



POLICY AND SERVICES COMMITTEE MINUTES

Special Meeting
May 8, 2012

ROLL CALL

Chairperson Holman called the meeting to order at 6:04: p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Holman (Chair), Espinosa, Klein, Schmid

Absent:

ORAL COMMUNICATIONS

None

AGENDA ITEMS

Chair Holman closed Oral Communications. She stated there were two agenda items and that the Committee would hear the Auditor's Office Quarterly Report first.

2. Auditor's Office Quarterly Report as of March 31, 2012

Jim Pelletier, City Auditor, presented the Auditor's Office Quarterly Report as of March 31, 2012. He said the sales tax recoveries had been updated and for the third quarter they added approximately \$6,000 in sales tax recoveries, which totaled about \$77,000 recovered year to date. Those were recognized by the Staff as 100% recovered. Staff finished the Service Efforts and Accomplishments Report (SEA) for the fiscal year and completed the last quarterly report. They issued the Special Advisory Memo (SAM). Projects in process included the implementation of the Employee Fraud, Waste, and Abuse Hotline (Hotline). He stated they would fall behind a little bit in that process. He did not give the City Attorney enough time to do a thorough review of the policy in order to keep it on that week's Policy and Services Committee (Committee) agenda. He said it would be on the next available Committee agenda in June. The Hotline would be ready to launch as soon as the full Council gave its approval. The Contract Administration

MINUTES

Audit and the Utilities Reserve Audit were close to the report writing stage and would be completed by the end of the fiscal year.

The recruitment process for the Senior Performance Auditor position was complete and the new Senior Auditor would begin work the following week.

Council Member Espinosa the HR Employee Benefits Audit.

Mr. Pelletier said the HR Employee Benefits audit was being done by the Senior Auditor that left. It had been on hold during the recruitment process and would be considered for the first project for the new hire. However, there were other projects they could prioritize as well. He thought that it was a good first project for someone that was new to the City to get grounded in.

Council Member Espinosa asked for a timeline of when the "not started yet" audits would begin.

Mr. Pelletier said that they discussed that with the Finance Committee the previous evening. The "not started" projects would be part of his risk assessment planning for the next year. So those would receive a higher priority consideration when he developed the plan for the next year.

Council Member Espinosa asked why the audits were not started.

Mr. Pelletier said when he evaluated the plan in earlier in the year he realized it was clearly not feasible. He chose to work on the Contract Administration and the Utilities Reserve Audits because they were something his department could finish in the fiscal year. He said that the loss of Staff and the time it took to replace that loss also affected the amount of work that was completed. He said that the remaining audits would be considered for the following year.

Council Member Schmid asked about the "on hold" Human Resources Audit and how it would be narrowly focused. He also asked if it was an oversight of the department or a look at the system as a whole.

Mr. Pelletier said that every audit started with a review of the system as a whole. His plan for the Human Resources Audit was to limit the amount of time spent on it. Once the initial survey for the Audit was completed they would review and prioritize the risks associated with the area. The Audit would be scoped to focus on the higher level risks.

Council Member Schmid confirmed they would look at risk.

MINUTES

Mr. Pelletier said yes, that was his approach on every audit.

Council Member Schmid confirmed that it was not just how the City clerically took care of its current employees, but the audit was also an assessment of the risk in the current system.

Mr. Pelletier said that was correct. He stated that his goal for every audit they preform was to do the least invasive risk assessment for that audit. That was in terms of the key objectives of the department, program, or function that was audited. He said that they looked at what risks existed that could keep them from reaching those objectives. He said that they looked at that across the scale and the function and then prioritized.

Council Member Schmid asked if he was looking at the actuarial report.

Mr. Pelletier said he did not know yet. He said that he did not like to fine tune the scope until they could make a decision based on the data versus his judgment. He said that his judgment played a factor in it, but that he wanted to make sure they did sufficient research and analysis before the scope was limited. The initial research was not done and they could not say where it would lead them. The data would lead them in the direction the audit would need to go.

Council Member Schmid asked about the Utility Reserve audit.

Mr. Pelletier said that predated his hire date, but he understood that some level of a utility wide risk assessment was performed. The audits that were identified came out of that process.

