



**CITY COUNCIL
SPECIAL AND REGULAR MEETING
AGENDA**

**Tuesday, October 21, 2014 at 6:00 PM
City Council Chambers
701 Laurel Street, Menlo Park, CA 94025**

6:00 P.M. STUDY SESSION

SS1. Provide direction on proposed Police and Public Works antenna structure design
([Staff report #14-185](#))

7:00 P.M. REGULAR SESSION

ROLL CALL – Carlton, Cline, Keith, Mueller, Ohtaki

PLEDGE OF ALLEGIANCE

ANNOUNCEMENTS

A. PRESENTATIONS AND PROCLAMATIONS

- A1. Presentation regarding update on Two Menlos friendship agreement
- A2. Proclamation honoring Fire Chief Harold Schapelhouman

**B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS –
None**

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

Under “Public Comment #1”, the public may address the Council on any subject not listed on the agenda and items listed under the Consent Calendar. Each speaker may address the Council once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Council cannot act on items not listed on the agenda and, therefore, the Council cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

D. CONSENT CALENDAR

- D1. Accept and appropriate the State of California, Department of Alcoholic Beverage Control mini-grant, in the amount of \$25,000, and authorize the City Manager to execute all necessary agreements to conduct specified Alcohol Beverage Control enforcement operations ([Staff report #14-182](#))

- D2.** Award a contract to Knorr Systems, Inc. for the installation of the Variable Frequency Drive systems for the Burgess and Belle Haven pools and authorize a total project budget of \$ 64,272 for construction and contingency
([Staff report #14-184](#))

E. PUBLIC HEARING – None

F. REGULAR BUSINESS

- F1.** Approve and authorize the Mayor to execute cultural exchange agreements with Kochi, India and Xinbei, China ([Attachments](#))

G. CITY MANAGER’S REPORT – None

H. WRITTEN COMMUNICATION – None

I. INFORMATIONAL ITEMS

- I1.** Financial review of unaudited General Fund operations as of June 30, 2014
([Staff report #14-183](#))

J. COUNCILMEMBER REPORTS

- J1.** Mayor Mueller’s report out on the October 6 Menlo Park Planning Commission Meeting
- J2.** Mayor Mueller’s request to set a Study Session to consider refining the public benefit process and thresholds within the Downtown Specific Plan

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

Under “Public Comment #2”, the public if unable to address the Council on non-agenda items during Public Comment #1, may do so at this time. Each person is limited to three minutes. Please clearly state your name and address or jurisdiction in which you live.

L. ADJOURNMENT

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports by accessing the City website at <http://www.menlopark.org/AgendaCenter> and can receive e-mail notification of agenda and staff report postings by subscribing to the [Notify Me](#) service on the City’s homepage at www.menlopark.org/notifyme. Agendas and staff reports may also be obtained by contacting the City Clerk at (650) 330-6620. Copies of the entire packet are available at the library for viewing and copying. (Posted: 10/16/2014)

At every Regular Meeting of the City Council, in addition to the Public Comment period where the public shall have the right to address the City Council on the Consent Calendar and any matters of public interest not listed on the agenda, members of the public have the right to directly address the City Council on any item listed on the agenda at a time designated by the Mayor, either before or during the Council’s consideration of the item.

At every Special Meeting of the City Council, members of the public have the right to directly address the City Council on any item listed on the agenda at a time designated by the Mayor, either before or during consideration of the item.

Any writing that is distributed to a majority of the City Council by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the Office of the City Clerk, Menlo Park City Hall, 701 Laurel Street, Menlo Park, CA 94025 during regular business hours. Members of the public may send communications to members of the City Council via the City Council's e-mail address at city.council@menlopark.org. These communications are public records and can be viewed by any one by clicking on the following link: <http://ccin.menlopark.org>.

City Council meetings are televised live on Government Access Television Cable TV Channel 26. Meetings are re-broadcast on Channel 26 on Thursdays and Saturdays at 11:00 a.m. A DVD of each meeting is available for check out at the Menlo Park Library. Live and archived video stream of Council meetings can be accessed at <http://www.menlopark.org/streaming>.

Persons with disabilities, who require auxiliary aids or services in attending or participating in City Council meetings, may call the City Clerk's Office at (650) 330-6620.

THIS PAGE INTENTIONALLY LEFT BLANK



PUBLIC WORKS DEPARTMENT

Council Meeting Date: October 21, 2014
Staff Report #: 14-185

Agenda Item #: SS-1

STUDY SESSION: Provide Direction on Proposed Police and Public Works Antenna Structure Design

RECOMMENDATION

Staff is seeking City Council feedback on the design of the proposed Police and Public Works antenna structure at the Civic Center.

BACKGROUND

The City of Menlo Park's primary radio communication system relies upon the antenna/transmitter located at the roof of the training center of Fire District Station No. 1 at 300 Middlefield Road. The Fire District's antenna functions as the primary signal broadcaster for the Police and Public Works transmissions. The City's current antenna located adjacent to the Dispatch Center is used as a secondary standby emergency transmitter because the height is inadequate to provide coverage north of Highway 101. This antenna/transmitter was installed in September 2000 and is a lattice-style tower standing approximately 60 feet in height. A site plan of the Administration Building showing the antenna's location is provided in Attachments A and B for reference.

The current connecting infrastructure between the Menlo Park Police dispatch center in the Civic Center and the primary antenna/transmitter at Fire Station No. 1 is an outdated system with old AT&T phone circuits constructed of copper wires, making it potentially prone to disruptions or failures due to its age. Dispatchers can switch to the backup transmitter (at the Administration Building) if the system at Fire Station No. 1 fails. This occurs randomly, several times per year, limiting communication with emergency units north of Highway 101.

The Menlo Park Fire District is in the planning stage of renovating its training center which would require the removal of the antenna at Fire Station No. 1. The District is not interested in Co-locating its antenna with the City. Therefore, staff has proposed replacing the existing antenna at the Civic Center with a new taller antenna that would serve only Police and Public Works and not be dependent upon the Fire District No. 1 antenna structure. The installation of a new antenna/transmission system will allow addressing current and future needs of the Police and Public Works Departments.

