\$30,000/yr	\$30,000	Public Works	Irrigation, maintenance, and reporting.	No	No	No
3	Adolescent Counseling Services - Outlet	7/1/19	6/30/21	\$45,261/yr	\$45,261	Community Services /Human Services	HSRAP - Services to lesbian, gay, bisexual, transgender, queer and questioning (LGBTQQ) youth and their straight allies.	No	No	No
4	Alta Housing (formerly Palo Alto Housing Corp)	7/1/19	6/30/21	\$31,949/yr	\$31,949	Community Services /Human Services	HSRAP - Various program for low-income youth and seniors.	No	No	No
5	Association for Energy Affordability, Inc.	5/1/19	6/30/22	\$85,000	\$16,139	Utilities	Heat pump retrofit	No	No	No
6	<b>Avenidas</b>	7/1/20	6/30/25	\$2,626,165	\$477,341	Community Services /Human Services	Senior programs (formerly part of HSRAP).	Yes	Yes	Yes
7	<b>Canopy</b>	12/7/20	12/6/21	\$225,510	\$225,510	Public Works	Urban forestry professional services, outreach, and education.	No	No	Yes
8	Counseling & Support Services for Youth (CASSY)	7/1/19	6/30/21	\$45,261/yr	\$45,261	Community Services /Human Services	HSRAP - Mental health support on Palo Alto Unified School District secondary school campuses.	Yes	No	No
9	Downtown Streets	7/1/20	6/30/21	\$236,000	\$236,000	Planning & Development Services/CDBG	Workforce Development Program. Provide comprehensive support services for homeless/ unemployed to secure employment.	No	No	No
10	Downtown Streets	7/1/20	6/30/21	\$100,000	\$100,000	Planning & Development Services/CDBG	Pre-packed groceries will be delivered to doorsteps to medically vulnerable low-income Palo Alto residents to meet the need and limit contact.	No	No	No
11	<b>Downtown Streets Team</b>	12/7/20	12/6/23	\$323,244	\$107,748	Public Works	Consists of 1) street cleaning services for the City’s five parking garages, sidewalks, and alleyways in the Downtown Palo Alto area funded by University Avenue Parking Permit Fund (\$107,748/yr);	Yes	No	Yes
12	Downtown Streets Team	7/1/19	6/30/21	\$38,786/yr	\$38,786	Community Services /Human Services	HSRAP - Services to the homeless, including job skills training, work experience, and food for low-income individuals through the Palo Alto Food Closet.	Yes	No	No
13	DreamCatchers	7/1/19	6/30/21	\$26,624/yr	\$26,624	Community Services /Human Services	HSRAP - Tutoring for low income middle school students.	No	No	No
14	<b>Ecology Action</b>	6/30/15	6/30/21	\$925,000	\$308,333	Utilities	Commercial/Key Account Energy Efficiency.	No	No	Yes

Attachment: Office of the City Auditor - Nonprofit Agreement Report (P&S 6.12.22) (13910 : Presentation



No.	Nonprofit Organization Name	Current Contract Start DATE	Current Contract End DATE	Total Contract Amount	FY21 Contract Amount	Responsible Department	Purpose	Reviewed during 2018 Audit	Lease <sup>1</sup>	Reviewed during this audit
15	Empowerment Institute	9/3/18	12/31/21	\$70,000	\$70,000	City Manager	Empowerment Institute assist City with advancement of community engagement block program.	No	No	No
16	Environmental Volunteers	7/1/21	6/30/22	\$24,626	\$24,626	Community Services	Managing a Trail Ambassador Program at Foothills Nature Preserve	No	Yes	No
17	Friends of the Junior Museum and Zoo <sup>2</sup>	2/5/18	11/12/21	\$5,300,540	\$1,000,000	Community Services	Facility agreement for construction of the JMZ	No	Yes	Yes
18	Grassroots Ecology	7/1/17	6/30/22	\$75,720/yr	\$75,720	Community Services	Habitat Restoration at Pearson Arastradero Preserve.	No	Yes	No
19	Grassroots Ecology	7/1/18	6/30/23	\$56,827/yr	\$56,827	Community Services	Habitat restoration at Foothills Nature Preserve	No	Yes	No
20	Grassroots Ecology	3/4/19	3/4/22	\$254,385	\$84,795	PWD-Watershed Protection	School outreach and creek monitoring.	No	No	No
21	Kara	7/1/19	6/30/21	\$23,249/yr	\$23,249	Community Services /Human Services	HSRAP - Grief support.	No	No	No
22	La Comida	7/1/19	6/30/21	\$49,386/yr	\$49,386	Community Services /Human Services	HSRAP - Nutrition program for persons 60 years of age or older.	Yes	No	No
23	LifeMoves	7/1/19	6/30/21	\$84,039/yr	\$84,039	Community Services /Human Services	HSRAP - Food services for homeless and very low-income Palo Alto residents.	Yes	No	No
24	LifeMoves	7/1/20	12/31/21	\$294,000	\$294,000	Planning & Development Services/CDBG	Rent Relief Assistance. To assist low, very low, and extremely low income persons (per HUD definitions) by providing financial assistance to cover rent.	No	No	No
25	LifeMoves	1/1/21	6/30/21	\$54,332	\$54,332	Planning & Development Services/CDBG	Longer hours of operation at Hotel De Zink emergency shelter during the COVID-19 emergency.	No	No	No
26	LifeMoves	7/1/20	6/30/21	\$29,932	\$29,932	Planning & Development Services/CDBG	Opportunity Services Center. Provide comprehensive, one-stop, multi-service day drop-in center for critical homeless services.	No	No	No
27	May View Community Health	7/1/20	6/30/21	\$67,610	\$67,610	Planning & Development Services/CDBG	COVID-19 Testing and PPE Supplies	No	No	No
28	Mayview Health Center	7/1/19	6/30/21	\$42,599/yr	\$42,599	Community Services /Human Services	HSRAP - Health services for low income, uninsured Palo Alto residents.	No	No	No
29	MidPen Media Center	7/1/2020	6/30/2023	\$800,000	\$160,000	Administrative Services	Cablecasting, production and streaming services	No	No	Yes
30	Neighbors Abroad	9/30/19	12/31/21	\$30,000	\$30,000	City Manager	Neighbors Abroad provides administrative support to help with website communications, social media, finance and other admin responsibilities in relation to the City's (8) Sister Cities.	No	No	No
31	Palo Alto Community Child Care	7/1/20	6/30/25	\$2,660,566	\$483,592	Community Services /Human Services	Management of City's childcare subsidy program (formerly part of HSRAP).	Yes	Yes	No
32	Palo Alto Historical Association	6/27/16	6/30/21	\$35,000	\$35,000	Library	Management of the City's archives and facilitate public access to information and materials relating to the City.	No	No	No

Attachment: Office of the City Auditor - Nonprofit Agreement Report (P&S 6.12.22) (13910 : Presentation