Council Member Schmid asked if there were others that were suggested.

Mr. Pelletier thought that the other main one was the Utility User Tax. He said that was made under the previous year's plan. He stated he had not looked at what was performed to consider what might be coming in this year's plan. He explained he was currently in the process of doing his assessment for next year's plan.

Council Member Schmid asked when next year's plan would begin.

Mr. Pelletier said that would come relatively soon. He said they were looking at close to the end of the fiscal year depending on the Council's schedule.

Council Member Schmid asked what they could expect to see in the SAM and what others may be coming.

MINUTES

Mr. Pelletier said that the SAM was used as items came up. He said it was a tool he introduced to provide flexibility to report on matters as they arose. In the instance of the SAM he released earlier, it was something that came up after the audit was finalized and the report was nearly complete. He said that they did not want to go back and do extra work that would delay the report. SAM provided the opportunity to say that there was another issue that needed to be resolved. They worked closely with the City Management team to resolve it and worked together to develop the memo.

Council Member Schmid asked if the other report was amended.

Mr. Pelletier said that was correct. He planned to carve out time in his time budget for the next year to allow flexibility to release additional SAM's as issues arose. He said that SAM was a tool to be used as issues arose so they did not have to launch an intense audit every time they encountered a new issue. He said that sometimes they would need to launch a new audit, but when possible they could use a SAM.

Chair Holman discussed the Grants Management section of the Staff Report. She said it read to her as though it included a process of making grant applications and tracking when grant applications were due so that they were made. She asked if that would be included.

Mr. Pelletier said that it could be included. He said that they would look at the grant management process as a whole to start the assessment and then focus in on the areas they felt were the highest risk. He said that if they believed the timing of grant applications was more of a challenge for the City than say, the documentation to ensure they got full reimbursement on certain types of grants, then they would focus on that area. However, if the assessment showed weakness in the documentation area based Staff would focus on that and would provide the City with recommendations on how to improve that. He said it really depended on the initial assessment. He understood that the Committee was looking for more specific information but preferred to keep things open so that they could focus on the right things as they went through the audit process.

Chair Holman asked if she understood that when Mr. Pelletier developed his work plan for the next year that he would assign different amounts of time to different projects. She asked if the Committee would be presented with his recommendations or a list of options so that they could evaluate if something else should be a higher priority. She asked if they had an ability to move priorities around with the time allotment.

MINUTES

Mr. Pelletier said he would offer the Committee a plan that would show what he had available for Staff and time in his budget. He said that would include the audits he would recommend based on the outcome of the risk assessment they were currently working on. Additionally, he would provide a larger risk assessment that would show where he pulled the audits from to help the Committee understand why he pulled those audits. Then the Committee would have the opportunity to comment on the plan. He said that everything had to balance with the hours they had available to finish audits so that they did not design a plan that was unattainable.

MOTION: Council Member Klein moved, seconded by Council Member Espinosa to recommend the City Council approve the Auditor's Office Quarterly Report as of March 31, 2012.

MOTION PASSED: 4-0

1. Continued Discussion on Infrastructure Funding Options for the November 2012 Ballot

James Keene, City Manager, said that the Council directed that the discussion come before the Policy and Services Committee. The most recent retreat covered many of the issues in the discussion but the Council did not make any conclusive determinations. He said that this was a chance for the Council to look more closely at the issues related to building the kind of implementation challenges reported by Infrastructure Blue Ribbon Commission (IBRC) and the City's overall infrastructure needs. He said that they did not have a presentation planned and that Staff was there to support the discussion. He thought it was helpful the way Staff graphed out the different challenges between catch up and keep up and the funding amounts. Staff also tried to identify on another chart the new projects and the larger capital projects issues. He said that one main point worth repeating to the Committee was that almost every revenue option the City had available to it required a general election ballot vote in either November 2012 or November 2014. There was a short time frame for the Council to decide if it wanted to put anything on November 2012 ballot. By the middle of June or July 2012 Council would have to have voted to place a particular issue on the ballot. He thought that one of the actions the Committee could take would be to decide whether or not there were any issues they wanted to consider and put on the November ballot. He said that the Committee may want to have a significant discussion before it got to that point. Staff needed direction as to where they should put their attention in order to ready a ballot measure for November. He felt that a recommendation from the Policy and Services Committee on a ballot measure to Council was in order.

