



SPECIAL CITY COUNCIL COMMUNITY DEVELOPMENT AGENCY MINUTES

Wednesday, April 5, 2006
7:00 p.m.

701 Laurel Street, Menlo Park, CA 94025
Menlo Park City Council Chambers

7:00 p.m. SPECIAL MEETING (Menlo Park City Council Chambers)

ROLL CALL – Jellins, Fergusson, Cohen, Duboc, Winkler

STAFF PRESENT – David Boesch, City Manager; William McClure, City Attorney; Audrey Seymour, Assistant City Manager and Silvia Vonderlinden, City Clerk. Other City staff were present in the audience.

PLEDGE OF ALLEGIANCE

A. COMMISSION VACANCIES AND REPORTS

1. One vacancy on the Las Pulgas Committee to fill an un-expired business member seat that expires March 2009. The extended deadline for receipt of applications is April 5, 2006 at 5:30 p.m.
2. Two vacancies on the Planning Commission to fill two expired terms. The seats are for terms that will end April 2010. The deadline for submittal of applications is Wednesday, April 26, 2006 at 5:30 p.m.
3. Commission Reports. None.

B. PRESENTATIONS AND PROCLAMATIONS - None

C. PUBLIC COMMENT #1 (*Limited to 30 minutes*)- None

D. CONSENT CALENDAR - None

E. PUBLIC HEARING - None

F. REGULAR BUSINESS

1. Direction regarding strategies to be included in the City Manager's Proposed 2006-07 Budget; authorization to engage consultant assistance to explore placement of a Tax Measure on the Ballot; and dissolution of the Budget Advisory Committee under its current charge.
(continued from March 28, 2006)

Audrey Seymour, Assistant City Manager, presented a brief staff report reiterating the strategies selected by budget workshops participants, and how these were reflected in the staff's recommendation. Council Member Duboc asked if the recommendation included setting aside funds for infrastructure. City Manager Boesch replied that staff has been talking about the unfunded infrastructure needs at multiple steps of the process. More specifically, in May 2005 staff established the \$2 mm investment as necessary to develop a sustainable budget. He added that while the Council was not intimately involved in deciding the figure this was discussed at the Budget Advisory Committee (BAC) level, with documents being produced and disseminated explaining the reason behind this recommendation.

Mayor Jellins asked when the figure first came up and Mr. Boesch answered that as a result of Council direction, staff prepared a sustainable budget creating a framework with assumptions in May 2005. Mr. Boesch added that such framework was presented to the BAC on several occasions. Mayor Jellins asked about the series of Study Sessions held on infrastructure needs and Mr. Boesch remarked that the information provided at such meetings was the basis for such recommendation. Mayor Jellins asked if there was a precise moment in time when this decision

was made and Mr. Boesch said that through those budget conversations it became apparent that Council had not invested in infrastructure, and a sustainable budget meant investing in this area.

Council Member Duboc asked how Council will cover the additional items listed on page 13 of the staff report and Assistant City Manager Seymour suggested that some kind of bridging mechanism, such as the use of reserves to cover these items, would be needed. Council Member Winkler referred to a five-year plan adopted in 2004 to deal with infrastructure needs. Kent Steffens, Public Works Director, confirmed that as part of the FY 2004-05 budget a five-year plan for the capital improvement program was agreed upon by Council but technically the budget gets adopted every year.

Council discussed the Government Accounting Standard Board (GASB) 34 and Carol Augustine, Finance Director, explained that it requires agencies to look at infrastructure, its maintenance level and status. Council Member Winkler wanted to clarify that the money that is being spent is for maintenance and not upgrades since improvements are being deferred. Mr. Steffens confirmed those assumptions with the exception of two programs that include improvements for sidewalks at a cost of \$50K and ADA compliant ramps at a cost of \$30K.

Mayor Pro Tem Fergusson asked about a cost allocation study and its potential benefits. Ms. Augustine outlined some of the benefits of such a study. Mayor Pro Tem Fergusson asked about the number of positions proposed for cutting. Ms. Seymour and City Manager Boesch provided a final count on the positions proposed to be cut: five vacant positions, plus five positions to be determined, that may or may not be vacant, and 2.25 filled positions.

Mayor Pro Tem Fergusson posed questions about the line item that proposes the elimination of a social service grant program. She asked Ms. Seymour to run through the agencies receiving funds and the amounts provided. Assistant City Manager Seymour reported that last year Council gave out 14 grants and the average size was \$5,400. This tended to represent 1/3 of 1% of the non-profit agency's budget. Council Member Duboc pointed out that Peninsula Volunteers gets the largest amount of funding and Ms. Seymour confirmed.