No.	Nonprofit Organization Name	Current Contract Start DATE	Current Contract End DATE	Total Contract Amount	FY21 Contract Amount	Responsible Department	Purpose	Reviewed during 2018 Audit	Lease <sup>1</sup>	Reviewed during this audit
33	Palo Alto Housing Corporation	7/1/20	6/30/21	\$29,931	\$29,931	Planning & Development Services/CDBG	SRO Resident Support. Provide in-house SRO Service Coordinator for support counseling, employment assistance and crisis intervention.	No	No	No
34	<b>Palo Alto Housing Corp</b>	7/1/19	6/30/21	\$290,000	\$145,000	Planning	Below Market Rate administration.	No	No	Yes
35	<b>Palo Alto Transportation Management Association</b>	11/30/20	7/1/23	Based on annual budget submitted to Council	\$350,000	Transportation	Serving as Transportation Management Association for Palo Alto.	Yes	No	Yes
36	<b>Pets In Need</b>	1/15/19	1/15/24	\$56,355/mo	\$676,260	Community Services	Operating and Management Agreement to operate the Animal Shelter	No	No	Yes
37	<b>Project Safety Net</b>	9/1/20	6/30/25	\$521,604	\$100,000	Community Services	Resource provider for youth and teen mental health	No	Yes	Yes
38	Project Sentinel	7/1/19	6/30/21	\$65,000/yr	\$65,000	Community Services /Human Services	Landlord-Tenant Mediation Program (formerly part of HSRAP).	Yes	No	No
39	Project Sentinel	7/1/20	6/30/21	\$37,480	\$37,480	Planning & Development Services/CDBG	Fair Housing Services. Provide fair housing services including complaint investigation, counseling, advocacy and community education	No	No	No
40	Ravenswood Family Health Network	7/1/20	6/30/27	\$354,550	\$354,550	Planning & Development Services/CDBG	Mobile Health Clinic COVID-19 Testing Project.	No	No	No
41	Silicon Valley Independent Living Center	7/1/20	6/30/21	\$75,000	\$75,000	Planning & Development Services/CDBG	Rent relief assistance for Palo Alto residents with disabilities, veterans and older adults, aged 55 and over.	No	No	No
42	Silicon Valley Independent Living Center	7/1/20	6/30/21	\$11,232	\$11,232	Planning & Development Services/CDBG	Housing and Emergency Services. Assist low-income individuals and families in search for affordable, accessible housing.	No	No	No
43	Stanford Hospital and Clinics	2/6/20	2/5/22	\$45,000	\$15,000	Fire	Medical oversight for ambulance transport services.	No	No	No
44	Theatre Partner Agreements (West Bay Opera, Palo Alto Players, TheatreWorks) <sup>3</sup>	7/1/2021	6/30/2022	\$50,000	\$50,000	Community Services	Facility agreements for use of Lucie Stern Theatre and payment of ticket surcharge to City (\$4/ticket sold).	No	No	No
45	Youth Community Services (Youth Connectedness Initiative)	7/1/20	6/30/21	\$50,000/yr	\$50,000	Community Services /Human Services	Funding for the Youth Connectedness Initiative.	No	No	No
46	YWCA of Silicon Valley	7/1/20	6/30/21	\$10,000	\$10,000	Planning & Development Services/CDBG	Rent Relief Assistance for Palo Alto individuals and families experiencing domestic violence.	No	No	No

1 Identified the nonprofit organizations with a lease agreement. See Appendix B for the list of lease agreements. **SOURCE: City Departments**  
 2 The contract date and amount information provided by City management included only for the first amendment. The OCA updated the information to include the entire contract (both original contract and the first amendment). OCA calculated the total contract amount by adding all amounts listed in the City Contributions section (Exhibit D) and the City's Added Contribution of \$1M shown in the first amendment  
 3 The information provided by the City management was the amount the City recovers from the tickets sold ("\$4/ticket sold"). The Resource Impact described in Staff Report ID# 9684 is that the ticket surcharge is expected to "bring in approximately \$90,000 per year to offset operational costs.....Direct departmental operating expenses are currently approximately \$60,000 per year, utilities are an additional \$40,000, and janitorial costs are another \$40,000." Therefore, the OCA added the amount of \$50,000 (\$140,000 - \$90,000) for FY21 contract amount.

Attachment: Office of the City Auditor - Nonprofit Agreement Report (P&S 6.12.22) (13910 : Presentation





**Appendix B: The City’s Lease Agreements with Nonprofit Organizations as of August 2021**

No.	Organization -Tenant [Note 1]	Location	Separate Service Agreement	Non-monetary public benefits	Current Lease Terms (Years)	Lease Start Date	Lease End Date [Note 2]	A Total Space Leased in Sq. Ft.	B Annual Rent (2021) [Note 3]	C Estimated Annual Rent Market Value [Note 4] [\$5.53*12*A]	D Estimated Annual Market Rent Variance [B-C]	Security Deposit	Utilities	Maintenance	Property Taxes
1	The Elizabeth Gamble Gardens	Gamble Property	No	Development and operation of a public garden center to provide horticultural classes and library, demonstration gardens, etc.	51	31-Aug-1987	31-Aug-2038	100,188	\$ -	\$ 6,648,476	\$ (6,648,476)	\$ 5,000	Tenant pays for all utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments
2	Community Skating, Inc.	Winter Lodge	No	Upgrade, maintain, and operate a public ice skating facility and ancillary services	50	26-Jan-1990	1-Jan-2040	162,479	\$ -	\$ 10,782,106	\$ (10,782,106)	\$ 5,000	Tenant pays for all utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments
3	Dance Action	Cubberley	No	Office, dance studio, instruction and rehearsal uses	Month to Month	1-Jan-2005	31-Dec-2009	3,130	\$ 52,824	\$ 207,707	\$ (154,883)	\$ 2,000	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
4	Hua Kuang Reading Room	Cubberley	No	Office, dance studio, instruction and rehearsal uses	Month to Month	1-Jan-2005	31-Dec-2009	672	\$ 11,472	\$ 44,594	\$ (33,122)	\$ 712	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
5	Zohar 2006	Cubberley	No	Office, dance studio, instruction and rehearsal uses	Month to Month	1-Jan-2005	31-Dec-2009	3,740	\$ 66,696	\$ 248,186	\$ (181,490)	\$ 4,000	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
6	The Children's Pre-School Center	Cubberley	No	Office and child care uses	Month to Month	1-Aug-2005	31-Jul-2009	8,772	\$ 33,624	\$ 582,110	\$ (548,486)	\$ 10,262	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
7	California Pop Orchestra	Cubberley	No	Provide office and meeting space	Month to Month	1-Oct-2016	31-Dec-2019	720	\$ 16,203	\$ 47,779	\$ (31,576)	\$ 1,200	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments

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No.	Organization -Tenant [Note 1]	Location	Separate Service Agreement	Non-monetary public benefits	Current Lease Terms (Years)	Lease Start Date	Lease End Date [Note 2]	A Total Space Leased in Sq. Ft.	B Annual Rent (2021) [Note 3]	C Estimated Annual Rent Market Value [Note 4] [\$5.53*12*A]	D Estimated Annual Market Rent Variance [B-C]	Security Deposit	Utilities	Maintenance	Property Taxes
8	Living Wisdom School	Cubberley	No	Provide education to 9th through 12th grades	Month to Month	1-Oct-2016	31-Dec-2019	1,320	\$ 29,706	\$ 87,595	\$ (57,889)	\$ 2,700	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
9	Reach Program	Cubberley	No	Provide office and rehabilitation services for stroke survivors	Month to Month	1-Oct-2016	31-Dec-2019	3,000	\$ 25,184	\$ 199,080	\$ (173,896)	\$ 1,000	City furnishes reasonable quantities of utilities except telephone services Operate Mon. through Fri, during the hours of 8am to 2pm 7 reserved parking spaces	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
10	Brainvyne	Cubberley	No	Provide office and meeting space	Month to Month	1-Nov-2016	31-Dec-2019	720	\$ 16,203	\$ 47,779	\$ (31,576)	\$ 1,200	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
11	Palo Alto Soccer Club	Cubberley	No	Provide office and meeting space	Month to Month	1-Nov-2016	31-Dec-2019	954	\$ 21,472	\$ 63,307	\$ (41,835)	\$ 1,600	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
12	Dance Magic	Cubberley	No	Provide dance studio for dance education and performing arts	Month to Month	1-Dec-2016	31-Dec-2019	1,008	\$ 26,688	\$ 66,891	\$ (40,203)	\$ 2,016	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
13	Minority TV	Cubberley	No	Provide multicultural and multilingual programing; Education and Instruction	Month to Month	1-Jan-2017	31-Dec-2017	1,685	\$ 15,233	\$ 111,817	\$ (96,584)	\$ 1,180	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
14	West Valley Flying Club	Airport	No	Operate a flight training and ground school; Provide	5	1-Jul-2017	30-Jun-2022	3,227	\$ 259,735	\$ 214,144	\$ 45,591	\$ 10,996	Tenant pays for all utilities except	City and Tenant work in cooperation to	Tenant is responsible for all taxes

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No.	Organization -Tenant [Note 1]	Location	Separate Service Agreement	Non-monetary public benefits	Current Lease Terms (Years)	Lease Start Date	Lease End Date [Note 2]	A Total Space Leased in Sq. Ft.	B Annual Rent (2021) [Note 3]	C Estimated Annual Rent Market Value [Note 4] [\$5.53*12*A]	D Estimated Annual Market Rent Variance [B-C]	Security Deposit	Utilities	Maintenance	Property Taxes
				commercial Aeronautical Activities (aircraft maintenance and flight training)									for garbage and recycling services	develop capital improvement related items	and assessments
15	Palo Alto Humane Society	Cubberley	No	Provide administrative services for all field program invention, advocacy, and education	Month to Month	15-Jul-2020	14-Jul-2025	400	\$ 5,259	\$ 26,544	\$ (21,285)	\$ 876	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
16	Stanford Flying Club	Airport	No	Operate a flight training and ground school; Provide commercial Aeronautical Activities (flight training, aircraft rental, facilitation thereof)	Month to Month	20-May-2021	N/A	530	\$ 26,982	\$ 35,171	\$ (8,189)	\$ 1,193	Tenant pays for all utilities except for garbage and recycling services	City and Tenant work in cooperation to develop capital improvement related items	Tenant is responsible for all taxes and assessments
17	The Stanford Area Council Boy Scouts of America	Lucie Stern	No	Provide a beneficial service to the youth and community	50	8-Dec-1978	7-Dec-2028	2,246	\$ -	\$ 149,045	\$ (149,045)	\$ -	Tenant pays for all utilities	Tenant perform all maintenance and repairs	City (Taxes are not mentioned in the agreement)
18	Palo Alto Lawn Bowls Club	Palo Alto Lawn Bowls	No	Offer memberships, classes, recreational activities	Month to Month	1-Jan-2016	31-Dec-2020	70,000	\$ 13,839	\$ 4,645,200	\$ (4,631,361)	N/A	Tenant pays for all utilities except for water	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
19	Museum of American Heritage	Williams property	No	Operate a historical museum and a park open to public	25	1-May-2017	30-Apr-2043	6,565	\$ 1	\$ 435,653	\$ (435,652)	\$ 5,000	Tenant pays for all utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments
20	Environment al Volunteers	Sea Scout Base	Yes	Perform the project by developing and operating a facility to house EV's offices and programs and to provide various educational and training programs	40	23-Oct-2008	22-Oct-2048	8,733	\$ 1	\$ 579,522	\$ (579,521)	\$ 5,000	Tenant pays for all utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments

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21	Friends of Palo Alto Library (Ground Lease 2009)	Cubberley	Yes	Rent is waived in consideration of SUBLESSEE's continued book and other Library sales which benefit and provide funds for Palo Alto Public Libraries	Month to Month	9-Dec-2009	8-Dec-2014	5,000	\$ -	\$ 331,800	\$ (331,800)	N/A	Sublessee pays for all telephone, electricity, and sewer clearing service charge for Relocatable Unit; City pays for all other utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments
22	Friends of Palo Alto Library (Ground Lease 2010)	Cubberley	Yes	Rent is waived in consideration of LESSEE's continued book and other Library sales and LESSEE's mission to provide funds for City Libraries	Month to Month	10-Dec-2010	9-Dec-2015	5,000	\$ -	\$ 331,800	\$ (331,800)	N/A	City pays for all utilities except for new or additional utility installations	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments
23	Friends of Palo Alto Library (2012)	Cubberley	Yes	Space for book storage, office space and book and other Library related sales	Month to Month	6-Nov-2012	31-Dec-2014	2,496	\$ 24,830	\$ 165,635	\$ (140,804)	\$ 500	City furnishes reasonable quantities of utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments
24	Friends of Palo Alto Library (2017)	Cubberley	Yes	Space for book storage, office space and book and other Library related sales	Month to Month	1-Feb-2017	31-Dec-2019	345	\$ 3,330	\$ 22,894	\$ (19,564)	\$ 200	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
25	PROJECT SAFETY NET	Cubberley	Yes	Provide support services to organizations and individuals dedicated to youth wellbeing and suicide prevention.	Month to Month	26-Oct-2020	25-Oct-2025	469	\$ 1	\$ 31,123	\$ (31,122)	\$ 1,400	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
26	Avenidas 2015	Downtown	Yes	Provide support services to older adults and their caregivers; a broad range of activities and services responsive to the interest and needs of senior citizens	50	1-Jan-2015	1-Jan-2065	17,400	\$ 1	\$ 1,154,664	\$ (1,154,663)	N/A	Tenant pays for 25% OF all utilities and City pays for the remaining 75% of the utilities	Tenant perform all maintenance and repairs	Tenant is responsible for all taxes and assessments