MINUTES

Molly Stump, City Attorney, said the materials that Staff put together included a summary of various types of taxes. She said Staff took the approach of describing the standard way that the taxes were structured. For example, many of the taxes were described as general taxes, which were taxes for a general purpose. Those revenues would be placed in the General Fund. She explained that general taxes must be on a general election and was subject to a simple majority vote. She said there were more unusual possibilities that existed. There was the potential to take a different approach which could put them in an off-year vote with a two thirds requirement if the Committee was interested in structuring some of the tax vehicles as special taxes. Special taxes were taxes that were prescribed for and dedicated to a particular purpose. She said that the materials described the typical way of structuring the taxes, but there may be more customized approaches possible. She said that if the Committee or Council was interested in pursuing those ideas she would look at them more closely.

Council Member Schmid stated that what was on the agenda was a continued discussion which was much broader than the Council Motion directing the conversation and that Ms. Stump gave the Committee a general statement that they could look at many things. He asked what they were bound to that evening on the agenda.

Ms. Stump said that in terms of Brown Act requirements, the Committee was bound by what a person of average intelligence with a high school education would understand to be potentially discussed under the title listed on the agenda. That title was "Continuing Discussion on Infrastructure Funding Options for the November 2012 Ballot." She said that the focus was on 2012 and that the Committee would not be in any position to make decisions on other items.

Council Member Schmid asked if the Committee was limited to the Motion that was passed by the Council.

Ms. Stump said that they were not limited to that by the Brown Act. She thought that in terms of general protocol and management it was probably more loosely structured than that.

Mr. Keene thought the Committee had to respond to the directive from the Council but if the topic led the Committee to look at other issues and make recommendations the Council would not be upset.

Council Member Klein said that he came to the meeting with a different perspective. He said that he had missed both of the previous meetings on

MINUTES

the subject. He missed the last retreat. He said that he had planned to attend on April 30th but was unable to for medical reasons. He said that the minutes were very helpful to him. The April 30th minutes included a long list of comments with no attribution of who made them. He asked if they were Council Member comments or Staff comments or a mixture of both.

Sheila Tucker, Assistant to the City Manager, said they were probably Council Member comments and that where there was an answer that was a Staff response.

Council Member Klein confirmed that was the case using #10 as an example. He said that it was very helpful and that it included some good comments. He felt that the Committee was undecided on how to get where it needed to go. He started out thinking the 2012 election was too early for a variety of reasons. He said that in January he asked how they would get there and what the plan was. He asked what they wanted to accomplish. He believed there was some consensus on the Public Safety Building but on what level he did not know. He said that Council had not taken a position on the IBRC report other than praising it. The public needed to be made aware of what the plan was with respect to the IBRC report. He thought they needed to be very specific and begin developing the IBRC report items specifically endorsed by the Council. The voters would want to see a list of specific projects. He said that was all on the expense side. They needed to determine how much they were asking for, when they were asking for it and what the ordinary voter would get for his money. He did not feel any consensus on what type of tax the Committee would suggest. He asked if the City would be able to finance some of the programs in other ways than taxes. He mentioned Cubberley and how it was not discussed very much. Cubberley was a tough issue but would be part of the campaign. He said that people would want to know where the Council was on Cubberley. They would ask if Cubberley would free up money for the City or if the City would have to spend additional money on Cubberley. He said that the lawyers would not be particularly concerned if they had two processes, they would want the information so they could vote yes or no on the ballot. A timeline leading up to elections will also need to be discussed, but the City wasn't even ready to begin polls. He said that he had two basic conclusions. One was that holding an election in 2012 was unwise for a variety of reasons and that 2014 was not far away. He thought they needed to move in a different direction and focus on 2014. That was what he would recommend to the full Council. He said that the Committee had discussed the taxes as a choice between A, B, C, and D but another possibility was to combine the choices in the same sense that the Governor's tax program for 2012 had both income tax and sales tax increases. When the government puts together a package of public improvements it usually had to have something for everybody. He

MINUTES

said that was definitely part of the library bond. On the revenue side they may need to have something in which virtually all persons in the community paid a portion.