The proposed new antenna structure would replace the existing 60 foot antenna structure with an approximately 120 foot structure in order to be above the current tree

line and be able to connect north of Highway 101. In addition, a new County microwave antenna will be installed on the proposed structure in order to be able to communicate with other municipalities and government agencies throughout the County. In theory, the County microwave antenna would remain operational after a major earthquake or other disasters, should the landline and cellular phone systems fail. This program has been in San Mateo County for 30 years. Previously, Menlo Park decided not to participate due to the aesthetics and structure required to secure the original County antennas, which were large diameter dishes. Currently, almost all other cities in the County have a County microwave antenna. The proposed County antenna is four (4) feet in diameter and weighs significantly less than the previous dishes. For emergency preparation purposes, it is imperative that Menlo Park has this back up in place, especially as it may become the only way to communicate after a major disaster aside from satellite phones. The project and funding is in the Capital Improvement Program (CIP).

The location of the proposed antenna structure was determined to be as close as possible to the radio transmitter/receiver located in the dispatch center because the antenna's signal deteriorates with every foot of cable that connects the antenna to the radio. Signal loss is minimized by keeping the coaxial cable nearby.

The antenna structure will be designed to accommodate future possible leasing of space on the structure to private wireless carriers. Staff is not recommending pursuing private wireless carriers at this time because the approval process for a private wireless carrier antenna is different for a City antenna that serves only Police and Public Works. The process for a private wireless carrier antenna will delay the project significantly due to a permit approval process that will involve greater requirements to satisfy the City's Architectural and Planning review requiring Planning Commission approval. The Police and Public Works antenna only requires Planning Commission comments which are then forwarded to the City Council for approval.

ANALYSIS

The proposed new antenna project is in the initial planning phase. Staff is looking for City Council feedback on the design of the antenna structure. The existing antenna structure is a lattice structure and staff is proposing a monopole that is reflected in Attachment C. Another option is to design a camouflaged structure that can make the structure appear as a tree. Numerous artificial tree branches will need to be removed where the antennas will be located in order for them not to conflict with the reception as reflected in Attachment D. The cost of the camouflaged antenna structure is estimated to increase the existing budget of \$300,000 by an additional \$100 K - \$300 K depending on how elaborate the design is. Staff is seeking City Council feedback on the type of antenna structure.

IMPACT ON CITY RESOURCES

Based upon Council feedback, the budget for the project may need to be increased and the actual amount will be determined once bids are received. In the FY 2014-15 budget there is \$200,000 and planned for the FY 2015-16 there is \$100,000 for a total budget of \$300,000.

POLICY ISSUES

This recommendation does not represent any change to existing City Policy.

ENVIRONMENTAL REVIEW

This Council action is not subject to the current California Environmental Quality Act Guidelines. Depending on option selected the project will be subject to CEQA review, Architectural Control Permit and/or a Conditional Use Permit.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Existing Antenna
- B. Existing Antenna Location Map
- C. Example of Antenna Monopole
- D. Example of Tree Antenna Structure