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No.	Organization -Tenant [Note 1]	Location	Separate Service Agreement	Non-monetary public benefits	Current Lease Terms (Years)	Lease Start Date	Lease End Date [Note 2]	A Total Space Leased in Sq. Ft.	B Annual Rent (2021) [Note 3]	C Estimated Annual Rent Market Value [Note 4] [\$5.53*12*A]	D Estimated Annual Market Rent Variance [B-C]	Security Deposit	Utilities	Maintenance	Property Taxes
27	Avenidas H-5	Cubberley	Yes	Provide support services to older adults and their caregivers	Month to Month	7-Jul-2020	6-Jul-2025	1,395	\$ 21,929	\$ 92,572	\$ (70,643)	\$ 3,655	City furnishes reasonable quantities of utilities except telephone services	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
28	PA Alto Players-Peninsula Center Stage	Lucie Stern	Yes	Administration support for benefits of providing quality theater work for the residents	9	1-Jul-2015	31-Aug-2024	500	\$ 16,605	\$ 33,180	\$ (16,575)	\$ 1,125	City furnishes reasonable quantities of utilities	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
29	Palo Alto Community Child Care	Ventura	Yes	Provide child care related uses, services and activities	Month to Month	1-Jul-2016	30-Jun-2019	21,000	\$ -	\$ 1,393,560	\$ (1,393,560)	\$ -	Tenant pays for all utilities except for water supplied to the open field areas	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
30	Palo Alto Community Child Care	College Terrace	Yes	Provide child care related uses, services and activities	Month to Month	1-Jul-2016	31-Dec-2019	2,000	\$ -	\$ 132,720	\$ (132,720)	\$ -	Tenant pays for all utilities (38% of the total utility costs supplied to the College Terrace Library site)	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
31	Palo Alto Community Child Care	PAUSD	Yes	Provide child care related uses, services and activities	2	1-Jul-2020	30-Jun-2022	15,240	\$ 77,670	\$ 1,011,326	\$ (933,657)	\$ -	Sublessee pays for all utilities for the monthly amount set forth in Exhibit A (\$0.24 per sq. ft.)	City is responsible for maintenance and repair of the structure	Tenant is responsible for all taxes and assessments
32	Friends of Junior Museum and Zoo	JMZ	Yes	Construct the project in full compliance with the Facilities Agreement		28-Jun-2018	12-Nov-2021	120,000	\$ 1	\$ 7,963,200	\$ (7,963,199)	\$ -		Tenant perform all maintenance and repairs	City (Taxes are not mentioned in the agreement)

1 This list was compiled from (a) a List of Tenants included in the Policy and Services Committee Staff Report ID # 12078; (b) a list of nonprofit agreements compiled by Community Services Director; (c) additional lease agreements provided by the City's Real Property Manager

2 Under the Holding Over provision, an expired lease continues on a month-to-month basis subject to all terms and conditions of the expired lease until the parties execute a written extension to the lease or lessee surrenders the property.

3 The 2021 Monthly Rent was calculated based on a current lease agreement or the 2021 total rent amount provided by the City's Administrative Services Department Real Estate Division

4 OCA estimated the annual rent market values by multiplying the size of entire property listed in the leasing agreement by the average monthly market rent of \$5.53 per sq.ft. that was multiplied by 12 months. OCA calculated average monthly market rent of \$5.53 sq.ft. for Palo Alto using the monthly market rent values listed in the CoStar's Submarket Reports for Palo Alto Downtown (Office, Retail, Industrial) and for Palo Alto (Office, Retail, Industrial) that were generated by the City's Real Property Manager, at the request of OCA, on August 23, 2021. OCA simplified the calculation utilizing the readily available information to estimate the market values, instead of gathering the precise market data, for the purpose of obtaining roughly estimated market rent values. Therefore, the calculated market values may be significantly different from the actual market values as of August 2021.

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**Appendix C: Prior Year Findings and the Status - “Audit of Nonprofit Service Agreements” dated August 29, 2019**

Recommendation	Responsible Department(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	To be completed 6 months after Council acceptance and every 6 months thereafter until all recommendations are implemented	
			Current Status	Implementation Update and Expected Completion Date
Finding: The Office of Human Services effectively monitors contractor performance using an established process and tools, which can help other City departments better administer their nonprofit service agreements.				
<p>1. Work with the Administrative Services Department’s Purchasing Division, the City Attorney’s Office, and the Community Services Department’s Office of Human Services to create a citywide template for nonprofit service agreements, and make it available to all City departments. The template should ensure that the City’s payments are tied to contractor performance by:</p> <p>a. Specifying program goals, measurable objectives, and performance targets are specified in the scope of services.</p> <p>b. Requiring specific deliverables (e.g., semiannual report, financial statements) are submitted along with each invoice, rather than requiring “a detailed statement” in broad terms that could be subject to interpretation.</p> <p>c. Requiring all deliverables be provided prior to the final payment.</p>	ASD/CAO/CSD/CMO	<p><b>Concurrence:</b> Agree  <b>Target Date:</b> December 2020  <b>Action Plan:</b>                      Sept 2019 – June 2020: Interdepartmental team reviews and makes adjustments to business processes for nonprofit service agreement creation and management.                      June 2020 – December 2020: Develop template(s) and any other necessary implementation materials or guidelines.</p>	Closed	<p>Current practice of staff is to evaluate new partnerships arise, staff have been working to ensure coordination and clear agreements while balancing the unique relationships each partner may have. When appropriate, as identified in this audit for like programs such as the award of Human Services Resource Allocation Process (HSRAP), staff does use similar agreements. In the absence of a template, staff routinely coordinate internally by impacted parties and review prior agreements for like terms and consistency.</p>
<p>2. Renew the 2004 agreement with PADBPA to:</p> <p>a. Require that a preliminary BID budget be submitted in accordance with the City’s budget schedule to ensure that the City operating budget is aligned with the PADBPA’s budget.</p> <p>b. Require that PADBPA include in its annual report previous two years’ budgeted and actual revenues and expenses in a format similar to the City’s operating budgets for better projection of the following fiscal year budget.</p> <p>c. Require that collection status, including delinquencies and any subsequent collections by PADBPA, be included in the annual report.</p> <p>d. Reflect the outsourcing of the assessment invoicing and collection and elimination of the Economic Development Manager position.</p>	CMO/CAO/ASD	<p><b>Concurrence:</b> Agree  <b>Target Date:</b> June 2020  <b>Action Plan:</b>                      Sept – Dec 2019: Partner with PADBPA to identify shared understanding of agreement requirements.                       Jan – June 2020: Partner with CAO and PADBPA to propose revised agreement language and renewal of the agreement to Council.</p>	On-Hold	<p>As a result of the onset of the COVID-19 pandemic and the City Council's action to place any assessment of the Downtown Business Improvement District (BID) on hold, operations of the Downtown BID, including relationships with PADBPA have been placed on hold. The City Council has waived the BID assessment fee through FY 2022. Staff anticipate that in planning for FY 2023 over the coming fiscal year, that staff will work with PADBPA or its successor to incorporate the recommendations into the ongoing partnership.</p> <p>The assessment invoicing and collection associated with the BID is now the responsibility of MuniServices to coincide with the BRC invoicing and system for ease of the businesses.</p> <p>Expected Completion Date: FY 2023 Q1</p>