Council Member Cohen inquired about the materials given to survey respondents and workshop participants in regards to the \$2 mm for infrastructure. Assistant City Manager Seymour said that this wasn't explicitly described on the materials provided. She added that the estimate of the \$2 mm was determined to be the appropriate amount on an annual basis to cover infrastructure responsibilities but it wasn't put forward to the community on how staff arrived at that. Ms. Seymour said that as she understood the chronology of events the \$2 mm was put forward last May and June leading into the creation of the mailer. Consequently, this was prior to the community outreach and there was no direction to include this in the mailer. Council Member Cohen said that focusing on the \$2.9 mm might have provided a different result if people knew about the infrastructure issue.

Council Member Winkler said she sat on the subcommittee that provided the grants to the non-profits and she does not think the City should be in the charity business even though these agencies do a lot for the community. Council Member Winkler asked if staff time was built in to administer this program and Ms. Seymour offered that this was the one area that when the strategies were put together (after building in the staff time and indirect cost) staff did not take out staff cost. Consequently, the \$87,000 includes staff time from the Finance Director, its staff and Assistant City Manager's. Mayor Pro Tem Fergusson asked why staff would recommend this when only 7% of the survey respondents supported this approach. Ms. Seymour said that if staff only included the items that a majority of groups supported, staff would fall short by \$750,000 to \$1 million so staff, through its judgment, identified additional items for Council consideration.

Council Member Duboc believes that staff gave the community options to increase services and the community did not want to do it, consequently staff struck a balance in looking at everything and not just focusing on one bit of information. Mayor Jellins would like to explore revenue enhancement strategies specifically a Utility User Tax (UUT) to increase revenue. He asked specific questions about the amount of revenue to be generated, who it would apply to and the types of utilities to be taxed. Ms. Seymour provided answers stating this would apply to everybody who has a utility bill except those who are purposely exempted by the City. Ms. Augustine said that utilities to be

included are water, electric, gas, telephone, cell phone, and cable. City Attorney McClure said that he does not think that the satellite TV is covered but he is not sure. Mayor Jellins asked why staff is setting the tax rate at such a low level and Mr. Boesch said that staff is not recommending a specific tax level but looking for Council direction. The City Manager further stated that if this was something to pursue, a more scientific survey would be needed. Mayor Jellins asked about business license taxes and why this was not recommended and Ms. Seymour said this was not an option selected by the majority of workshop participants.

Council Member Duboc asked if staff talked to the business community and Ms. Seymour said this would be a next step. Mayor Jellins inquired if Business Development Manager Johnson knew how receptive the business community was to this idea. Mr. Johnson said that he has heard from small, middle and large business people but not in a scientific manner. Mayor Jellins asked if a tax could have a negative impact on the placement of businesses in our community and Mr. Johnson confirmed. Council Member Cohen asked Mr. Johnson various questions about the types of discussions held with business owners. Council Member Cohen asked if during the discussions Mr. Johnson mentioned that other communities have UUT and Menlo Park offers an advantage to businesses because it lacks one. Consequently, in Council Member Cohen's view local businesses may have little incentive to agree with a 5% UUT. Council Member Duboc said that based on staff's information 54% of the cities have a 5% a UUT.

Mayor Pro Tem Fergusson would like to differentiate consumptive from non-consumptive utilities. Ms. Augustine confirmed that this could be done but if the tax gets too complex it is harder to administer. Mayor Jellins asked about the consultant who might be employed to do some polling as well as specific questions about the various taxes and how much each tax would raise. Specific details about taxation were discussed and the types of votes required.

Mayor Jellins asked about special assessment districts and Mr. McClure provided the information. Ruben Nino, Engineering Services Director, gave details on the storm water and the landscape assessment districts. Mr. McClure said that the General Fund would not be impacted by moneys collected from a storm drain assessment district because the funds would have to be designated for that end. Mayor Jellins asked about the discussions held by the BAC on the issue of revenue enhancements. Ms. Seymour said that the BAC did not discuss this matter.

Council Member Duboc asked if there are any other taxes that will be on the November 2006 ballot and Mr. Boesch said he has heard about a potential county wide sales tax measure that would go for parks, and the School District will have a parcel tax in the June election. Council Member Duboc asked specific questions about assessment districts and flood control issues. She shared concerns with voter fatigue. Council discussed when the public should be heard.

Council took a break at 9:17 p.m. The Mayor reconvened the meeting at 9:30 p.m.

Public Comment

Albert Carlson, with time donated by Sascha Eisner, spoke about the budget and presented some figures he believes are accurate. Mr. Carlson commented that in previous years the \$2 mm for capital improvement projects was not included. He commented that there was no needs assessment to arrive at this figure. Mr. Carlson said that Menlo Park has one of the highest reserves in undesignated funds, and it is the City Council's authority to allocate these funds. He spoke about the quality of child care and factors that may impact it. He opined that there is a lack of transparency on how the budget deficit was calculated.