Report prepared by:
Ruben Niño,
Assistant Public Works Director

THIS PAGE INTENTIONALLY LEFT BLANK

Existing Antenna Location Map

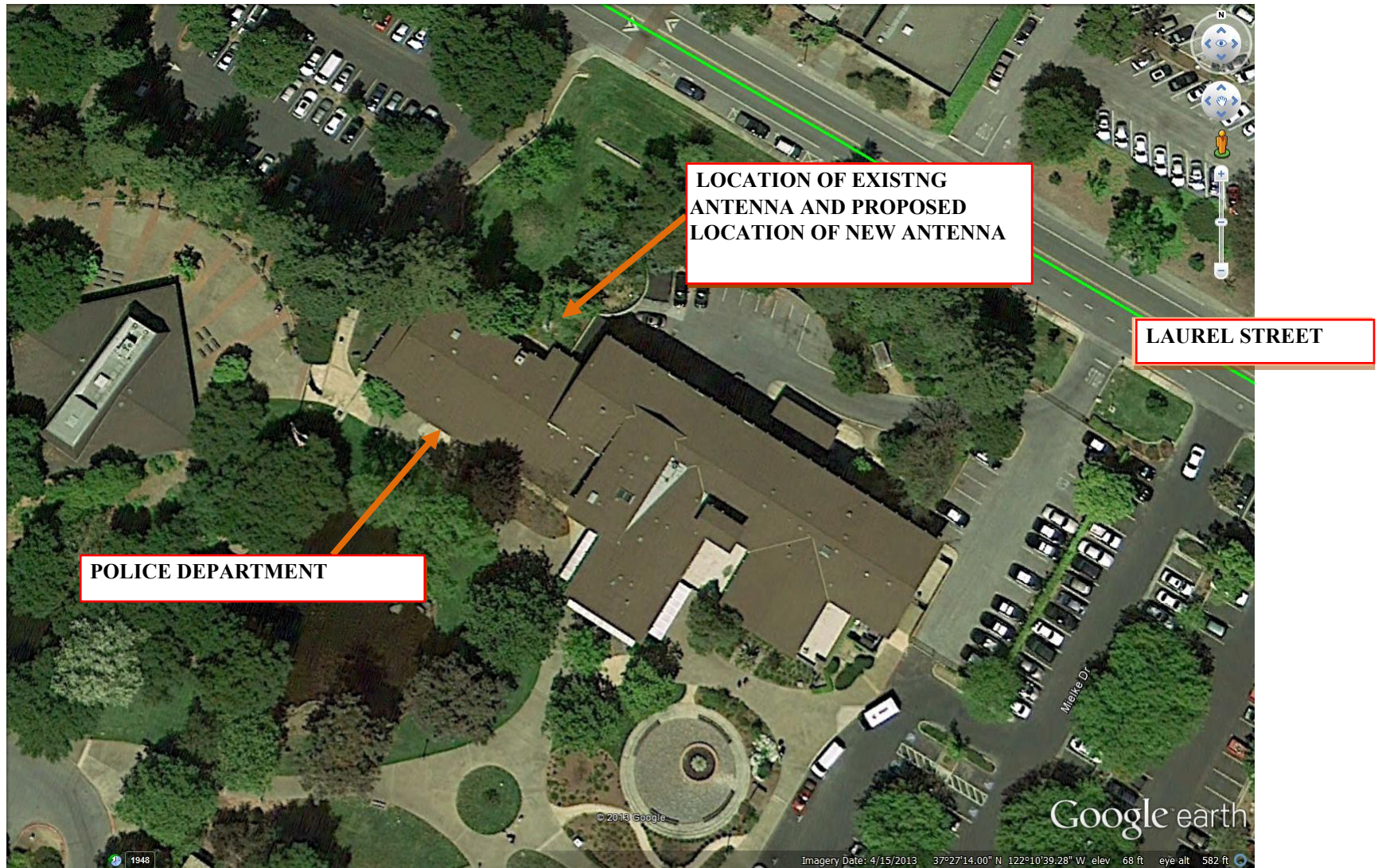


Figure 4: Aerial view of existing antenna location—(701 Laurel Street Menlo Park CA, 94025)

THIS PAGE INTENTIONALLY LEFT BLANK

Existing Antenna Location Map



THIS PAGE INTENTIONALLY LEFT BLANK

Example of Antenna Mono Pole



THIS PAGE INTENTIONALLY LEFT BLANK

Example of Tree Antenna Structure



THIS PAGE INTENTIONALLY LEFT BLANK



POLICE DEPARTMENT

Council Meeting Date: October 21, 2014
Staff Report #: 14-182

Agenda Item #: D-1

CONSENT CALENDAR: **Accept and Appropriate the State of California, Department of Alcoholic Beverage Control Mini-Grant, in the amount of \$25,000, and Authorize the City Manager to Execute All Necessary Agreements to Conduct Specified Alcohol Beverage Control Enforcement Operations**

RECOMMENDATION

Staff recommends that the City Council accept and appropriate the State of California Department of Alcohol Beverage Control Mini-Grant in the amount of \$25,000, and authorize the City Manager to execute all necessary agreements.

BACKGROUND

On September 17, 2014, the Menlo Park Police Department received approval for a \$25,000 Mini-Grant from the California Department of Alcoholic Beverage Control (ABC). This grant would provide funding for overtime costs to conduct “Minor Decoy” and “Shoulder Tap” operations. Minor Decoy operations are undercover operations in which minors are sent by the police into licensed establishments and attempt to purchase alcoholic beverages, while being monitored by the police. Shoulder Tap operations are those in which a minor, who is being monitored by the police, approaches adults in the vicinity of off-site liquor sales establishment and requests that the adult purchase an alcoholic beverage for them. In both of these operations, arrests are made if the alcohol is sold or purchased and in some cases administrative sanctions are also taken against the license holder by ABC.

ANALYSIS

The Menlo Park Police Department applied for this mini-grant in our continuing effort to enforce alcohol related crimes within the City. Like many communities, the acquisition of alcohol by minors continues to be a problem.

The City of Menlo Park is located in close proximity to Stanford University, Menlo College and four high schools. As a result, many underage minors frequent the local Alcohol Beverage Control licensed establishments. In the past year the Police Department has responded to numerous calls for service at large house parties hosted

by underage minors. During these gatherings, many of the party goers were found to be minors that had consumed alcoholic beverages.

The Minor Decoy / Shoulder Tap Grants have the continued support of the San Mateo County District Attorney's Office. Many recent cases that were conducted through the Multi-Agency Grant (2013-2014) by other agencies were successfully prosecuted by the San Mateo County District Attorney's Office.

There are 26 Off-Sale and 68 On-Sale Alcoholic Beverage Control licensed establishments located in the greater City of Menlo Park area. One goal of the Minor Decoy program would be to visit all Off-Sale locations three times each and all On-Sale locations two times each during the ABC Mini-Grant timeline. The Menlo Park Police Department would conduct 10 Minor Decoy operations, using a minor, and 6 shoulder tap operations during the grant period. Shoulder Tap operations involve placing a minor outside an off sale establishment and having that minor ask adults to purchase alcohol for them.

Upon acceptance of this grant, the Menlo Park Police Department would announce the initiation of the program, and describing the two operations that would be funded. After each Minor Decoy Operation, the Menlo Park Police Department would publicize the results detailing the number of licensed premises visited and how many sold to the minor decoy. After each Shoulder Tap Operation the Menlo Park Police Department would issue a press release detailing the number of adults arrested for purchasing alcoholic beverages for the minor decoy.

IMPACT ON CITY RESOURCES

There will be no impact to City resources since the grant will fully fund the overtime required for the proposed operations. This funding would also cover the administration of the grant and any associated costs.

POLICY ISSUES

This grant funding supports the Police Department's efforts to reduce minor alcohol related crimes, alcohol related collisions within the City of Menlo Park and improve safety. The grant will enhance the Police Department's response to the budget goals set for FY 14/15.

ENVIRONMENTAL REVIEW

Not applicable.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Approval Letter from the California Department of Alcohol Beverage Control

Report prepared by:

Dave Bertini

Police Commander

THIS PAGE INTENTIONALLY LEFT BLANK

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

3927 Lennane Drive, Suite 100
Sacramento, CA 95834
(916) 419-2500



September 17, 2014

Chief Robert Jonsen
Menlo Park Police Department
701 Laurel Street
Menlo Park, CA 94025

Re: Multi-Program Mini Grant

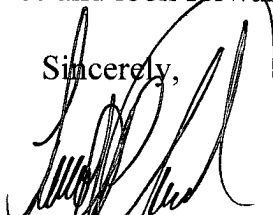
Dear Chief Jonsen:

We are pleased to inform you your agency has been selected to participate in the Department of Alcoholic Beverage Control's Mini Grant Program. Funding for this project comes from the Office of Traffic Safety through the National Highway Traffic Safety Administration. We anticipate operations to begin upon completion of the training class and approval of federal spending authority. Funding will conclude on September 30, 2015. The one day training class will be held in Sacramento on Tuesday, October 14, 2014 and in Cerritos on Thursday, October 16, 2014.