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Recommendation	Responsible Department(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	To be completed 6 months after Council acceptance and every 6 months thereafter until all recommendations are implemented	
			Current Status	Implementation Update and Expected Completion Date
3. Establish a procedure or desk manual to clarify roles and responsibilities for monitoring the BID Fund records in SAP, PADBPA's financial records, and MuniServices' assessment collection data to ensure that accurate and complete financial data are provided to the City Council for informed budget and funding decisions.	CMO	<p><b>Concurrence:</b> Agree  <b>Target Date:</b> March 2020  <b>Action Plan:</b>            Incorporate into workplan for item 2.</p>	On-Hold	<p>As a result of the onset of the COVID-19 pandemic and the City Council's action to place any assessment of the Downtown Business Improvement District (BID) on hold, operations of the Downtown BID, including relationships with PADBPA have been placed on hold. The City Council has waived the BID assessment fee through FY 2022. Staff anticipate that in planning for FY 2023 over the coming fiscal year, that staff will work with PADBPA or its successor to incorporate the recommendations into the ongoing partnership.</p> <p>Internally, the Administrative Services Department has assumed responsibility of the financial responsibilities of the BID Fund with the transfer of the BRC from DSD to ASD as well. The management of the PADBPA contract remains with the CMO. The assessment invoicing and collection associated with the BID is now the responsibility of MuniServices to coincide with the BRC invoicing and system for ease of the businesses.</p> <p>Expected Completion Date: FY 2022 Q4</p>
4. Establish an overall monitoring method to ensure that nonprofit organizations with multiple agreements with the City are reviewed by all responsible departments to avoid redundancy while clarifying the goals, objectives, and performance measures to be tracked under each agreement.	ASD	<p><b>Concurrence:</b> Agree  <b>Target Date:</b> June 2020  <b>Action Plan:</b>            Identify required resources including staff support to complete this function, develop a proposal for implementation to be considered as part of the annual budget process.</p>	Closed	<p>Baker Tilly is currently in process of a non-profit agreement audit. During that effort Baker Tilly will follow-up on outstanding audit recommendations and account for them in their current audit activity.</p>



**Appendix D: Management Response**

Recommendation	Responsible Department(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan
<b>Finding: Nonprofit Service Agreements</b>		
<p>All nonprofit agreements should consistently define the service level expectations, including the goals, performance measures, and reporting requirements that enable the City to monitor the performance of the nonprofit organizations and achievement of intended benefits. The higher the risk associated with an agreement, the more refined the performance and reporting expectations should be.</p> <p>The City should also ensure that appropriate City resources are assigned to high-risk agreements to manage such contracts and relationships adequately. Underperformance should be discussed with the organizations before it become an issue, and appropriate corrective actions should be taken to improve their performance.</p>	CMO	<p>Concurrence: Agree Target Date: FY 2023 Action Plan: The City Manager’s Office will assign a team to review and update the City’s Public/Private Partnerships Policy (POLICY AND PROCEDURES 1-25/MGR), last updated in 2007, to accommodate provisions to address these elements ensuring clearly defined levels of services and the intended benefits. As part of the drafting of the policy revisions, the varying levels of risk identified will be considered, implementing stricter requirements for these higher risk types of agreements and guidance on appropriate staff oversight. As the number of partnerships with non-profits increases both through contractual and real estate transactions, including increased complexity and risks, additional staffing resources will be necessary to keep pace with best practices and appropriate oversight.</p>
<p>The City should ensure that the City’s responsibilities included in the agreements are achievable before agreements are signed to avoid noncompliance with the requirements.</p>	CMO	<p>Concurrence: Agree Target Date: FY 2023 Action Plan: As part of the work to update City policies, any City obligations listed in the nonprofit agreements will continue to be reviewed and signed off by all departments or functions directly responsible for satisfying the obligations within the stipulated timeframe. Included in this update will also provide guidance not only to continue current practices but also procedures should staff receive direction that is contrary to recommended timelines.</p>
<p>The City should track the performance of nonprofit organizations and the City to identify the risks associated with continuing the relationships (e.g. risk of not achieving the goals, reputation risk) and discontinuing the relationships (e.g. risk of not finding alternatives) and take appropriate actions to address the risks in a timely manner. The staff should maintain a list of all nonprofit agreements and periodically report to the City Council on performance of nonprofit organizations and any issues identified, resolved, and outstanding as appropriate.</p>	CMO	<p>Concurrence: Agree Target Date: FY 2023 Action Plan: As part of the work above, the City will update the Public/Private Partnership Policy to (1) require responsible departments to track the performance of non-profit agreements; and (2) create a periodic reporting system on such performance akin to other reporting standards such as periodic execution of contracts or leases under City Manager’s authority to execute. In addition, the Policy shall be updated to identify potential areas of risk to help guide staff and Council when negotiation and evaluating any non-profit partner agreement. However, as a de-centralized function, tracking and reporting city-wide is beyond current resources and will require reprioritization of duties or additional resources.</p>



Recommendation	Responsible Department(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan
<b>Finding: Nonprofit Lease Agreements</b>		
<p>Lease agreements with significantly reduced rent amounts should include performance and reporting requirements to ensure the City receives the expected services, if there are no separate agreements for the services provided on the premises. Depending on the risks associated with an agreement, the City may need to assign a project manager, a liaison and/or a relationship manager from the appropriate City department(s) to monitor the performance. The actual benefit to the City should serve as a basis for reduction of the rent amounts when lease agreements are renewed.</p>	ASD	<p>Concurrence: Agree                      Target Date: FY 2023                      Action Plan:                      As part of the work above, the City will review and revise City’s Leased Use of City Land/Facilities Policy (POLICY AND PROCEDURES 1-11/ASD) to ensure appropriate reference to the City’s updated Public/Private Partnerships Policy. Under these references, the City will consider heavily discounted lease agreements with non-profits under the same frame as non-profits to ensure that the same risk assessment and performance evaluation and metrics occur. Resource needs to support the heightened level of tracking compliance will be required.</p>
<p>As required by the City’s policy, the City’s non-monetary support should be analyzed based on the estimated fair market rental value and non-monetary benefits to be provided by nonprofit organizations to determine the appropriate compensation for their use of the City-owned properties and to ensure transparency and fairness in allowing rent amounts below the market value.</p>	ASD	<p>Concurrence: Partially Agree                      Target Date: Begin FY 2023, and ongoing prospectively                      Action Plan:                      The City will update the Public/Private Partnership Policy to require that staff periodically report to Council the overall amount of space, that is offered to non-profits on a subsidized basis. Staff may recommend specific analysis such as evaluation of fair market value through consulting services in cases involving very large outlays of space, value, and/or risk.</p>



# City of Palo Alto

## Policy and Services Committee Staff Report

(ID # 14372)

Meeting Date: 6/14/2022

Report Type: Action Items

**Title: The Office of the City Auditor's presentation of the Quarterly Report for the Period of January - March 2022**

**From: City Manager**

**Lead Department: City Auditor**

### **Recommended Motion**

City Auditor recommends that the Policy and Services Committee take the following action:

- 1) Approve the Office of the City Auditor's Quarterly Status Report covering January – March 2022

### **Discussion**

*Quarterly Status Report – January – March 2022*

In accordance with Task 5 [of our agreement with the City](#), Baker Tilly is required to report quarterly on a variety of topics, generally including progress to plan.

