



SPECIAL CITY COUNCIL COMMUNITY DEVELOPMENT AGENCY MINUTES

Tuesday, June 20, 2006

6:00 p.m.

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

6:00 p.m. SPECIAL MEETING (Menlo Park City Council Chambers)

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

STAFF PRESENT – City Manager David Boesch, Assistant City Manager Audrey Seymour, City Attorney Bill McClure, City Clerk Silvia Vonderlinden. Other City staff was in the audience.

REPORT ON CLOSED SESSION

Mayor Jellins reported that with respect to the negotiations between the City of Menlo Park and the Police Officer's Association, he wished to make the following points: the City of Menlo Park and the Menlo Park Police Officer's Association reached impasse on June 16, 2006, while negotiating for a successor Memorandum of Understanding, which is set currently to expire on June 30, 2006. Impasse was declared after the City presented its latest offer. The parties immediately contacted the State Mediation and Conciliation Service and were fortunate to get an agreed upon mediator. The City is committed to the mediation process and is hopeful that the parties will be successful in reaching agreement on a fair and equitable contract that addresses the interest of both parties. Further comment regarding the meet-and-confer process will not be forthcoming prior to the meeting between the parties.

PLEDGE OF ALLEGIANCE

A. COMMISSION VACANCIES, APPOINTMENTS AND REPORTS

1. There is one vacancy on the Environmental Quality Commission to fill an un-expired term that ends August 2006. The deadline for receipt of applications is Wednesday, June 21, 2006 at 5:30 p.m.
2. There are two vacancies on the Las Pulgas Committee to fill two un-expired terms that expire March 2009. One vacancy is for a business member seat and one is for a rental owner seat. The extended deadline is Wednesday, June 21, 2006 at 5:30 p.m.
3. There are two vacancies on the Library Commission to fill two expiring terms. The new terms will end July 2010. The deadline for receipt of applications is Wednesday, June 21, 2006 at 5:30 p.m.
4. There are two vacancies on the Transportation Commission to fill two expired terms. The new terms will end July 2010. The deadline for receipt of applications is Wednesday, June 21, 2006 at 5:30 p.m.
5. Commission Reports.

B. PRESENTATIONS AND PROCLAMATIONS – None

C. PUBLIC COMMENT #1 (*Limited to 30 minutes*)

Matt Henry, representing the Road Runner's Sports Club, thanked the Menlo Park Police for their help, on behalf of the Belle Haven Home Owner's Association, the Road Runner's Sports Club and the Belle Haven Senior Club he thanked the police for all that they are doing.

D. CONSENT CALENDAR

1. Authorization of the City Manager to enter into an agreement with Turbo Data Systems, Inc., to provide parking citation processing and adjudication services for a period of five years effective July 1, 2006.
2. Adoption of resolution no. 5676 authorizing the City Manager to submit an application and execute all agreements with the Metropolitan Transportation Commission to receive a Fiscal Year 2006-07 Transportation for Livable Communities grant to acquire easements and construct bicycle and pedestrian improvements for the existing under-crossing of Bayfront Expressway at Willow Road.
3. Waiver of the reading and adoption of ordinance no. 947 rezoning the property located at 2825 Sand Hill Road from C-1-C (Administrative, Professional and Administrative Research District, Restrictive) to C-4-X (General Commercial – Conditional Development).

M/S Winkler/Fergusson to approve Items D1 and D2 on the consent calendar. The motion carried unanimously.

Item D3 was pulled from the Consent Calendar in order that Mayor Pro Tem Fergusson could recuse herself from the vote.

M/S Winkler/Jellins to approve Item D3 on the consent calendar. The motion carried 3-1 with Council Member Cohen opposing and Mayor Pro-Tem Fergusson recused.

E. PUBLIC HEARINGS

1. Adoption of Resolutions 5677, 5678 adopting the 2006-07 Budget and Capital Improvement Program for the City of Menlo Park; and establishing the appropriations limit for Fiscal Year 2006-07.