In order to expedite the issuance of your contract please review and complete the enclosed Multi-Program Information Sheet. You can mail, fax or email this information to our Grant Coordinator, Diana Fouts-Guter at 3927 Lennane Drive, Suite 100, Sacramento, CA 95834, Fax: (916)419-2599, or email her at Diana.fouts-guter@abc.ca.gov. Once we receive the completed information sheet, your designated Operations Officer will be contacted by a Department Agent with details regarding the training class.

We appreciate your prompt response and look forward to working with your agency.

Sincerely,



Timothy Gorsuch
Director

Enclosure

Cc: Officer James Luevano
Menlo Park Police Department



State of California
Department of Alcoholic Beverage Control
Multi-Program Mini Grant Information Sheet

Contract will be between: The Department of Alcoholic Beverage Control and
The City of Menlo Park through the Menlo Park Police Department

Mailing Address: 701 Laurel Street, Menlo Park, CA 94025

Funding Amount: \$ 25,000

Authority to Sign Contract Name/Title: **Commander D. Bertini**

Address if different from above: _____

Federal Tax ID Number: 94-6000370

Operations Officer:

Name: OFC. JIM LUEVANO

Telephone Number: 650-330-6300

Email Address: JVLUEVANO@MENLOPARK.ORG

Fiscal Officer (responsible for preparing billings to ABC):

Name: DREW CORBETT

Telephone Number: 650-330-6649

Email Address: DCORBETT@MENLOPARK.ORG

RETURN COMPLETED FORM TO:

Diana Fouts-Guter
Grant Coordinator
Department of Alcoholic Beverage Control
3927 Lennane Drive, Suite #100
Sacramento, CA 95834
Diana.fouts-guter@abc.ca.gov
Fax: (916)419-2599
Office: (916)928-9807



PUBLIC WORKS DEPARTMENT

Council Meeting Date: October 21, 2014
Staff Report #: 14-184

Agenda Item #: D-2

CONSENT CALENDAR: **Award a Contract to Knorr Systems, Inc. for the Installation of the Variable Frequency Drive Systems for the Burgess and Belle Haven Pools and Authorize a Total Project Budget of \$64,272 for Construction and Contingency**

RECOMMENDATION

Staff recommends that the City Council award a contract to Knorr Systems, Inc. to install the Variable Frequency Drive (VFD) Systems at Burgess and Belle Haven pools and authorize a budget in an amount not to exceed \$64,272 for construction and contingency.

BACKGROUND

The City of Menlo Park is engaged in a comprehensive effort to reduce energy use and cost in all City-owned facilities and reduce the level of greenhouse gases (GHG) attributed to its operations. As part of this effort, the City wishes to reduce energy use and cost of operating its pools while maintaining safe and healthy operations. In March 2013, a Certified Aquatic Energy contractor conducted a preliminary evaluation of the Burgess and Belle Haven Pools with findings for some great energy savings.

The study determined that by installing VFD's at Burgess and Belle Haven pools the City could recognize significant energy savings.

VFD's enable the circulation pump motors to vary their output power to match the required pool flow rate and pressure versus running at a constant rate at all times. For example, if a pump that turns 1,000 revolutions per minute (RPM) at full speed moves 1,000 gallons per minute, when the speed is reduced to 500 RPM, it moves 500 gallons per minute. The flow rate is proportional to the speed of the motor. But when the speed is cut in half, the pressure drops to one quarter. More importantly, the power drops to one eighth. So there is a significant decrease in energy use on the same pump running at half speed. To turn over the pool, it has to run twice as long, but even running the pump twice as long, it will only use a quarter of the electricity.

The Certified Aquatic Energy contractor determined that if the City installed VFD's on the circulation pumps along with new water transfer impellers, the City could recuperate the capital costs within approximately four years (4) years and reduce CO² emissions by approximately 38 metric tons.

ANALYSIS

The Project's Informal Bid request was issued on September 25th with a mandatory pre-bid walk through held on October 2nd in which 7 prospective bidders attended. Three (3) bids were submitted and opened on October 14, 2014. The lowest bidder for this project, Knorr Systems, Inc. submitted a bid in the amount of \$ 40,274 for Burgess Pool and \$14,998 for the Belle Haven Pool. Attachment A provides the bid summaries. Staff has checked the background and references of Knorr Systems and is satisfied with its past performance.

IMPACT ON CITY RESOURCES

The construction contract budget for the installation of the VFD's at the Burgess and Belle Haven Pools consists of the following:

| | |
|-----------------------------------|-----------------|
| New VFD and impeller installation | \$55,272 |
| Contingency | <u>9,000</u> |
| Total Budget | \$64,272 |

There are sufficient funds in the Building (Minor) Project budget to fund this project. A PG&E rebate is estimated at \$14,000.

POLICY ISSUES

The recommendation does not represent any change to existing City policy.

ENVIRONMENTAL REVIEW

The project is categorically exempt under Class I of the current State of California Environmental Quality Act Guidelines, which allows minor alterations and replacement of existing facilities.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Bid Summaries

Report prepared by:
Carl Thomas
Facilities Supervisor

Ruben Nino
Assistant Director of Public Works



BELLE HAVEN POOL VARIABLE FREQUENCY DRIVE UPGRADES

BID SUMMARY

BID OPENING 2:00 PM TUESDAY, OCTOBER 14, 2014

| | COMPANY | BID |
|---|---------------------|-------------|
| 1 | Knorr Systems, Inc. | \$14,998.00 |
| | | |
| 2 | Lincoln Aquatics | \$19,852.34 |
| | | |
| 3 | Gary L. Gockel | \$22,400.00 |
| | | |



BURGESS AQUATIC CENTER LAP AND INSTRUCTIONAL POOLS VARIABLE FREQUENCY DRIVE
UPGRADES

BID SUMMARY

BID OPENING 2:00 PM TUESDAY, OCTOBER 14, 2014

| | COMPANY | BID |
|---|---------------------|-------------|
| 1 | Knorr Systems, Inc. | \$40,274.00 |
| | | |
| 2 | Gary L. Gockel | \$54,900.00 |
| | | |
| 3 | Lincoln Aquatics | \$57,121.44 |
| | | |

To: The Menlo Park City Council

From: Mayor Ray Mueller

Re: Information describing the City of Kochi, pertaining to why the City of Menlo Park should enter into an agreement for a year of cultural exchanges.