Council Member Espinosa said at the last meeting he asked Mr. Emslie if there were any scenarios where Staff would see the City ready in November to place anything on the ballot, and Mr. Emslie's response was "no." He asked if anything had changed since that point. He said that he wanted to make sure that was still the case.

Mr. Keene said that in general it was virtually impossible to be ready for November 2012. He said that there might have been one or two approaches mentioned by some Council Members. The only reason he would consider entertaining one of those approaches was if the Committee thought that breaking up a request of the voters over two elections had some advantage. He said that it could also be argued that there was a downside to having two elections. He said that some of it was political, some was strategic, and some of it went to the point Council Member Klein made about how they would collect data through surveys and polls. He was 95% sure that putting anything on the November 2012 ballot was not feasible. The only thing he heard people asking was if there could be a Transient Occupancy Tax (TOT) change on the ballot since that passed by a large percentage in the last election. He reminded the Committee that if that particular revenue source moved from the 12% rate to the highest rate of 15% it would yield \$2.2 to \$2.3 million a year. He said that was not a sizeable revenue stream, however, it depended on what the City was trying to achieve. If the City tried to fund the catch up piece of it and the Council started looking at how it might define the catch up \$41 million, then \$2.2 to \$2.3 million a year started to get to that piece. He thought the other thing that the Committee was doing on behalf of the Council was taking the results of the IBRC recommendations and, in a sense, making them the Council's own. In other words, the Committee was considering what the Council would take in and what would be added to the IBRC recommendations. The IBRC created recommendations, timing, and possible funding sources as well as a vocabulary of how to refer to things: catch up, keep up, etcetera. He saw the choices the Council faced separate from any strategy issues. The maintenance backlog defined by the IBRC was \$41.5 million dollars. He said that in his opinion that was not that large of a backlog even though it ignored the possibility of replacing a large facility such as the MSC. The IBRC recommended taking the \$41.5 million over 10 years and funding it \$4.2 million a year. Council could issue a directive requesting a budget that incorporated the \$4.2 million as a pay as you go item. He stated that would have a large impact, but was doable. He said it was difficult to ask for a \$65 million Public Safety building all at once and be able to fund that in the same

MINUTES

way. The second piece was the keep up piece, which acknowledged that while the City closed the backlog it also needed to maintain what it had so it did not fall further behind. He said that the chart showed that when the IBRC looked at what they had in the Capital Improvement Project (CIP) in a given budget year and the long range forecast and the operating budget for maintenance there was gap of about \$2.2 million. In the proposed budget and the long range forecast they added the funding for the \$2.2 million to take care of the keep up piece. He said that left two big issues. First, how to deal with the backup in terms of the \$41 million and second, how to handle the larger capital project items that needed revenues. Some examples of the capital projects were the Public Safety Building, Fire Stations, and the Municipal Service Center. Those were identified in the IBRC report and by Staff. In the backlog catch up there was \$6.8 million for Cubberley, which assumed they would repair the existing facility. If they needed to rebuild it in some way in conjunction with the schools, that was potentially a much larger capital project. The Post Office was a similar issue. With respect to the Bike and Pedestrian Plan, there was another \$35 million which was not included in the IBRC. The main questions were what did the City want to put together, how much of that was saleable to the public, and what projects would yield the best return for the City's investments. He said that Mr. Emslie's point was there was not enough time put measures together to fund the capital projects before November 2012. He agreed with that assessment. Therefore, the only question was if there was anything that could be done to fund this by November. He thought that was extremely high risk and not necessary as time was too constrained to try to do something for November. He believed if the City wanted to put a measure on the November 2014 ballot then Staff would have to immediately begin work determining what the City wanted to fund and doing the groundwork. He said that it required a minimum of two years for the analysis, prep, outreach, focus groups and other things.

Council Member Klein was glad to hear that they had started on that, but pointed out that they had not started getting behind the recommendations made by IBRC. He recalled that the IBRC got their numbers from Staff. He asked where Staff got the numbers from. The answer was that the numbers were several years old. He felt that meant the City could not have a high confidence level in the numbers for the projects. He said that they have also assumed that they agree 100% with the IBRC as to the need for the projects. He thought the Council needed to look at the recommendations on a line by line basis and come to a consensus on what needed to be done. At least one Council Member thought the transit option with some tax was something they should go for, but even if that was right politically he thought it was bad government and that the Council owed it to the voters to present a comprehensive, thoughtful packet. He was concerned with the

MINUTES

City Managers assessment that two years would not be enough time to produce something for the ballot.