City Manager Boesch explained that the City budget is really the embodiment of the City Council's policy, service and project priorities, and the adoption of such represents another significant step toward achieving the goal of a balanced, community-supported and sustainable budget through various strategies including fee increases, service reductions in select areas, continued emphasis on efficiency gains, and a limited use of a General Fund Reserve as a short-term bridge to a future point in time. The City needs new revenues to avoid having to cut services further in order to balance the budget.

Mr. Boesch said the budget process included intensive community engagement utilizing surveys and workshops. A master fee schedule has been implemented, which incorporates a number of the fee strategies that were identified. Council direction has included adopting strategies at the start of the fiscal year and deferring others to a mid-point, adopting and implementing the fee schedule, adopting the project priority list, funding infrastructure maintenance, exploring a ballot measure, issuing a childcare RFP, and considering other options with respect to the upcoming fiscal year that need to be recognized and monitored going forward.

The City Manager commented that the "Your City/Your Decision" strategies being implemented as of July 1st include service strategies, efficiencies, overhead reductions and fee strategies. The total of those is approximately \$1.54 million. Infrastructure has been a topic of considerable discussion, and the focus truly is on maintenance of the existing infrastructure. A very small piece of the \$2 million is for new facilities, but it is primarily for missing sidewalk sections and ADA-compliant ramps. Mr. Boesch added that putting the strategies together results in coming back to the original target figure, which was an anticipated shortfall of \$2.9 million. Incorporating all of the figures results in an anticipated General Fund deficit at the start of the fiscal year of \$1.85 million. As with any organization, changes occur, but there is a level of comfort and confidence that budgeting has been done at an appropriate level to compensate for the volatilities. The \$1.85 million is a product of assumptions that have been used and estimates that have been made. However, assuming that it is reasonably accurate, it underscores that the City has a net operating deficit indicating that the

structural imbalance in the budget has not been solved. The number will be revisited throughout the fiscal year as pertinent information comes forth.

The adjusted budget in January when changes were made anticipated a shortfall of about \$340,000 in 2005-06, and the current estimate for the budget on a going forward basis for fiscal year 2006/2007 is a deficit of \$1.85 million if no changes are made in the course of the fiscal year. That number does reflect the recommitment of \$2 million to the infrastructure maintenance fund. The net revenues for the 2005-06 fiscal year will exceed expenditures so the City will have gone from a negative to a positive situation as a result of some of the course corrections that were made and reflected in the mid-year adjustment in addition to some positive trends such as an increase in property tax, an increased number of building permits and an increase in fees and salary savings. Through the budgetary process staff was essentially asked to provide the same level of service and achieve the same kinds of results with less resources available to it. Because the resources available to programs have been constrained, the results are no longer being achieved and the success rate has fallen.

The City Manager elaborated on the General Fund, and a higher level of revenue in the permit and charges for service category was attained in the current fiscal year. The City is also anticipating that those will increase in excess of 15% next year. Putting that together with expected better interest earnings, the General Fund revenue picture should improve in excess of \$1 million. As far as the General Fund expenditure picture, costs continue to increase while spending is controlled and service reduced in a number of areas.

One of the considerations on a going-forward basis is the new Stanford hotel at Highway 280, which should generate substantial revenue to the City in the future. In addition, a study session has been held regarding using technology in the enforcement of red lights, which should generate a revenue stream at some point though it is being done as an enforcement measure and not as a revenue-raising measure. Finally, the childcare RFP is another example of contracting out or partnering for service delivery, and there are other potential partnerships that could have a positive influence on the City's budget. The reverse of that is that there are some things that the City needs to be concerned with including post-employment benefits, outstanding infrastructure maintenance needs, comprehensive planning to do updates to the elements of the general plan, and different approaches to address the reducing fund balance in the Bayfront Park Maintenance Fund. Finally, all of the labor contracts will be coming up for negotiation in the first half of the fiscal year, and those costs have not been fully built into the budget.

In terms of addressing the General Fund shortfall, there are a couple of basic approaches that can be taken. One is to continue to draw down on the General Fund Reserves, which is a short-term approach, and it wouldn't be prudent to rely on that over the long term. Other strategies to examine include revisiting some of the strategies that were identified through the "Your City/Your Decision" community engagement process and focusing in on the opportunity to secure new revenue sources to achieve a sustainable budget.