Dear Colleagues:

Below is information I have gathered and copied pertaining to Kochi, India, describing both its historical and economic background. Given Kochi's size, industry and rich historical and cultural background, I strongly recommend the City Council approve my executing an agreement to enter into a year of cultural exchanges with the City of Kochi.

Kochi (colonial name **Cochin**) is a vibrant city situated on the south-west coast of the Indian peninsula in the breathtakingly scenic and prosperous state of Kerala, hailed as '*God's Own Country*'. Its strategic importance over the centuries is underlined by the sobriquet **Queen of the Arabian Sea**. Informally, Cochin is also referred to as the **Gateway to Kerala**.

From time immemorial, the Arabs, British, Chinese, Dutch, and Portuguese have left indelible marks on the history and development of Cochin. Over the years, Cochin has emerged as the commercial and industrial capital of Kerala and is perhaps the second most important city on the west coast of India (after Mumbai/Bombay). Cochin is proud of its world class port and international airport that link it to many major cities worldwide.

This lovely seaside city is flanked by the Western Ghats on the east and the Arabian Sea on the west. Its proximity to the equator, the sea and the mountains provide a rich experience of a moderate equatorial climate.

Strictly speaking, Cochin is a small city in India, with a population of 612,000. But, Cochin has outgrown its original bounds and is now the general name given to much of the region adjoining the original town, which now includes Cochin, Fort Kochi, Mattanchery, Ernakulam and many other nearby towns and villages. Cochin is situated in Ernakulam district in the state of Kerala. Ernakulam is also the name of a town - the administrative capital of Ernakulam district - but, for all practical purposes Ernakulam and Cochin, generally, refer to the same place.

Kochi is the arguably the ideal starting point for exploring the unfathomable diversity and beauty of Kerala, rated in the top three tourist destinations by the World Travel & Tourism Council and featured in National Geographic Traveler's '50 greatest places of a lifetime'.

Cochin Stock Exchange - Cochin Stock Exchange was originally established in 1978. Cochin Stock Exchange was the first exchange to introduce computerization and online trading in 1990. In 1999, CSE set up a subsidiary Cochin Stock Brokers Limited, which is a corporate member of the National Stock Exchange, Delhi and the Bombay Stock Exchange, providing trading facilities on these exchanges to users all over the state.

Infopark Kochi - Infopark Kochi, an IT infrastructural programme promoted by the government of Kerala, is a 100-acre campus situated close to the Cochin Special Economic Zone (SEZ). The Infopark is the best connected IT park in India with a host of ISPs as well as being close to VSNLs primary gateway that handles around 70% of the country's internet traffic. The Infopark aims to provide excellent infrastructure including office space and connectivity along with ease of starting up intotech companies within its campus.

To: The Menlo Park City Council
From: Catherine Carlton, Mayor Pro Tem
Re: Xinbei City, ChangZhou prefecture, People's Republic of China

Below is the information that I have gathered regarding Xinbei, describing its historical, cultural and economic background. Considering Xinbei's technology-based industries, located in the heart of China's Silicon Triangle, and the cultural offerings Xinbei provides to visitors of all ages, I recommend the City Council approve Mayor Mueller executing an agreement to enter into a year of cultural exchanges with the city of Xinbei.

Located on the southern bank of the Yangtze River, Xinbei (pronounced Shin Bay) literally means "New North," and is one of the five districts under the jurisdiction of the Chang Zhou prefecture in the People's Republic of China. Xinbei is situated in the affluent Yangtze Delta region of China, West of Shanghai, in what is referred to as the Silicon or Golden Triangle of China.

The earliest record of a settlement on the site of the city is as a commandery founded in 221 BC at the beginning of the Qin Dynasty. During the interregnum between the Sui and Tang, the city of Piling was the capital of Shen Faxing's short-lived Kingdom of Liang (AD 619 to 620). Changzhou got its present name meaning "ordinary prefecture" in 589. Following construction of the Grand Canal in 609, Changzhou became a canal port and transshipment point for locally-grown grain, and has maintained these roles ever since. The rural counties surrounding the city are noted for the production of rice, fish, tea, silk, bamboo and fruit.

During the Taiping Rebellion of the 1850s, one of five palaces housing the leaders of what was called the "Kingdom of Celestial Peace" was constructed. Today the ruins of the "King's Palace" can be found near the People's No.1 Hospital.

In the 1920s, Changzhou started to attract cotton mills. The cotton industry got a boost in the late 1930s when businesses began relocating outside of Shanghai due to the Japanese occupation. Unlike many Chinese prefectures, Changzhou continued to prosper even during the upheavals of the Cultural Revolution of 1966–76. Today it is an important industrial center for textiles, food processing, engineering, and high technology.

Xinbei City was established in 1992 by the regional government as a high-tech manufacturing area. Businesses located there receive preferential policies granted by the local government.

Located in the heart of China's Golden Triangle, with a population of over 480,000 residents, Xinbei is also home to 7,636 domestic and overseas companies, 18 of which are on Fortune Global 500 list. As a result, many modern international bars, restaurants and hotels are also available in Xinbei.

The Jiangsu Changzhou Xinbei Industrial Park, was established in 2000. It is one of the most important industrial parks in Changzhou National Hi-Tech District. Developed by the Jiangsu Province People's Government and National Development and Planning Commission, Changzhou Xinbei Industrial Park includes Yangtze Riverside Chemical Industrial Park, New Material Industrial Park, Electrical Industrial Park, National Environmental Protection Industrial Park and Port Logistics Industrial Park. The total area of the industrial park is around 20 square miles.