Mr. Keene said meant to say the City would need two years. He thought that part of this was being respectful to the fact that the Council had nine individuals on it that had not made a decision about the timing. Staff would be most effective if Council said it was not moving forward with November 2012 and targeted 2014. Staff needed time to make a proposal for some tax or bond measure to be put on the ballot with a rationale as to what the funds raised would be spent on. He wanted to take in the IBRC recommendations and identify the range of things that needed to be done in order to figure out what the options were for funding. That was owed to the voters in the community. He said that they wanted to be able to say that they arrived at a recommendation that they had rationales for and confidence in pursuing.

Council Member Espinosa said he thought at the last meeting Staff was 100 percent against it, but now it seemed they were only 95 against going forward with 2012, but that there were some Council Members who were interested in it. He said that he focused on that point so much because it was referred to Committee by Council. They were to report back to Council on any recommendations they had or did not have related to the November 2012 ballot. He wanted to make sure that if there had been a change in Staff's thinking he knew about it. It sounded as though there was a slight change, but the recommendation remained the same. He was not convinced by arguments on the other side. The other two areas were much broader and had already been raised, but he had asked a number of questions previously related to polling and when information would be available. He thought that there was politics in that, and there was the issue of what was digestible by the community. He thought that started with the IBRC report and having a conversation amongst Council Members to discuss what the Council would do with the report and its recommendations. From there they could begin to understand what needed to be done and what resonated with the community and what the schedule should be. He thought it was critical that the Committee came to an understanding about the timeline. He felt that two years would pass quickly and that there was a timeline but he was not sure that it was as detailed as it should be.

Mr. Keene said that the timeline they had was generally accurate. It said that at minimum the remainder of the calendar year was needed to prioritize both what was possible and how they would start to do all the different work on the feasibility, the finance measure, the polling, the outreach, etcetera. He said that was not campaigning for the measure, it was the means to elicit the input that could form what Council's final decisions ultimately were. The

MINUTES

next step was determining how to do detailed polling. Then at the latest in the summer of 2014, they would decide what would be on the ballot and when the actual campaign would begin. He thought that was a good time frame to work within, but he acknowledged there was significant work that had to be done. He stated that he knew the timeline needed more detail.

Council Member Espinosa worried that the details would push the schedule out because it would be not just two meetings to come to a conclusion, it would be six. He was not sure they had time for six meetings.

Council Member Schmid said there were significant materials and a long timeline. He asked what the Committee's goals were for that evening. He said it was important for them to determine if they were recommending something for the November 2012 ballot. He thought the point was well made about what were the numbers that they had and that they agreed on. He asked if it made sense to divide the requests between two elections. He questioned if the Committee wanted to put everything on one big bond issue or divide it and have one before 2014, or one in 2014 and the rest after. He said that they could also consider a comprehensive bond. He noted there was debate on the discrete numbers related to catch up and if there should be a catch up vote in November 2012. If there were a vote, they need to determine if it would be on the \$41 million, or some subset of that such as the \$25 or \$30 million that had been mentioned. There were several questions about priorities. For example, he asked if the Public Safety building would get a priority. As the Committee received a set of choices with different tax options he wondered if the Committee should review them to see if they had something particular to say about the five or six options. Finally, he believed a public opinion poll would be a critical element. He suggested that it might make sense to think of that as not one poll, but a series of polls. He suggested that maybe one poll should be given that year in a preliminary way to give guidance and to be a base case that they could hopefully work on changing when it came closer to the election.

Mr. Keene added another issue to Council Member Schmid's list. He said that they should consider the timing issue as it related to other things that might be on a particular ballot.