Roxanne Rorapaugh spoke about raises to senior staff. In her opinion, the City provides perks for the top and lay offs for Union employees. Ms. Rorapaugh criticized City staff and stated she disagrees with cutting non-profit community grants.

Mayor Jellins announced that on April 18, 2006 the Council will hear an appeal of the Team Sheeper use permit issue. He said the notice of appeal will be deemed filed on April 11, 2006 so that the City Council can proceed and conduct a public hearing on April 18, 2006.

Lara Hoyem, with time donated by Ronnie Smith, Kirsten Keith, and Mike Gardner said she is surprised with the effort to privatize childcare since she believes this to be against residents' will. Ms. Hoyem said that Mr. Durekas has not clearly outlined his motivations. She does not believe

pay rates provided by outside vendors will assure quality care or stability. It is her opinion that MCC parents have worked hard and she referred to a comment made by a Council Member in a local paper. She asked why the City isn't looking at privatizing other child care programs like the one in Belle Haven. She believes that if the MCC is going out to bid the Council needs to be fair and consistent. Ms. Hoyem supports the UUT because in her opinion it is low impact, but disagrees with a request for proposal for child care.

Kelly Gallo with time donated by Natalya Jones spoke as a resident and an employee. Ms. Gallo said that teachers are dedicated and connected to their community. Ms. Gallo said that she considers herself an asset to the City and she hopes the Council makes the right choice for the children.

Patti Fry, speaking as a resident, voiced her frustration for not being aware of the \$2 mm infrastructure deficit. She does not understand how cost recovery was not addressed in the community survey and in her opinion this was a missed opportunity to educate the community.

Linda Gregory, AFSCME Local 829, asked for a moderate course of action. She thinks the Council should look at the lives of dedicated employees and consider the fact that over the last five years many staff cuts have occurred. She asked that the City take a moderate approach using multiple venues to close the deficit.

Stephen Laderman asked the Council to support the MCC and he spoke highly of staff, the program and its efficiencies. He urged the Council to continue supporting the program.

Patricia Watkins took offense to comments made about the Belle Haven residents draining City resources. Ms. Watkins was upset that a flier went out to parents about a free service for a Burgess Children's Program when the Belle Haven Summer Program cost is \$60.

Council Discussion

Mayor Jellins asked that staff be explicit about how the \$2 mm was incorporated into the sustainable budget between May and July 2005. Mr. Boesch said that staff is very upfront about budget assumptions and after the 2005-06 status quo budget, with a zero investment in infrastructure, Council had shared concerns with such approach. Subsequently, staff took that as guidance in preparing a long-term solution that built infrastructure back into the budget. Mr. Boesch said that staff came up with the \$2 mm amount and that number was used in the BAC (Budget Advisory Committee) materials and it is the number before Council.

Council Member Duboc commented that she was a witness to the BAC process and staff was open and transparent through all the meetings. She found the process had integrity and she refuses to villainize City staff. Council Member Duboc inquired about a study conducted by Stanford graduates and Mr. Boesch said that the cost recovery study provided raw data but the conclusions were nothing new. Council Member Winkler asked about the City's General Fund Reserve and Mr. Boesch explained that the City of Menlo Park saved money when the economy was strong, therefore it has solid reserves. However, this is the only pot of money the City has unlike many communities that choose to differentiate the purpose for which money is put aside.

Mayor Jellins asked about increases in salaries for upper management and cutting benefits for Union employees. Mr. Boesch said that there is no truth to these comments because the City honors its contractual obligations with the Unions. Mr. Boesch explained that about a year ago he brought forth a recommendation to try to bring up the executive team salaries to the market rate in order to stay competitive. Council Member Duboc asked if the salary increases were overdue and Mr. Boesch confirmed that in the last two plus years this group of employees had not received any increases. Council Member Cohen said that what he heard the speaker say was that we were cutting staff. Mr. Boesch said that the City is reducing management ranks in a disproportionate rate throughout the organization.

Mayor Jellins referred to a memo outlining the Request for Proposal Process (RFP) for Child Care Services. Ms. Seymour guided Council through the memo outlining the scope, the input to be provided by Council and other stakeholder groups. Council Member Duboc said that she wanted to remind the public that it took the Council one meeting to take over the MCC from a private provider. From her reading of comments submitted via the survey respondents, she

surmised that the main question is why the City doesn't look into privatization. Council Member Duboc would like to shorten the process and she suggested that Council include the City as one of the bidders. Her goal is to keep the same quality of services for the same cost or lower.

Mayor Jellins asked if there is room to redesign the process to shorten the timeline. Ms. Seymour said that scoping is abbreviated and if Council doesn't want to appoint the review committee members then it could be expedited. Council Member Duboc would like to track the enrollment carefully because it impacts the budget. Council Member Cohen said he felt bad about the swimming pool and Bayfront Park, and in regards to the MCC program he opined that if it isn't broke don't fix it.