Our presentation includes the following high level status updates organized by task within our agreement with the City:

- Task 1 – Citywide Risk Assessment
  - Presented to and Approved by P&S on March 8, 2022 ([ID #13911](#))
- Task 2 – Annual Audit Plan
  - Presented to and Approved by P&S on March 8, 2022 ([ID #13911](#))
- Task 3 – Financial Audit
  - Finalized selection of Financial Auditor and prepared to obtain City Council approval of a new contract at an April Meeting
- Task 4 – Execute Audit Plan
  - Obtained City Council consent of the Construction Project Controls audit activity report ([ID #13888](#))
  - Obtained City Council consent of the initial Public Safety Building memo ([ID #13890](#))
  - Presented the Economic Recovery Advisory report to the Policy and

- Services Committee ([ID #13909](#))
  - Obtained City Council approval of the Wire Payment Process and Controls Review task order ([ID #13891](#))
- Task 5 – Periodic Reporting and Hotline Monitoring
  - Presented the Quarterly Report for the period ending 12/31/21 to the Policy and Services Committee ([ID #14011](#))
- Task 6 – City Auditor Evaluation
  - N/A



# City of Palo Alto

## Policy and Services Committee Staff Report

(ID # 14497)

Meeting Date: 6/14/2022

Report Type: Action Items

Title: Race and Equity Quarterly Update

From: City Manager

Lead Department: City Manager

### Recommendation

Staff recommends that the Policy and Services Committee receive this informational update on the City's Recent Race and Equity Work.

### Background

- As part of the City's ongoing Race and Equity work, the City Council adopted a list of directives in November 2020 (link to [Action Minutes](#) (pages 4 and 5); Report [CMR #11754](#)). Progress on each of the November 2020 directives, as well as other efforts since February 2022, are detailed in this report.

Additionally, the following City Council discussions and actions have taken place regarding the City's race and equity work:

- January 24, 2022: The Human Relations Commission discussed the 100 Community Conversations on Race with the City Council ([CMR #13841](#))
- March 7, 2022: The City Council discussed key dates and took action to celebrate Juneteenth, Cesar Chavez and Dolores Huerta Day, May as Asian American Native Hawaiian Pacific Islander Heritage Month and to add Indigenous People's Day as dates of historic significance; and to also refer to the HRC further discussion on how best to honor these dates and have further discussion on the topic of key dates. ([Colleague's Memo](#) and [Minutes](#))
- May 2, 2022: The City Council approved many recommendations that came from the Policy and Services Committee related to race and equity ([CMR #14194](#); [Minutes](#))
- May 9, 2022: The City Council discussed hate crimes and hate speech and made further recommendations on ways to reduce hate crimes and hate speech ([CMR #14079](#); [Minutes](#))

Past progress updates that have come to the Policy and Services Committee quarterly are as follows:

- February 8, 2022 Update ([CMR #13997](#))
- September 2021 Update ([CMR #13568](#))



- June 2021 Update ([CMR #12342](#))
- March 2021 Update ([CMR #12053](#))

### Discussion

In addition to the City Council actions in November 2020, the City has been actively engaged in many community initiatives, conversations, and events related to race, equity, and culture. These updates are provided at the end of this memo. The City issued a [blog update](#) in February to share information about hate crime awareness and how to report a hate incident or hate crime. Staff will continue to share information about race and equity efforts through the City's blog, other communications channels, and will continue to maintain a Race and Equity webpage at [www.cityofpaloalto.org/raceandequity](http://www.cityofpaloalto.org/raceandequity)

### Update on Work Assignments

The tables below provide updates on the 17 assignments given by the City Council in November 2020 pertaining to the City's Race and Equity efforts. The first table details updates on the remaining assignments in progress (3 of 17). These items are multi-part assignments that require additional work, and progress is continuing. The total number of assignments completed to date is 14 of 17. Further information is shared on the assignments following the table, as is updated information about the alternative mental health response programs. The assignments that were completed as of February 2022 are included in **Attachment A**.

#### Updates on Remaining Assignments

Assignment	Work Assignment	Status
C	Starting after the full implementation of the RMS and the first data collection period, direct Staff to resume annual data collection and analysis of police contact data similar to the previous Stop Data reports;	Partially completed. Staff has implemented the new RMS system and officers are regularly entering the data into the Dept. of Justice database. The first reporting period that will be used for Dept. of Justice annual data reports will be January 2023. The Dept. of Justice report will not be Palo Alto-specific, so staff is pursuing options for a Palo Alto-specific report.
K	Return in the fall of 2021 with parameters, proposals, and strategies prior to engaging in Palo Alto Peace Officers' Association (PAPOA) negotiations;	In early 2022, the City negotiated an expediated extension with all of its labor groups including the PAPOA. This extended the existing MOU terms and conditions through December 31, 2022. Negotiations for a successor agreement will begin in the Fall of 2022.
L	Direct Staff, in coordination with the City's overall diversity and inclusion efforts, to conduct a workforce demographic assessment as baseline information and to pursue an employee assessment to measure City workforce culture;	Staff is collecting updated employee demographic information from staff who would like to update their personal identity data. Additionally, staff developed a framework for the data.  Staff completed the Board/Commission demographic survey in 2021. The summary report will be uploaded to the race and equity webpage. This survey will be

Assignment	Work Assignment	Status
		<p>repeated either annually or bi-annually. The survey is anonymous and not linked to specific BCC members.</p> <p>Staff continues to work on a citywide climate survey anticipated to be distributed this year. Staff contracted Ivy Planning Group to help with an organization assessment and CircleUp Education will be conducting the implicit bias and microaggression trainings.</p> <p>Also, staff included a budget request in the FY 2023 Budget for an Equity and Inclusion Official who can help continue to move this work forward. <b>Further information is below.</b></p>

Note: Assignments Completed before February 2022 are listed with detail in **Attachment A** (this information was shared in the February Quarterly Report ([CMR #13997](#))).

Further Details

*Assignment L: Direct Staff, in coordination with the City’s overall diversity and inclusion efforts, to conduct a workforce demographic assessment as baseline information and to pursue an employee assessment to measure City workforce culture*

The information in the table describes the work that staff continues to do to fulfill this assignment, which is the foundation for normalizing equity into City organization operations. To assist with equity efforts going forward, as mentioned above, there is a request in the FY 2023 Requested Budget (City Manager’s Office Department Budget) for an Equity and Inclusion Official.

The requested Equity and Inclusion Official position will help serve as the point person for diversity, equity, inclusion, and belonging work at the City. As a coordinator role, this position will help normalize, organize, and operationalize equity in and through City Services and with the City’s Boards and Commissions. The official will provide informal leadership, advice, and consultation to City departments on equity and inclusion principles and practices; provide strategic technical guidance and policy direction of the City’s diversity, equity, and inclusion efforts; and coordinate citywide outreach and engagement strategies, actions, events, and communications.

As the Boards, Commissions and City Council begin the upcoming trainings on implicit bias and microaggressions, it is important to continue the discussions with the Boards and Commissions about how equity impacts the work that they do. The Equity and Inclusion Official will spend

time with the Boards and Commissions in addition to helping to move many of these workforce equity and inclusion efforts forward, including organizing an equity team.

*Update on Alternative Response Mental Health Programs (linked to Completed Assignment D):*

1. Santa Clara County's new Community Mobile Response Program (branded the Trusted Response Urgent Support Team (TRUST) Program): Santa Clara County's Behavioral Health Department made a [presentation](#) to the Policy and Services Committee in March 2021 ([CMR #12051](#)) about their new alternative response program. As discussed then, the TRUST program is a non-law enforcement response resource for lower-level mental health crises based on Eugene, Oregon's CAHOOTS program and other alternative response programs. Following that presentation, Palo Alto successfully advocated for inclusion of a third north county site in addition to the two originally proposed in East San Jose and Gilroy.