Chair Holman said moving forward on the 2012 election was not feasible. She stated at least three of the Committee members felt that way, so she believed that question was answered. She did not think there was time to consult the community as they did not have discrete numbers or priorities or other items previously listed. She felt it would be foolish to move forward with the 2012 election. The timeline was not specific or detailed enough. She was troubled that if they had two years, it would be easy to allow eight

MINUTES

months to pass without accomplishing very much. She thought the Committee could provide input on the points they wanted included in the timeline. She asked how they would use the IBRC report, how they would prioritize, and how the IBRC report interfaced with the CIP. Having reviewed the CIP several times, it seemed to her that it was given too much of a cursory look on the part of the Planning Commission and even the Council. She said that there was a reason that projects were included in the first place, but that time passed as the CIP was a five year plan. Therefore, she believed that they needed to look at the CIP more closely. She did not believe the dollars associated with the projects were accurate. One of the other reasons she did not believe they could do a 2012 election was because Cubberley was not ready for consideration. She felt the Post Office was a good opportunity, but noted they did not have any idea about what was necessary there. She said that there were a couple of major things that affected the Committee in making a recommendation. She agreed that this was not an all or nothing scenario. It was not that they would just do a sales tax or a TOT; they could do a combination which might be more palatable to the voters. One of the other issues she had was related to the cost of projects and other considerations such as which ones were joint agreement projects and which ones would be funded primarily or at least 50% by grants. They needed an updated description of the Public Safety building project. She questioned how rounds of polling would be built into the timeframe and said there could be preliminary polling and then another round of polling. She asked how they would look at the CIP and evaluate the IBRC report. She said that there were a number of different ways they could look at those issues and that was something that the Committee could potentially discuss that evening. She did not think the full Council could do it as that would be extremely involved. She asked if they needed to establish another committee and if so, should that committee be a joint committee of Policy and Services and Finance or Planning and Transportation Commission. She did not propose anything, but she thought they needed to put something forward on how to handle the IBRC report. The IBRC report was often referred to, but the Council had not really looked into it in a meaningful manner.

Mr. Keene said it might be helpful to think of the CIP as a bucket of money versus specific projects. The funds and the projects in the CIP were fungible. The City had \$16 to \$20 million in the General Fund each year for the CIP and for the most part Council had discretion over what it wanted to fund from that. What the IBRC said was beyond the \$20 million was a gap of \$2.2 million each year, which was the backlog the IBRC called the catch up. He said there were several capital leads that would ultimately become revenue bonds that did not have to be approved by the voters. The Municipal Services Center was mostly going to be in that category. The

MINUTES

Regional Water Quality Control Plant, Compost Facility related to Measure E, and other similar projects were out there but they were outside of the realm of the voters. He said they needed to make a decision on the Post Office long before any election. That had to be funded. He said that they could put uses in there that were compatible and had a revenue stream. He said they all knew what the options were. The City may have to use money from reserve and buy it up front depending on how the deal was structured, but then they would have a revenue stream that repaid the City and could save money over the long term versus paying rent. He said that the Bike Master Plan and trails went to Council Member Klein's point about what the City needed and what the public was interested in or needed. There could be items removed from the CIP and funded in another way. He said that almost everything on the chart was identified or taken care of in other ways. The Cubberley replacement issue was a big question mark would not be clarified that year. He said that could be in a position for 2014. The Bike Master Plan, Cubberley, and Public Safety Fire Stations were big issues that he identified in addition to the question of how to close the backlog. Some of them could be treated as projects on the backlog \$41 million. He said that in June he thought they could give the Council options on the Public Safety Building that could cost less than \$65 million. Then there would be some rough estimates of what Cubberley could actually cost. He felt that in summer or fall of this year they could start polling about what resonated with the public as a whole so Council could make determinations.

MOTION: Council Member Klein moved, seconded by Council Member Espinosa that the Policy and Services Committee recommend the City Council; 1) not hold a revenue election in 2012, 2) direct Staff to start planning for a 2014 program and election, 3) to direct Staff to develop a detailed timeline for a 2014 election for Council approval which will include financial matters, identification of projects to be constructed or remodeled, appropriate polling, and identification of revenue sources for such a program to be brought back to Council by September 1, 2012.

Council Member Klein said he thought there was a tendency in human nature to say that two years was a lot of time, but it really was not. He said that they needed to focus on having things ready by August or September 2014, not November 2014.

Mr. Keene said that was not just because of the race, but because of how people vote.