Council Discussion

Council Member Duboc asked if the downturn of the budget deficit had anything to do with the different way the Burgess pool is being operated. City Manager Boesch indicated that when the budget was put together a year ago it was anticipated that the City would operate the Burgess pool for six months, but the City never actually staffed the pool. There were some nominal costs for utilities and some overhead expenses, but since the operations have been contracted out, the lion's share of the expense has been shifted off the budget. Council Member Cohen asked about the feasibility of a tax measure, and City Manager Boesch said that polling regarding that is to begin in the next couple of days.

M/S Duboc/Fergusson to close the public hearing. The motion carried unanimously.

M/S Jellins/Fergusson to accept the staff recommendation and adopt the budget.

Council Member Cohen asked Mr. Steffens what grants were applied for and if there has been a change in that picture. Public Works Director Steffens said that the City was ranked high to receive funding for street resurfacing. It has applied for various grants and is still waiting to hear from the

Metropolitan Transportation Commission, and he said that there is an 80% chance or greater that Menlo Park will get up to \$1 million. There is uncertainty as to when an award might take place, and when the City gets an official notice to proceed in writing the City has up to six months to award a construction contract. The City would try to wait and do the paving around the area of the new hotel as late as possible, and hopefully the heaviest part of construction and the most vehicles would be finished. The fee reduction request that Stanford had requested would have reduced the fee to approximately \$180,000 instead of \$600,000. Council Member Cohen stated that he is wondering whether some of the incoming funds could ease the contribution to the infrastructure maintenance.

City Manager Boesch commented that the \$2 million is a prudent amount of investment in infrastructure maintenance. An aggressive pursuit of grant funds from outside funding agencies will just put the City in a better stead and help to catch up on some of the backlog of work that really needs to be attended to. That number can be revisited through the year.

Council Member Winkler pointed out that the infrastructure should include more than street resurfacing. City Manager Boesch stated staff identified at the time of study sessions on infrastructure that the City ought to be spending \$3 million a year just on roads, not including other types of infrastructure. The \$2 million is broken out into a number of different categories including streets, streetlights, storm drains, buildings, parks and sidewalks.

Council Member Winkler suggested restoring the \$50,600 to the library that was cut over the past three years.

Friendly amendment by Winkler to restore the amount to the Library taking it from the reserves and then staff could to come back to find some corresponding offset. Mayor Jellins and Mayor Pro-Tem Fergusson accepted the amendment to the motion.

The consensus of the Council was to handle the budget approval as a package. Mayor Jellins spoke about his appreciation for how the budget process has been handled and commended Assistant City Manager Seymour in particular for her part in that process.

Mayor Pro Tem Fergusson supported the overhead and the cost allocation study particularly as it relates to reaching the goal of a sustainable budget as it could net the City \$200,000 to \$300,000 annually. She said that currently City taxpayers subsidize land, property and building development by as much as 70%, and 70% of the work done by the Planning and Building staff is not recoverable. The study will show the direct connection between staff time and services. Mayor Pro Tem Fergusson pointed out that she doesn't think the money will be found in the childcare programs to close the structural gap. In her opinion, the pool could have been a profit center for the City, and she sees this arrangement as a gift of public funds to the operator. She was disappointed by the persistent use of the figure of \$440,000 as the cost savings for privatizing the pool. Mayor Pro Tem Fergusson is reticent to dip into the reserves for the \$1.85 million, but she feels the Council has made a policy decision to stop the accelerated crumbling of the infrastructure. If a tax measure is not placed on the ballot, the City is looking at some serious cuts to close the structural gap that will really affect the quality of life in Menlo Park.

Council Member Cohen expressed his concerns about traffic and safety, and cited that as part of what brought him to vote against the Stanford hotel. Council Member Duboc commented on the master plan process that led to the privatization of Burgess Pool and her support for that decision. In addition, she pointed out that there are big economic time bombs approaching including retirement benefit costs, Bayfront Park maintenance, storm drains and increased employee costs. In her opinion, there are opportunities to look for more ways of perhaps providing services in a different way, which might reduce expenses or increase revenue.

