



SPECIAL MEETING AGENDA – AMENDED

Date: 6/2/2020

Time: 4:00 p.m.

Special Meeting Location: Joinwebinar.com – ID# 939-722-843

This amended agenda includes an item after E. Roll Call.

NOVEL CORONAVIRUS, COVID-19, EMERGENCY ADVISORY NOTICE

On March 19, 2020, the Governor ordered a statewide stay-at-home order calling on all individuals living in the State of California to stay at home or at their place of residence to slow the spread of the COVID-19 virus. Additionally, the Governor has temporarily suspended certain requirements of the Brown Act. For the duration of the shelter in place order, the following public meeting protocols will apply.

Teleconference meeting: All members of the City Council, city staff, applicants, and members of the public will be participating by teleconference. To promote social distancing while allowing essential governmental functions to continue, the Governor has temporarily waived portions of the open meetings act and rules pertaining to teleconference meetings. This meeting is conducted in compliance with the Governor Executive Order N-25-20 issued March 12, 2020, and supplemental Executive Order N-29-20 issued March 17, 2020.

- How to participate in the meeting
 - Submit a written comment online:
menlopark.org/publiccommentJune2*
 - Record a comment or request a call-back when an agenda topic is under consideration:
Dial 650-474-5071*
 - Access the special meeting real-time online at:
joinwebinar.com – Special Meeting ID 939-722-843
*Written and recorded public comments and call-back requests are accepted up to 1 hour before the meeting start time. Written and recorded messages are provided to the City Council at the appropriate time in their meeting. Recorded messages may be transcribed using a voice-to-text tool.
- Watch special meeting:
 - Cable television subscriber in Menlo Park, East Palo Alto, Atherton, and Palo Alto:
Channel 26
 - Online:
menlopark.org/streaming

Note: City Council closed sessions are not broadcast online or on television and public participation is limited to the beginning of closed session.

Subject to Change: Given the current public health emergency and the rapidly evolving federal, state, county and local orders, the format of this meeting may be altered or the meeting may be canceled. You may check on the status of the meeting by visiting the City's website www.menlopark.org. The instructions for logging on to the webinar and/or the access code is subject to change. If you have difficulty accessing

the webinar, please check the latest online edition of the posted agenda for updated information (menlopark.org/agenda).

According to City Council policy, all regular meetings of the City Council are to end by midnight unless there is a super majority vote taken by 11:00 p.m. to extend the meeting and identify the items to be considered after 11:00 p.m.

Closed Session (Teleconference)

A. Call To Order

B. Roll Call

C. Closed Session

Public Comment on these items will be taken before adjourning to Closed Session.

- C1. Closed session conference with labor negotiators pursuant to Government Code §54957.6 regarding labor negotiations with the American Federation of State, County, and Municipal Employees Local 829 (AFSCME) and Confidential employees; Service Employees International Union Local 521 (SEIU); Menlo Park Police Sergeants Association (PSA); Menlo Park Police Officers' Association (POA); and Unrepresented Management

Attendees: City Manager Starla Jerome-Robinson, Assistant City Manager Nick Pegueros, Interim City Attorney Cara Silver, Labor Negotiator Charles Sakai

- C2. CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Gov. Code section 54956.8.)
Property: 1467 Chilco Street, Menlo Park

Agency negotiator: Starla Jerome-Robinson, Justin Murphy, Cara Silver

Negotiating parties: Menlo Park Fire Protection District

Under negotiation: Price and terms of payment

- C3. CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Gov. Code section 54956.8.)
Property: 1283 Willow Road, Menlo Park

Agency negotiator: Starla Jerome-Robinson, Justin Murphy, Cara Silver

Negotiating parties: Menlo Park Fire Protection District

Under negotiation: Price and terms of payment

Special Session (Joinwebinar.com – ID# 939-722-843)

D. Call To Order

E. Roll Call

Update by Chief of Police on Recent Protests

(note: addition of this item will be subject to a vote by the City Council to add as an emergency item)

F. Regular Business

- F1. Provide direction on the use of one-time money, revenue increases, and capital improvement program funds to balance the fiscal year 2020-21 general fund budget ([Staff Report #20-113-CC](#))

[Web form public comment on item F1.](#)

G. Adjournment

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 any matters of public interest not listed on the agenda, members of the public have the right to directly address the Council on any item listed on the agenda at a time designated by the chair, either before or during the City 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 chair, either before or during consideration of the item. For appeal hearings, appellant and applicant shall each have 10 minutes for presentations.