Mayor Pro Tem Fergusson said that given the other staff priorities she is not in favor of pursuing an RFP at this point. She believes that a benefit of many private programs is accreditation and this is something that public entities can do as well. Council Member Winkler said that there is potential to save \$444,000 in child care. Council Member Winkler said this amount is only for direct costs and she supports a much more abbreviated timeline. Council Member Winkler proposed that Council decide tonight the composition of the committee and have bids out sooner and evaluate them as soon as they come in. She said that she has about 97 emails at home asking why the City should be subsidizing their neighbors' children attending a public program.

Mayor Jellins asked if any Council Member had doubts that the City subsidizes the MCC and Burgess after school programs. He does not believe there is any real question that the direct costs exceed the revenues and so he asked Ms. Seymour what it would take to get to full recovery. Ms. Seymour said that to get to the 90% recovery level the MCC fees would need to be increased by 15% and for the Burgess After School Program a 7.5% increase would take the City to full direct cost recovery.

Mayor Jellins commented that he is not willing to take a position either pro or con at this point and he asked other Council Members to share their thoughts. Mayor Pro Tem Fergusson believes that as a Council one of its main duties is to maintain infrastructure and in her opinion the Council has been putting too much money in the bank instead of fixing up our assets. She believes that we need a sustainable budget and she is dis-inclined to cut filled staff position. She would like more information from a poll to reduce the level of uncertainty in regards to a tax. She believes Council should assess every few months and especially after a cost allocation study. Mayor Pro Tem Fergusson finds outsourcing a drastic step and she'd rather implement many of the strategies and use the BAC (Budget Advisory Committee) to continue monitoring areas of uncertainty. Council Member Duboc said she agreed with most of the points made by Mayor Pro Tem Fergusson but she thinks it would be a misnomer to say that we don't outsource. It is her view that the City outsources multiple services.

Council Member Cohen said that he believes we should not eliminate a program that is nothing but good. The BAC in his view was a good idea and there were some great people who volunteered many hours. Council Member Cohen would like the BAC to have a new charge one that includes: a business development plan, and looking at staffing and infrastructure. Mayor Jellins and Council Member Winkler agreed with Council Member Cohen.

Council Member Winkler pointed out that Council has been cutting the budget for three years and there are long term infrastructure problems that she is unwilling to push into the future. Mayor Jellins said he heard consensus on a sustainable budget which will include the following items: cuts of some kind, an investigation of a tax measure, consideration of contracting out after a complete study.

Council Member Cohen said that he does not see any willingness to investigate a tax measure. Council Member Duboc said that she has heard from residents who do not want to subsidize the status quo and want reassurance that Council is willing to make tough decisions.

G. WRITTEN COMMUNICATION - None

H. INFORMATION ITEMS - None

I. COUNCIL MEMBER REPORTS

J. PUBLIC COMMENT #2 (Limited to 30 minutes)

Honor Huntington said that the direction to the Budget Advisory Committee has been on the agenda but no decision has been made. She asked for Council clarification.

Mayor Jellins said that the desire is to have the BAC continue and asked Mr. Boesch to comment. Mr. Boesch said that Mr. Cohen came closest to having a clear direction for this body and the items he included were: Business Development, payroll/benefits, and infrastructure.

M/S Cohen/Jellins to maintain the BAC in its current form and capacity and take on the charge to focus on the areas of business development, staffing/payroll/benefits and infrastructure making suggestions to Council and coming back in two weeks with suggestions, after holding a public meeting.

Council Member Duboc pointed out that the BAC may need some guidance and a structure to work under and possibly some staff help. Mr. Cohen said that he discussed this point with Mr. Boesch and Mr. Cohen modified the motion to include:

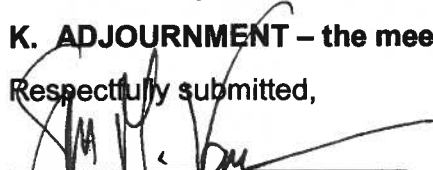
Ms. Huntington to be the Chair of the BAC and that staff's role will not be as active as it was before, and that the committee may go to staff and make requests but it will be entirely in the City Manager's discretion what will be provided. The second of the motion agreed.

Council consensus was to support the motion.

Council agreed that the BAC can meet before the Council reconvenes and make recommendations. Ms. Huntington said she is not sure how available people are and she would like to look at the budget deficit and find out what the solid number is. Council Member Duboc said that the information provided by Mr. Steffens and the information on GASB 34 and the City's infrastructure should be relayed to the BAC for its reference.

K. ADJOURNMENT – the meeting adjourned at 11:45 p.m.

Respectfully submitted,



Silvia M. Vonderlinden, Certified Municipal Clerk

Approved at the City Council Meeting of August 22, 2006.