Culturally, Xinbei is also an exciting place to visit for families. In addition to the beautiful historical monuments in and around Xinbei, the city also proudly homes Asia's only dinosaur museum and amusement park. China Dinosaur Land integrates a recreational theme park, culture performances, dinosaur fossils, animation, and hot springs. The resort includes China Dinosaur Land, Oak Bay (Golf) Garden Hotel, Water Trip of Three Rivers, and Dino-valley Hot Springs. Further attractions in development include Dinosaur Town Theater, and Dino Water Town.

In the area of education, Xinbei is also home to the Changzhou campus of Hohai University, and the Oxford International College of Changzhou is nearby. Established in 1915, Hohai University's main focus is the research and study of water resources. It primarily focus is on engineering subjects, with coordinated development of engineering, computers, science, economics, management, and language arts. It is part of Project 211 (a development initiative by the Chinese government involving over 100 key universities), and includes a Business and Law School. It has 9 state and provincial key laboratories, 5 state and provincial engineering research centers, 5 post-doctorate mobile stations, 33 Ph.D. programs, 73 Master programs, 18 Engineering Master programs and MBA, and 46 undergraduate programs.

The Oxford International College of Changzhou is a co-educational primary and secondary international school. They follow the British National Curriculum, accepting Chinese and foreign students aged 4-18 with boarding options for students aged 6-18. This school has sister schools in Switzerland and in England.



FINANCE DEPARTMENT

Council Meeting Date: October 21, 2014
Staff Report #: 14-183

Agenda Item #: I-1

INFORMATIONAL ITEM: **Financial Review of Unaudited General Fund Operations as of June 30, 2014**

RECOMMENDATION

This is an informational item and does not require Council action.

BACKGROUND

The purpose of this report is to provide a review of *unaudited financial results* of General Fund operations for fiscal year 2013-14. Because of the complexities of compiling comprehensive annual financial statements in compliance with applicable governmental accounting standards, the annual financial audit, which is currently underway, will not be completed until November, and the City's Comprehensive Annual Financial Report (CAFR) will not be delivered to Council until December. However, in an effort to provide more timely financial information, this report, which has been prepared annually for the past seven years, offers an overview of General Fund performance in comparison to the adjusted budget. While it is possible that the audit may result in some additional changes to the information presented in this report, it is not expected that these changes would cause a material change in the City's financial position.

ANALYSIS

Overview

The table on the following page shows the City's unaudited General Fund revenue and expenditure budget-to-actual performance in fiscal year 2013-14, as well as a comparison to the audited figures from fiscal year 2012-13. The fiscal year 2013-14 Adjusted Budget column displays the budget inclusive of all of the modifications to budgetary appropriations made throughout the fiscal year, including encumbrances from the prior fiscal year.

The General Fund finished fiscal year 2013-14 with a gross operating surplus of \$5.6 million. It is important to note, however, that nearly \$770,000 of that amount will be assigned for development purposes and utilized in fiscal year 2014-15, and another \$1.1 million will be assigned for encumbrances from fiscal year 2013-14 that will also be added to the fiscal year 2014-15 adjusted budget. Factoring in those two items, the

General Fund's net operating surplus in fiscal year 2013-14 is expected to be approximately \$3.7 million. The fiscal year 2014-15 budget included an updated estimate of how fiscal year 2013-14 was expected to finish. That estimate anticipated a \$1.8 million net operating surplus. The difference in net operating surplus between the final estimate for 2013-14 and the unaudited final results is almost entirely the result of expenditure savings being greater than anticipated, which is discussed in more detail later in this report.

| City of Menlo Park General Fund Summary | | | | | | | |
|--|-------------------|-------------------------------|----------------------------------|------------------------------------|----------------------|---|--------------------------------|
| | 2012-13 Actual | 2013-14 Adjusted Budget | 2013-14 Preliminary Actual | 2013-14 Preliminary Variance | % Budget Variance | Increase/ (Decrease) from Prior Year | % Change from Prior Year |
| Property Taxes | 15,731,889 | 14,715,000 | 15,156,065 | 441,065 | 3.00% | (575,824) | -3.66% |
| Sales Tax | 6,043,870 | 6,136,400 | 6,444,292 | 307,892 | 5.02% | 400,422 | 6.63% |
| Transient Occupancy Tax | 3,468,256 | 4,100,000 | 4,158,809 | 58,809 | 1.43% | 690,553 | 19.91% |
| Utility Users Tax | 1,095,256 | 1,135,000 | 1,157,653 | 22,653 | 2.00% | 62,397 | 5.70% |
| Franchise Fees | 1,765,216 | 1,812,300 | 1,841,851 | 29,551 | 1.63% | 76,635 | 4.34% |
| Licenses & Permits | 4,447,630 | 6,559,465 | 5,782,225 | (777,240) | -11.85% | 1,334,595 | 30.01% |
| Intergovernmental | 866,287 | 841,717 | 888,131 | 46,414 | 5.51% | 21,844 | 2.52% |
| Fines | 998,259 | 1,149,980 | 1,253,261 | 103,281 | 8.98% | 255,002 | 25.54% |
| Interest and Rent Income | 568,051 | 627,712 | 684,561 | 56,849 | 9.06% | 116,510 | 20.51% |
| Charges for Services | 7,088,160 | 7,595,222 | 7,681,433 | 86,211 | 1.14% | 593,273 | 8.37% |
| Transfers & Other | 1,178,628 | 1,201,266 | 1,237,839 | 36,573 | 3.04% | 59,211 | 5.02% |
| Total Revenue | 43,251,502 | 45,874,062 | 46,286,120 | 412,058 | 0.90% | 3,034,618 | 7.02% |
| Public Safety | 13,809,282 | 15,065,189 | 14,284,054 | 781,135 | 5.19% | 474,772 | 3.44% |
| Public Works | 5,100,811 | 5,642,673 | 5,183,204 | 459,469 | 8.14% | 82,393 | 1.62% |
| Community Services | 7,104,442 | 7,720,025 | 7,480,381 | 239,644 | 3.10% | 375,939 | 5.29% |
| Library Department | 2,011,144 | 2,114,569 | 2,046,772 | 67,797 | 3.21% | 35,628 | 1.77% |
| Community Development | 2,774,032 | 4,614,041 | 3,765,303 | 848,738 | 18.39% | 991,271 | 35.73% |
| Administrative Services | 5,020,956 | 6,591,332 | 5,358,211 | 1,233,121 | 18.71% | 337,255 | 6.72% |
| Operating Transfers Out | 5,164,328 | 2,554,600 | 2,554,600 | 0 | 0.00% | (2,609,728) | -50.53% |
| Total Expenditures | 40,984,995 | 44,302,429 | 40,672,525 | 3,629,904 | 8.19% | (312,470) | -0.76% |
| Gross Operating Surplus/(Deficit) | 2,266,507 | 1,571,633 | 5,613,595 | | | | |
| Assigned for Development | | | 766,510 | | | | |
| Assigned for Encumbrances | | | 1,099,203 | | | | |
| Net (decrease)/increase of General Fund Balance | 2,266,507 | 1,571,633 | 3,747,882 | | | | |