If you challenge any of the items listed on this agenda in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City of Menlo Park at, or prior to, the public hearing.

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 by request by emailing the city clerk at jaherren@menlopark.org. 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.

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 menlopark.org/agenda and can receive email notification of agenda and staff report postings by subscribing to the "Notify Me" service at menlopark.org/notifyme. Agendas and staff reports may also be obtained by contacting City Clerk at 650-330-6620. (Posted: 6/2/2020)

Agenda item F1

Alexander Oesterling, Menlo Park resident

As a member of the Menlo Park community who has witnessed national uproar over the murders of George Floyd, Breonna Taylor, and Ahmaud Arbery, I strongly urge the City Council to consider reducing funding for our local police department. Although I respect and love our local police force, the fact of the matter is that our citizens give the police the right to use force to protect them, and as a citizen, I have seen how other police forces have abused this right and overstepped their boundaries as protectors of the community. This reduced funding can be used during this pandemic to help invest in local healthcare resources and support our local businesses. Nobody wants to resort to crime, and are often forced to because of socioeconomic troubles and a need for survival. Diverting our funding from preventing the symptom, crime, to tackling the cause, economic inequality, through greater investment in the poorest and most struggling members of our community will help improve the lives of all members of our community.

In addition to reducing funding, there are a few policy changes which can help make the police force more accountable and reduce risks of violence. When calling 911, adding additional dispatch resources for specific cases rather than directing all incidents to the police can help reduce cases of violence. Breonna Taylor was murdered because somebody called for a "check up" by the police. In 2014 in Half Moon Bay, Yanira Serrano Garcia was murdered by the police because the police were responding to a "family disturbance call." According to her family, this girl had a mental illness. If 911 diverted to mental-health dispatchers, they would have had a better grasp of the situation and how to help. These dispatches could also help with cases of suicide, among others.

In summary, I hope the city council can discuss diverting funding of the police force towards alternative efforts such as healthcare, relief for local businesses, and creating alternative dispatch resources to prevent sending the police into situations they are not trained or best equipped to handle. Thank you.



STAFF REPORT

City Council

Meeting Date:

6/2/2020

Staff Report Number:

20-113-CC

Regular Business:

Provide direction on the use of one-time money, revenue increases, and capital improvement program funds to balance the fiscal year 2020-21 general fund budget

Recommendation

Staff recommends that the City Council provide direction on the desired use of one-time money, revenue increases, and capital improvement program funds to balance the fiscal year general fund 2020-21 budget.

Policy Issues

The City Council delegates the preparation of an annual budget to the city manager. Staff continues to prepare a balanced city manager proposed budget; however, the COVID-19 pandemic has impacted revenue so significantly that structural cuts are necessary to ensure the City's financial stability. The level of reductions requires City Council direction to ensure timely budget adoption.

Background

The City Council met April 28, May 12, May 18, May 22, May 26, and May 28 to consider reductions, use of one-time money, and revenues to offset the projected \$12.7 million revenue shortfall in fiscal year 2020-21. The City Council took action May 28 to issue layoff notices to 28 benefited personnel and 40 non-benefited temporary personnel impacted by \$11.7 million in program and service reductions. The City Council's discussion of child care services was deferred to June 9 so that staff could provide a more detailed financial analysis of the programs.

Analysis

City Council considerations under this agenda item are focused on the City Council's desire to use one-time money, increased revenues, or capital improvement program funds to close an estimated deficit of \$2.5 million for fiscal year 2020-21.

Use of one-time money

As recommended at the April 28 City Council meeting, staff continues to recommend a balanced approach to close the projected \$12.7 million shortfall through up to \$4 million in one-time money. One-time money is finite and staff strongly recommends against depleting one-time money to balance structural budget deficits. Table 1 details one-time money available for consideration, including options added since May 12. Similar to earlier tables, the finance team has ranked each one-time money option based on the origin of funds and the long-lasting impact on the City's financial stability. Tier 1 has greatest relevance to the COVID-19 pandemic and its impact on the City's financial challenges in fiscal year 2020-21. Tier 2 is less directly tied to the projected deficit in fiscal year 2020-21. Both Tier 1 and Tier 2 one-time money may be replenished

through future budget surpluses. Tier 3 are one-time monies sometimes used by cash-strapped agencies to balance budgets, however, they generally impact tangible assets and their recovery is usually at a much greater long-term expense.