Council Member Winkler stated that moving forward the City can expect to see more revenue from property taxes and from business taxes. She also is not happy about approving the \$1.85 million deficit, but she is dedicated to the idea that it will be eradicated.

The motion carried unanimously.

2. Community Development Agency adoption of resolutions no. 284, 285, 286, 287 approving the 2006-07 Agency Budget; approving a loan from the City for the 2006-07 Agency Budget and authorizing a repayment agreement; determining that planning and administrative expenses are necessary for the production, improvement and preservation of low and moderate income housing; and approving the use of funds for production of such housing outside the Las Pulgas Project area.

City Council adoption of resolutions nos. 5679, 5680, 5681 determining the project area benefit and need for Agency funded improvements in Fiscal Year 2006-07; approving a loan to the Agency for the 2006-07 Agency Budget and authorizing a repayment agreement; and approving the use of funds for production of low and moderate income housing outside the Las Pulgas Project area.

City Manager Boesch explained that the Community Development Agency budget is a separate item with separate actions required. The highlights for the Agency include reduced debt service for the coming year. An ERAF (education revenue augmentation funds) payment is not included, but should that change, it will be brought back to the Agency Board for appropriation. In the year ahead, they expect to see a number of significant projects underway in the Belle Haven neighborhood, and a number of important programs will continue to be funded including a variety of housing programs. Shuttle services, code enforcement and drug abatement-related activities would continue to be funded. There are four resolutions in front of the Agency Board, and the Agency Board is being asked to take four discreet actions with three complementary actions to be taken by the City Council.

Mayor Jellins opened the public comment period, but there was none.

**M/S Fergusson/Winkler to close the public hearing. The motion carried unanimously.
M/S Jellins/Winkler as the Agency Board to adopt the four resolutions.**

Council Member Duboc pointed out the vacancies on the Las Pulgas Commission that seem to never get filled. She challenged staff to come up with something to make it a more meaningful commission. Council Member Winkler stated that the advances in the redevelopment area are very exciting, and Menlo Park has made good use of the funds that have been made available. Mayor Pro Tem Fergusson concurred that the positions on the Las Pulgas Commission are too narrowly defined.

The motion carried unanimously.

M/S Jellins/Winkler as the City Council to adopt the three resolutions. The motion carried unanimously.

F. REGULAR BUSINESS

1. Consideration of state and federal legislative items including decisions to support or oppose any such legislation, and items listed under Written Communication or Information Items.

City Manager Boesch provided an update that the Council took action last week to weigh in on legislation that is occurring, particularly AB 2987, and the City is on record as being in opposition to that bill as it is currently written. A lot of committee work is occurring to address the concerns that have been identified, and there is a committee hearing next week. The Council's position on that bill will be communicated to Senator Joe Simitian. There is a similar piece of legislation that has passed one of the houses of Congress that would take away from localities like Menlo Park control over franchises for video service. The Council has also communicated concern regarding this bill to Congresswoman Eshoo and Senator Dianne Feinstein.

G. WRITTEN COMMUNICATION - None

H. INFORMATION ITEMS - None

I. COUNCIL MEMBER REPORTS

Council Member Winkler attended the Policy Advisory Committee for the Dumbarton Rail, and there will be scoping sessions in the neighborhood for the environmental impact report. A community committee is being formed, and the Dumbarton Leadership Group will check back with them from time to time. She believes these things are an outgrowth of action taken by the Council.

Mayor Pro Tem Fergusson spoke about an incident at the pool on Friday, which involved paramedic response, Fire Department response and County Health response. She asked the City Manager for a written incident report on that from the City's perspective and also requested that written reports be obtained from the other agencies involved for the benefit of the Council Members as well as any other interested parties.

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

Hank Lawrence addressed the Council regarding a local newspaper's statements regarding the positions of certain Council members.

Joe Zirker addressed the Council with regard to sustaining the existing childcare program and opposing privatization. He maintained that children are the most valuable assets and should therefore be treated as such.

K. ADJOURNMENT – the meeting adjourned at 8:10 p.m.

Respectfully submitted,

Silvia M. Vonderlinden, Certified Municipal Clerk

Approved at the Council Meeting of November 14, 2006.