The overview for the program can be found here: [https://mhsoac.ca.gov/sites/default/files/MHSOAC\\_Materials\\_05272021\\_0.pdf](https://mhsoac.ca.gov/sites/default/files/MHSOAC_Materials_05272021_0.pdf) [beginning on page 101](#). The County continues to finalize the contract with the chosen provider and will continue to work with the City on implementing the program in North County.

2. Requesting federal funds for an alternative mental health response program: In order to ensure adequate coverage of a mental health alternative response program for Palo Alto, the City in 20221 submitted for federal Community Project Funding (earmark) for financial support for this type of program in partnership with the Cities of Mountain View and Los Altos. With the leadership of Congresswoman Eshoo, the City received notification that the funding would be awarded to the City (though the City does have to go through a formal grant process to receive the funding). Staff continues to work towards this.
3. The Psychiatric Emergency Response Team (PERT) program also continues to be successful in Palo Alto as another resource, in addition to the Mobile Crisis Response Team (MCRT).

## **Other Citywide Race and Equity/Diversity Updates**

### Palo Alto Art Center Activities

#### *Creative Attention: Art and Community Restoration*

Started in January 22, this exhibition explores the power of art to promote individual and community wellbeing. The exhibition also includes two artist residencies. One is with artist Christine Wong Yap, who is exploring places of belonging in the community with teens and seniors. The other is Marcel Pardo Ariza, who will be leading workshops with the Rainbow

Collective, the LGBTQ+ community at Avenidas.

In the upcoming *Restart* exhibition, there will be some visual descriptions of artworks available by QR code for blind visitors.

The summer is also when the Art Center offers the “Working Together” internship program—a collaboration with the Junior Museum & Zoo that promotes diversity in the museum field through a pipeline of engagement for diverse youth in paid teen opportunities, paid undergraduate internships and paid graduate fellowships.

### Palo Alto Children’s Theatre Activities

Palo Alto Children’s Theatre has focused on producing work that allows all Palo Alto residents to see themselves reflected on the stage. The Children’s Theatre continues its initiative to create accessible programming for underserved communities, with classes, camps and productions offered through collaborations with Palo Alto Unified School District, Bay Area Title-1 Schools, the Magical Bridge Foundation, Stanford University, and The Breath Project. Some specific efforts include:

- In Summer PAUSD Outreach, the Children’s Theatre works with PAUSD family services specialists to identify students who benefit from full scholarships for Summer Camps and Classes. This summer there will be 9 students participating in summer programs on full scholarships, offered in collaboration with the Friends of the Palo Alto Children’s Theatre;
- This year, as part of our Magical Series Spectrum and Sensory Friendly offerings, which are enrolled based on developmental age, rather than chronological ages like most City classes and activities, the Children’s Theatre offered Magical Series Story Acting Classes each quarter, and starting in June, will expand to include Free Magical Series Music Therapy classes, with a focus on accessibility for neurodivergent participants.
- From June – August 2022, the Children’s Theatre will take part in a collaboration with the Stanford University Compression Forum, offering free internships to rising high school seniors and incoming college freshman. The participants, who all come from under-represented / under-served backgrounds, will take part in a research project that explores the use of advanced technology in theatre.

### Palo Alto Junior Museum & Zoo (JMZ) Activities and Efforts

The JMZ continues to work on recruitment and retention seeking to expand diversity of employees through internships (funded by a grant) as well as ensuring that staff reflects the diversity of the community it serves. In this effort, the JMZ is working with East Side Prep (a college preparatory school in East Palo Alto) to recruit ethnically diverse students as staff and volunteers for its Science Camp Program. The JMZ and Friends of the Junior Museum & Zoo are also focused on staff training on cultural diversity and sensitivity with the goal to develop staff to have sensitivity in how they communicate to many different cultures and lived

experiences in a way that uses appropriate language, is clear to everyone, and that expresses respect and understanding.

The JMZ's *Access from the Ground Up* project to build-in accessibility for people with disabilities into every facet of the new facility is in the process of evaluation, the final stage of the project. The five-year project was made possible by a \$270K grant from the Institute of Museum and Library Services (ILMS) and by the participation of community groups, parents and advisors. Additionally, another grant by the Christopher & Dana Reeve Foundation allowed for two adult-sized, motorized changing tables in the restrooms to allow parent and caregivers the space to tend to the changing and care needs of a larger child who may have a physical disability.

The JMZ is also seeking further ways to increase access and opportunities for low-income neighbors. One such program is the *Museums for All Program*, a nationwide program to build economic equity into museum admission policies by the Association of Children's Museum and the Institute of Museum & Library Services. It provides a deeply discounted admission ticket of \$3 per person to a family that has an electronic benefit card or similar benefits.

### Palo Alto Public Art Program Activities

#### *Dr. Martin Luther King Jr. and Coretta Scott King Artist Residency*

In the spirit of Dr. Martin Luther King Jr. and Coretta Scott King, for whom King Plaza is named, the City Council asked the Public Art Commission to consider commissioning a permanent work signaling the City's commitment to race, equity, and belonging. The Public Art Commission is committed to a permanent platform for ongoing conversations about equity, inclusion, and belonging in Palo Alto through the arts. As a result, the King Artist Residency Program was established.

[Rayos Magos](#), a San Jose-native Latinx mixed media artist, approved by the Public Art Commission as the first Artist-in-Residence with the City of Palo Alto Public Art Program. He has conducted over 30 meetings and interactions with the community since February this year. The most recent workshops were:

**What:** Join these free workshops for adults 18+ to learn letter writing for mental health, creative expression, and sharing.

**Why:** Letter writing, poetry writing, and creating using watercolor allows us to explore our creativity in a tactile way while expressing our emotions in a positive way.

**When:** Tuesday, June 7 and Thursday, June 9 from 6-8 p.m.

**Where:** Studio F-4, Cubberley Community Center, 4000 Middlefield Rd, Palo Alto  
Workshops are free, but spaces are limited. Book via [Eventbrite](#). Artist contact info: [\(650\) 303-4633](tel:6503034633).

### Library Activities

Here is a list of programs/events done by the Library between February 2022 and May 2022:

- Income Tax Preparation for Low-Income patrons (February 19 - April 16)
- Black History Month (BHM) Storytimes
- Lunar New Year (LNY) Events:
  - Performance by Leung’s White Crane Association
  - LNY Storytimes
- Created Web Content: Booklists, blogposts, social media posts on BHM, LNY
- Women’s History Month (WHM) Storytimes
- Fair Housing Rights with Project Sentinel
- Storytimes for Neurodiversity Week (March 21-27)
- Norooz Events:
  - Norooz Dance Lesson
  - Norooz Storytimes
- Created Web Content: Booklists, blogposts, social media posts on WHM, Norooz
- Two Shibori Tie-Dye Workshops
- Asian American Pacific Islander (AAPI) Storytimes
- Author Event: How to Make Dumplings with Samantha Mui
- Created Web Content: Booklists, blogposts, social media posts on AAPI
- Ongoing Activities:
  - Bi-Monthly Sensory Storytime
  - Monthly ESL Book Club
  - Monthly Stay Woke Book Club
  - Weekly ESL Conversation Group

### **Timeline, Resource Impact, Policy Implications**

The work described within this report is being accomplished within current budgets unless otherwise noted (such as as the note of the Equity and Inclusion Official as an FY 2023 Budget request).