Item	Estimated available as of July 1, 2020	Maximum use	Priority
Economic stabilization reserve	11,607,781	3,000,000	Tier 1
Use of strategic pension reserve to make additional payments to CalPERS	2,898,650	1,537,566	Tier 1
General fund unassigned fund balance	2,322,221	1,000,000	Tier 2
Unused capital improvement program funds originated in the general fund	2,700,000	2,700,000	Tier 3
Deferral of transfer to general capital improvements	3,002,400	3,002,400	Tier 3
Sale of assets, 1283 Willow Road	3,650,000	3,650,000	Tier 3
Total	26,201,052	14,889,966	

If the City Council desires to use one-time money, it is advisable to tie the use to one-time expenditures. In an operating budget, these are typically contract services and supplies budgets.

Revenue options

In order to reduce the need for expenditure reductions, there are several revenue options available for consideration by City Council for incorporation into the fiscal year 2020-21 budget. The options with reasonably quantifiable effects are presented in Table 2 and all options are described in greater detail below.

Item	2020-21 Revenue increase/(decrease)
UUT maximum rates as of October 1, 2020	1,921,875
Remove gross receipts cap on business license tax*	1,050,000
Total	2,971,875

* requires voter approval

Utility users' tax (UUT)

Adopted in 2006, the UUT rate has been consistently reduced to 1 percent for each category since 2009. The maximum amount ranges from 2.5 percent for communications utilities to 3.5 percent for water, gas and electric utilities. If the City Council determines a need to use the UUT to balance the budget, the lowered tax rate could be increased up to the maximum for each category. The UUT budgeted in fiscal year 2019-20 totals \$1.21 million and could represent additional revenue of up to \$1.92 million in fiscal year 2020-21. It is important to note that the currently reduced rates run through September 30 and that the

effect of the economic downturn is not yet readily apparent on utility use. The rate may be changed with 60 days' notice as new information about the economic conditions is incorporated throughout the fiscal year.

Business license tax

The business license tax rate was last changed in 1978 by Ordinance No. 628 and set the maximum tax at \$8,000 for gross receipts of \$30 million or higher, a current-year equivalent of over \$140 million. For illustrative purposes, a simple change which could be introduced on a ballot measure is to remove the gross receipts cap and continue the marginal tax rate proportionally. This change would affect approximately 50 organizations conducting business in Menlo Park and could increase revenue by up to \$1.05 million in fiscal year 2020-21. Other calculation bases, such as employee count, could be considered and proposed but will require additional analysis. A limiting factor is that businesses may choose to apportion revenue to other jurisdictions if this change were adopted, actions which few businesses currently do as a result of the cost to do so exceeding the maximum tax currently charged. It is important to note that this revenue measure must be approved by voters and cannot be unilaterally changed by City Council.

Transient occupancy tax (TOT or hotel tax)

The TOT or hotel tax currently in effect in the City of Menlo Park charges a rate of 12 percent, except in cases where additional rates apply, to rents charged for short-term rentals of 30 days or less. Similar to the previous revenue measure, the tax charged on short-term rentals within the City could be modified from its current rate with voter approval. The potential revenue increase is dependent both on the additional rate charged as well as the actual occupancy and room rates observed throughout the fiscal year. With the change in behaviors expected due to the current crisis, any additional amount raised by this method is highly speculative and, as noted in the prior item, is fully dependent on voter approval.

User fee study

As earlier indicated in staff report #20-104-CC, a user fee study could be done to better capture the cost to provide services which require modification under new social interaction guidelines. These could include a range of services and the cost recovery policy and service mix would dictate the revenue generated by this activity. It is important to note that a user fee study does have some lead time, service provision is somewhat impacted during the study, and consultants for these services are typically in high demand in uncertain economic conditions.

Capital improvement program (CIP) recommendations

The City Council requested the project and funding priorities in the CIP be reviewed in light of the current stay at home order in response to COVID-19 and anticipated fiscal impacts. In response, staff has reviewed the CIP, with a focus on projects funded by the City's general fund. The attached memorandum (Attachment A) was prepared as part of the May 12, City Council meeting materials to summarize the recommendations. Following the City Council meeting, staff offered to meet with City Councilmembers to review questions or projects in more detail. Mayor Taylor and City Councilmember Nash met with staff May 28 to review questions. Staff will be available at the June 2 meeting to respond to further questions.