Council Member Klein said it was done by August or September.

MINUTES

Council Member Schmid thought that it was worthwhile to make sure they had discussed the November 2012 issue. He felt that there were two points made that they had failed to recognize. First, splitting the big piece into little ones and getting it out there. The idea of getting it out there went to Chair Holman's point. When the IBRC report came out and reached the public, Council had four study sessions. He said that 2012 was decreed the year of infrastructure. He felt they were now saying it was not, which was a change in strategy. He asked if the City Manager was comfortable decreeing that this was not the year of infrastructure.

Mr. Keene said that there were several pieces. One, the addition of funding the keep up piece as a recommendation from the IBRC would be done if Council adopted the Budget as it was proposed this year and accepted the financial forecast. If Council did that it could say the City was not falling further behind in maintenance and also was planning how to effectively implement the IBRC recommendations.

Council Member Schmid asked if they could also make the case that there was \$2 million of catch up on the sidewalks.

Mr. Keene said that when the catch up piece was looked at Cubberley was \$7 million. There was discussion about if things like Cubberley could be taken out and looked at as projects that could be funded as part of a bond piece. Then there were questions as to if they could come up with a revenue source in 2012 that could fund the catch up. If that that successfully passed, the Council could say it funded the keep up from the IBRC in the operating budget of the City and then turn to 2014 for the big projects that required a lot of focus and work. He said that was the only way he believed that Council could advance a little bit earlier on the 2012 IBRC checklist specifically as far as a result. He thought there was a risk.

Council Member Schmid said he thought there were two other important points that needed to be considered before they went to the public. One was to make sure the current big public works project in Mitchell Park opened. Second, they needed to deal with the budget deficit before raising taxes. He said that he would go along with the no on 2012. He said that there was also a request to make the Public Safety Building a priority. That should be part of the discussion if they were making a recommendation to Staff that Public Safety should get some kind of priority. He offered a friendly amendment.

Council Member Klein said that they were already working on that.

MINUTES

Mr. Keene said that the final scheduled retreat, which was set for June 13, 2012, was to be devoted to the Public Safety Building issues. The updated numbers, what the architects said about the program and the ability to discuss things in further detail were forthcoming.

Council Member Schmid said that the last piece that was not mentioned was that the Policy and Services Committee should give some recommendations on which taxes might be best.

Council Member Klein said that he thought that was premature.

Mr. Keene said Council Member Klein's Motion included identification of preferred revenue sources. He presumed that they would give pros and cons and all of those things and would think about the idea of breaking them up. He said that they needed more raw materials to work with.

Council Member Klein said that polling was the best method. For example, he thought that parcel taxes were bad tax policy. Because of that he would have a hard time voting for a parcel tax, but if the polling came back and showed that the parcel tax was a real winner, then it might get his vote.

Council Member Schmid said that the polling would be one way of getting information on tax options.

Chair Holman said that she had a possible addition related to a refinement of the timeline. She said that there was an identification of projects and she agreed on that, but on a timeline she wanted to see how that might be accomplished. She said that she understood the CIP, how it was funded, and where the \$2.2 million gap came from, but wondered if all of the projects merited staying in the CIP or if some could be combined. She asked if it was really a \$2.2 million gap. The IBRC took the CIP plan at face value and that was where the \$2.2 million came from. She questioned how they prioritized projects separate from the CIP. She wanted to see on the timeline some identified steps on how they would go about doing that. She requested more discrete information in the timeline.

Council Member Klein agreed. He said that he was in favor of adding language or instructions formally that stated that the identification of projects would come first. He said that they could not decide on a revenue program until they knew how much they needed to finance. He thought it became iterative in a sense to come up with a plan to fund a \$100 million a project. There would be polling and work on the tax side of things which could show that the voters would pass say \$70 million, but not necessarily \$100 million. Then the Council would decide between passing the \$70

MINUTES

million or taking a chance at \$100 million. The Council would probably choose the \$70 million, which was a very rational choice. Then the Council would have to cut \$30 million. He thought that was a natural process that began with identifying projects and then went through several rounds. He said that there was always a constant tension between chosen projects how they would be financed.