### **Stakeholder Engagement**

Community engagement is an integral part of Palo Alto’s race and equity work. Engaging the community at large to provide feedback for the City’s Race and Equity strategy has been a priority throughout this process as shown in the Framework. The City continues to engage the community through a series of Race and Equity conversations. Updates on the City’s ongoing efforts can be found on the Race and Equity webpage on the City website ([www.cityofpaloalto.org/raceandequity](http://www.cityofpaloalto.org/raceandequity)). Staff is also planning an updated Community blog with the information contained within this report. The blog will be posted on the City’s Medium page at: <https://medium.com/paloaltoconnect>.

### **Attachments:**

- Attachment A - R&E Assignments Completed as of February 2022



**Attachment A – R&E Assignments Completed as of the February 2022 Quarterly Report**

*(Note: this information was shared in the February Quarterly Report ([CMR #13997](#)))*

*(Note: the orange text is the work completed between September and February)*

Assignment	Work Assignment	Status
A	Adoption of the mission statement as a guiding statement of the City’s commitment to make equity a foundational principle in the City’s operational work;	Completed: the mission statement was adopted by City Council on November 16, 2020.
B	Expedite implementation of the new police records management system (RMS) with quarterly reports to Council, and to return with the necessary agreements for the records management system allowing for Racial and Identity Profiling Act (RIPA) implementation;	Completed. A detailed update is included below these tables.
D	Work with Santa Clara County on implementation of participation in the Santa Clara County Psychiatric Emergency Response Team (PERT) program and the Mobile Crisis Response Teams (MCRT) program and to return to the City Council with any necessary agreements for program participation;	Completed. An update on this item is included below these tables. Staff continues to work on alternative service programs through partnership with Santa Clara County.
E	Develop/update a policy on the timing of records release related to investigations that qualify for public disclosure under SB 1421 and AB 748;	Completed: Earlier this year staff finalized procedures and workflow related to the release of records associated with investigations that qualify for public disclosure under SB 1421/AB 748.
F	Amend and expand the current Independent Police Auditor’s (IPA) scope of services to include all administrative use of force reports where a baton, chemical agent, TASER, less-lethal projectile, canine, or a firearm is used, and all cases where the subject’s injuries necessitate any treatment beyond minor medical treatment in the field;	Completed: The City Council approved a contract amendment with the IPA on June 14, 2021 which includes this language as part of the expanded scope of services.  The first report to include this expanded scope will be the next IPA report. The August 30 report was written at the same time the contract scope was amended thus it did not include the expanded scope. The staff cover memo for the August report contained the summary of IPA contract amendment items.
G	Maintain an every six (6) months schedule for IPA reports to City Council containing reviews ready at the time of the report; and for the IPA to provide an audit workplan to the City Council for approval;	Completed: The City Council approved a contract amendment with the IPA on June 14, 2021 which includes this language as part of the expanded scope of services.

Attachment: Attachment A - R&E Assignments Completed as of February 2022 (14497 : Race and Equity Quarterly Update)

Assignment	Work Assignment	Status
		<p>This new schedule of report release started in August 2021.</p> <p>The most recent IPA reports were published on March 22 and August 30, 2021, as informational memos. The staff cover memo for the August report contained the summary of IPA contract amendment items.</p>
<p><b>H</b></p>	<p>Include use of force information to the regular Supplemental Report submitted to the City Council as a cover memorandum to each IPA report;</p>	<p>Completed. The use of force (UOF) information for Dec. 2020-Dec. 2021 as an annual report of a full calendar year of data will be released with the next IPA report in February 2022. This information will be shared for the year 2022 in early 2023. The report includes all uses of force similar to the June 2020 report. The use of force (UOF) information for Jan. 1, 2015 – June 1, 2020 is available online (<a href="https://tinyurl.com/4kwwy6xb">https://tinyurl.com/4kwwy6xb</a>).</p>
<p><b>I</b></p>	<p>Refer the police reform legislative priority thoughts and input to the Policy and Services Committee who will be discussing the City’s legislative priorities in December 2020;</p>	<p>Completed: This recommendation has been completed; it was included in the City Council-adopted legislative guidelines (CMR #11968: <a href="https://tinyurl.com/evzjwhpw">https://tinyurl.com/evzjwhpw</a>) in February 2021. Staff and the legislative advocates continue to track bills. The City weighed in on several police reform bills as well.</p>
<p><b>J</b></p>	<p>Refer all race and equity work to the Policy and Services Committee for citywide diversity and inclusion practice areas and policing practice areas;</p>	<p>Completed: The P&amp;S Committee has been receiving quarterly updates and discussion items related to the City Council Social Justice priority and Race and Equity.</p> <p>Staff is working to get supplemental help to assist the City with developing a race and equity roadmap, training, and staff assessments.</p>
<p><b>M</b></p>	<p>Policy and Services CEDAW recommendation: Direct Staff to proceed with a community summit on gender equity issues and next steps in Palo Alto;</p>	<p>Completed: The Palo Alto Summit on Women and Girls took place on June 12, 2021 with keynote speaker Lori Nishura Mackenzie. Information online at: <a href="https://www.cityofpaloalto.org/Events-">https://www.cityofpaloalto.org/Events-</a></p>

Attachment: Attachment A - R&E Assignments Completed as of February 2022 (14497 : Race and Equity Quarterly Update)

Assignment	Work Assignment	Status
		<a href="#">Directory/City-Manager/Summit-on-Women-Girls</a> . Potential additional steps and other recommendations are included in this staff report.
N	If the County does not assign a resource to Palo Alto in the next six months, refer to Policy and Services Committee the exploration of the feasibility of a CAHOOTS-type program;	Completed: The County has assigned a PERT resource to the City of Palo Alto.
O	Amend the contract to require the Independent Police Auditor (IPA) to meet with the City Council in open session twice a year with each report;	<p>Completed: The City Council approved a contract amendment with the IPA on June 14, 2021 which includes this language as part of the expanded scope of services.</p> <p>The first of these meetings with the IPA will occur on September 13, 2021.</p>
P	Refer to the Policy and Services Committee consideration of the Independent Police Auditor (IPA) oversight of internal complaints regarding misconduct related to harassment, discrimination, or retaliation resulting in city investigation of uniformed officers.	<p>Completed: The Policy and Services Committee fulfilled this City Council referral and had this discussion at the April 13, 2021 meeting. The <a href="#">staff report</a> is online as well as the <a href="#">action minutes</a>. The Committee voted to recommend the City Council direct Staff and IPA to include harassment, retaliation and discrimination claims within the IPA scope; and research best practices to balance the needs of transparency and public oversight while preserving the anonymity of complainants, witnesses and the subject.</p> <p>The City Council approved a contract amendment with the IPA on June 14, 2021 which includes this language as part of the expanded scope of services.</p>
Q	Direct Staff to work with IT to streamline publishing police policy updates to the City website on a quarterly basis.	Completed: The Police Department found a solution to streamline the redaction process to make quarterly updates. The policy was last updated on May 1, 2021.

Attachment: Attachment A - R&E Assignments Completed as of February 2022 (14497 : Race and Equity Quarterly Update)