Revenues

Revenues continued to climb in fiscal year 2013-14, finishing 7%, or \$3 million, above audited fiscal year 2012-13 revenues. The largest year-over-year gains were for transient occupancy tax, licenses and permits, and charges for services. Each of these gains, as well as updates on all major General Fund revenue sources, is discussed below.

Property Tax:

Total property tax revenues were down nearly 4%, or \$576,000, from fiscal year 2012-13; however, that is entirely the result of one-time revenue related to the dissolution of the former Community Development Agency (RDA) that was received in fiscal year 2012-13. Final revenues for fiscal year 2013-14 were above the adjusted budget by

3%, or \$441,000, which was predominantly attributable to better than expected results for the property transfer tax and the supplemental tax.

Sales Tax:

Total sales tax revenues were up 6.6%, or \$400,000, over fiscal year 2012-13, and exceeded the adjusted budget amount by 5%, or \$308,000. Much of this increase was related to non-recurring transactions, including the construction activity at the Facebook West campus. While results in fiscal year 2013-14 were positive and reflect the continued strength in the economy, projections for this revenue source going forward will have to be adjusted to reflect the loss of a significant sales tax provider. Staff is currently evaluating the timing of this revenue loss and its impact on the General Fund, and an updated sales tax projection will be included in the mid-year report.

Transient Occupancy Tax (TOT):

TOT revenues were up 20%, or nearly \$700,000, over the prior fiscal year. This significant increase was due to two primary factors, a full fiscal year of the 12% tax rate and increasing occupancy and room rates. The revenue total of nearly \$4.2 million exceeded adjusted budget estimates by nearly 1.5%.

Utility Users' Tax (UUT) and Franchise Fees:

Total revenues from these sources were up 5%, or approximately \$139,000, over the previous fiscal year and exceeded the adjusted budget by nearly 2%, or \$52,000. Increases were predominantly related to electricity usage.

Licenses and Permits:

Licensing and permitting revenues were up 30%, or \$1.3 million, over the previous year, but they fell short of the adjusted budget amount by nearly \$780,000. This is not an indication of a slow-down in activity but is instead the result of the timing of when certain large projects are paying permitting fees. Some projects that were estimated to pay fees in fiscal year 2013-14 will instead pay those fees in fiscal year 2014-15. Overall, permitting activity remains at a very high level.

Intergovernmental:

Intergovernmental revenue remained relatively flat to fiscal year 2012-13 but was 5.5%, or approximately \$46,000, above the adjusted budget amount. This increase was predominantly the result of additional grant reimbursements for the food programs at the Belle Haven Child Development Center.

Fines:

This category of revenues covers traffic and parking fines. Fiscal year 2013-14 revenues were up over 25% from the previous fiscal year and exceed adjusted budget amounts by 9%. This increase is the result of the increased utilization of the Redflex program and a greater overall emphasis on traffic violations.

Interest and Rent Income:

Overall, this revenue category was up approximately 21% from the previous year and 9% from the adjusted budget estimate. These increases do not represent a material increase in the yield on the City's investment portfolio, which is roughly flat to the yield earned in fiscal year 2012-13. Instead, there are a couple of reasons as to why interest earnings will fluctuate year-over-year. One of the primary reasons for this fluctuation is that governmental accounting standards (GASB No. 31) require us to revalue our investment portfolio annually and either book an unrealized gain or loss to reflect the difference between the portfolio's value on June 30th and the value at which the individual investments were purchased. The unrealized loss recorded in fiscal year 2013-14 was significantly less than the unrealized loss recorded in fiscal year 2012-13, which makes the fiscal year 2013-14 interest earnings appear higher in comparison. As noted, actual yield on the City's investment portfolio over the past two fiscal years has been roughly flat, at approximately 0.5%.

Charges for Services:

This revenue category was up over 8%, or nearly \$600,000, over fiscal year 2012-13 and exceeded adjusted budget estimates by \$86,000. This increase was predominantly due to higher utilization of City facilities, such as rentals at the various recreation buildings, as well as reimbursement revenues generated for police services, including a partial year's payment from Facebook for the Community Safety Police Officer position. Planning fee revenues were down over \$200,000 from adjusted budget estimates; however, similar to license and permit revenue, this is a timing issue and not an indication of a slow-down in activity.

Transfers and Other:

Revenues in this category have been unsustainably high in both fiscal year 2012-13 and 2013-14 due to property sales (Terminal Avenue and Hamilton Avenue). Going forward, this revenue source is expected to return to its baseline level of approximately \$450,000 annually.