Chair Holman asked Council Member Klein what he would add as the maker of the Motion. She agreed with his example about if the public came back with \$70 million rather than \$100 million that they would have to look at it again. She said that they needed a number or range of numbers to start with.

Council Member Klein thought it was the natural order of things.

Mr. Keene suggested that there were a number of items in the Motion for September. He said that they could return in September and the Committee could then issue additional instructions. If the CIP was \$15 million a year in the General Fund taking the bond measures out and if the City received grants the number might get to \$20 million. He said that was funded each year because it was built into the baseline budget. The real question was how much more they identified in other projects that exceeded the \$15 million. He asked if that was the \$70 million or \$100 million that Council Member Klein had mentioned. At that point they could reallocate whether something was in the CIP, the baseline funding, or whether it was something they would ask the voters for. He said that there could be items removed from the CIP which could be taken out before going to the voters. Those were the interim things that the Committee would work on throughout the process. They would find out what the best combination of revenue enhancement projects and things that would resonate with the public.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDOR for the identification of projects and their anticipated costs to be the first task accomplished under the time line.

MOTION AS AMENDED PASSED: 4-0

Council Member Schmid asked if this would be on the Consent Calendar at the following Council meeting.

Chair Holman said yes.

Council Member Klein said that they ought to say that it was not on consent.

MINUTES

Council Member Schmid said that the timing was important and that they should get it back as quickly as possible. He said that it needed to be added to the next agenda.

Mr. Keene said that it could be on the agenda for June 21st. He said that it would be in the packet in approximately nine days from that evening's meeting.

MOTION: Council Member Klein moved, seconded by Chair Holman to have the recommendations regarding the Infrastructure Funding Option brought to Council on the Action Agenda.

MOTION PASSED: 4-0

Mr. Keene said he was not seeking direction but he wanted the Committee to think about how interconnected everything was. One challenge was that the City's existing community service levels were under pressure in the budget. It was important to track public opinion related to services in the next two years. He discussed the Cost-of-Service study and Staff costs had to be considered along with the infrastructure. He said that the responses were determining how to reduce existing expenses in a way that the public believed the City was doing the right thing and that may be by cutting services or by being more productive. Additionally the City needed to reduce its staffing costs or shift more of the cost to our Staff. The City had to determine how to raise new revenues. He believed they ultimately needed a strategy that went beyond what the capital side in those areas. A strategy and a communication plan for how the City would communicate with the public was important so the voters would say that the City did the right things with revenues and cost reductions. He said that work needed to start this fall as they could not until a campaign on a bond measure started to explain to the voters how the City managed those items.

Chair Holman said that she was not the only one who had mentioned that they wanted to be able to demonstrate the cost savings, the fiscal responsibility, and other regards besides just this.

Mr. Keene said that was exactly what he meant.

Council Member Schmid asked about the Economic Development Strategic Plan. He said that was originally scheduled in February.

Ms. Tucker said that it was, but that it was deferred. She acknowledged that the Committee had turned over which added some complexity. However,

MINUTES

the last action item was that the Committee would give some input on the plan and then would come back with a realized plan.

Council Member Schmid said that it would be helpful to put that item back on the agenda.

Chair Holman said that the meeting dates were listed and she assumed that those meeting minutes were online. She suggested the prior report be sent to the Council Members on the Committee so they could review it and make comments back. At that point it would return to the Committee. She also suggested that if Committee Members felt there needed to be a discussion to let Ms. Tucker know so that it could be dealt with in a different manner. She thought rather than delay it any longer it would be more efficient to send comments back to Staff.

Council Member Espinosa asked if they would they get a good sense of what the Committee had thought by reading the meeting minutes.

Chair Holman said that she hoped they would as the matter was before the Committee four times and Council Member Klein was there the previous year. She said that it kept getting shorter, but that there were still language concerns and some targeted concerns about the direction. She explained that Council Member Klein had language concerns and that there was significant background the Committee Members had to catch up on.

Council Member Schmid asked if they sent their comments to Ms. Tucker if they would also receive everyone else's comments.

Chair Holman said that they would when it was ajenized. She instructed Staff to send the Committee Members the links to the four meeting minutes and reports as well as a Word file of the latest draft for comments.

ADJOURNMENT: Meeting adjourned at 7:45 p.m.