Expenditures

Excluding the \$2.7 million one-time transfer to the Capital Improvement Projects Fund that occurred in fiscal year 2012-13, total General Fund expenditures were 6%, or nearly \$2.4 million, up in fiscal year 2013-14. This increase was expected, as the final fiscal year 2013-14 adjusted budget was 9% higher than the final adjusted budget from fiscal year 2012-13. In comparison to the fiscal year 2013-14 adjusted budget, General Fund expenditures finished over \$3.6 million lower than budgeted. This was the result of expenditure savings in each of the departments, 59% of which was in the form of compensation (salary and benefit) savings. Compensation savings can be the result of a number of factors, but they are primarily related to vacancies in budgeted positions. These vacancies drove the savings in 2013-14; however, additional savings were realized due to salary and benefit increases that were assumed in the budget but did not come to fruition until after the close of the fiscal year.

It is important to note, however, that approximately \$1.1 million of the \$3.6 million represents funds that were unspent in fiscal year 2013-14 that are expected to be spent in the current fiscal year. As such, these funds remain encumbered, and the current year budget will be adjusted to reflect these encumbrances. Excluding these encumbrances, unaudited General Fund expenditures for fiscal year 2013-14 were nearly 6% below the adjusted budget. This variance, especially the \$2.1 million in personnel cost savings, highlights the challenge the City currently faces with respect to providing services. Budgetary resources are available to provide most services at the desired level; however, the City has not been able to staff itself appropriately to actually meet the budget service level. For the most part, this inability to meet budgeted service levels has been subtle, but it has stretched the departments and remains a concern going forward, as there are a number of examples where operational savings due to vacancies have had a detrimental impact on City services. A few of these examples include:

- Delays in building inspections, with 45% taking more than three days between inspection request and completion in March 2014, as compared to only 7% in May 2014 when contract personnel was available.
- Non-compliance with certain State mandates, such as having a certified access specialist on staff in the Building Services Division, due to insufficient time to complete the certification process. A certified access specialist is a person who has been tested and certified by the State to assess State disability access compliance issues, as well as Federal Americans with Disabilities Act (ADA) access compliance issues.
- Patrol teams working at minimum and below minimum staffing in certain circumstances, which disrupts other special assignments such as the Narcotics Enforcement Team and the traffic unit. Neither of these units was able to operate at peak capacity over the course of the entire fiscal year.
- Delays in implementing the Climate Action Plan.
- Challenges related to effectively and efficiently managing certain outside contracts in Public Works to ensure contracted service levels are met.
- Inability to focus efforts on process improvements and enhanced efficiencies.

These are just a few examples of the impacts of the City's inability to staff itself at budgeted levels is having on services. And while these impacts appear modest, they do expose the City to some risk, particularly as it relates to public safety. Additionally, with existing staff often needing to work additional hours to not fall further behind, we have created an unsustainable situation, meaning service levels could further deteriorate should the City not be able to fill vacant positions. Filling these positions is a priority, and to the extent that is able to occur during the current fiscal year, budgeted service levels should come closer to being achieved and the budget-to-actual variance should be less pronounced than it was for fiscal year 2013-14.

Operating Surplus

With revenues slightly exceeding adjusted budget amounts and expenditures falling well below adjusted budget amounts, the preliminary gross operating surplus for the General Fund is estimated to be \$5.6 million. Of this amount, nearly \$1.9 million will be classified as assigned fund balance to cover the fiscal year 2013-14 encumbrances discussed in the preceding paragraph (\$1.1 million), as well as the development-related revenue received in fiscal year 2013-14 that is related to work that will be performed in fiscal year 2014-15 (\$767,000). This assigned fund balance will be utilized in fiscal year 2014-15 to meet these expenditure commitments. Of the remaining \$3.7 million, 25%, or approximately \$930,000, will be added to the new Strategic Pension Funding Reserve, per the recently amended and approved General Fund Reserve Policy. The remaining \$2.8 million will fall into the General Fund's unassigned fund balance unless Council provides other direction.

Given that this surplus is primarily the result of operating savings that are not expected to be ongoing, and as such should be considered one-time in nature, any allocation of these funds outside of unassigned fund balance should be for non-recurring expenditures. One such area of potential need is for the General Plan Update (M-2) project, which is underway with an initial budget of \$2 million. Staff believes additional funds may be needed to complete this project and the post-project implementation activities, and should Council be interested in utilizing a portion of the net surplus to provide additional funding for this project, an additional appropriation can be made when the CAFR is presented in December.

Otherwise, and as noted, the remaining net operating surplus, which is expected to be approximately \$2.8 million, will fall into the unassigned fund balance category. Funds in this category can be utilized for any purpose, as the funds are neither restricted nor committed in any way. As such, the accumulation of unassigned fund balance can be beneficial for future utilization to help smooth out the fluctuations in the City's revenues and expenditures, such as absorbing the loss of a sales tax provider, with which we are currently contending, or mitigating the impact of increasing compensation costs.

Next Steps

The fiscal year 2013-14 audit is currently underway. The audit entails a detailed transactional review and a confirmation of financial processes and internal controls. At the end of the auditor's review, any necessary audit adjustments will be made. The financial statements and all disclosures will be compiled for a CAFR that is compliant with all applicable governmental accounting and reporting standards. Additionally, a comprehensive analysis of all the City's funds will be concurrently performed by staff. This analysis will be incorporated into the CAFR's Management Discussion and Analysis (MD&A) section. The CAFR is scheduled to be presented to Council in December.

IMPACT ON CITY RESOURCES

There is no impact on City resources.

POLICY ISSUES

This is the seventh year that the City has released preliminary and unaudited financial information to the public, and it is important to note that audit adjustments could modify the annual results of fiscal operations. However, because timely unaudited financial information can be beneficial for certain types of decision-making purposes, an examination of unaudited results has merit. A complete analysis of all the City's funds will incorporate any needed audit adjustments and be presented with the Comprehensive Annual Financial Report in December.

ENVIRONMENTAL REVIEW

Environmental review is not required.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

None

Report prepared by:
Drew Corbett
Finance Director

THIS PAGE INTENTIONALLY LEFT BLANK