Staff has identified approximately \$2.72m in currently funded projects that may be repurposed to other current funding needs, or the funds returned to the general fund to reduce the anticipated deficit in fiscal year 2020-21. These projects are summarized in Table 3 below, where they are presented in four categories.

Table 3: 2019-20 and carry-over projects proposed for reconsideration		
Project category and name		Amount
<u>Lower priority projects that may be delayed</u>		<u>Status</u>
Facilities maintenance master plan	Not started	\$0.15m
Welcome to Menlo Park monument signs	Not started	\$0.18m
<u>Projects that may be funded by alternate sources</u>		<u>Alternate source</u>
Downtown Streetscape Improvements	Downtown amenities fund	\$0.30m
Ravenswood Avenue Caltrain grade separation study ¹	Measure A	\$0.29m ¹
<u>Projects that are resource constrained</u>		<u>Status</u>
Oak Grove, University, Crane bicycle project extension	Not started	\$0.08m
Ravenswood Avenue Caltrain grade separation study ¹	Not started	\$0.29m ¹
Willows Neighborhood Complete Streets Study	Complementary efforts underway	\$0.30m
<u>Projects that require other work as a prerequisite</u>		<u>Prerequisite</u>
Downtown parking structure study	Land use plan for parking plazas	\$0.72m
Furniture replacement	Library renovation/construction	\$0.40m
Projects are listed in alphabetical order under each category. Ravenswood Avenue Caltrain grade separation study appears under both alternate funding and resource constrained category. While alternative funding sources exist as identified, the staff resource constraints currently in the transportation division would limit ability to advance this work in fiscal year 2020-21, regardless of the funding source identified, unless other projects are delayed.		

Staff has also further refined the proposed funding needs for fiscal year 2020-21 to be funded by the typical annual transfer to the capital improvement program (\$3.00m) and the repurposed funds from fiscal year 2019-20 (\$2.72m,) as shown in Table 4. General capital needs of \$4.85m have been identified, a reduction of over 60 percent from \$12.5m of general capital funds as originally anticipated for fiscal year 2020-21. A detailed listing of project funding needs is identified in Attachment A. Staff is continuing to evaluate projects proposed in the water capital program to ensure the funds needed can occur within anticipated revenues for next fiscal year.

Table 4: 2020-21 CIP funding strategy	
	Amount
Funds needed	
General fund needs identified	\$4.85m ¹
Total funding needs (all sources)	\$19.5m
Fund sources	
Annual capital transfer	\$3.00m
Repurpose 2019-20 project funds (Table 1)	\$2.72m
<i>Subtotal</i>	<i>\$5.72m</i>
General CIP funds remaining after 2020-21 capital needs accounted for	\$0.87m¹
1 These funds could be used to either reduce the general fund operating deficit anticipated for fiscal year 2020-21, or to maintain funding for projects identified in Table 3.	

Impact on City Resources

If the City Council desires to use one-time money, staff recommends using the funds to offset one-time expenditures. In an operating budget, these are typically contract services and supplies budgets. Use of one-time money for a structural budget expenditure will require additional reductions in subsequent fiscal years if the economy does not improve.

If the City Council desires to increase revenues special consideration is necessary to the timing of revenue availability and voter approval requirements, if necessary. If the City Council desires to allow the UUT to revert to the voter approved cap, the additional funds may be used to offset reductions to essential services such as police or child care.

The capital improvement program is adopted annually through the budget adoption process. Specific recommendations to modify funding amounts planned for capital projects are listed above in the analysis section and are detailed in Attachment A. Direction from the City Council would be used to inform possible amendments to the CIP in light of the City's response to COVID-19 and anticipated fiscal impacts and the 2020-21 proposed budget.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it has no potential for resulting in any direct or indirect physical change in the environment. Individual projects within the capital improvement program would continue to be evaluated individually under CEQA as the projects proceed.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

- A. Hyperlink – May 22 CIP recommendations memorandum:
menlopark.org/DocumentCenter/View/25172/Attachment-E

Report prepared by:
Dan Jacobson, Assistant Administrative Services Director
Nicole H. Nagaya, Public Works Director

Report reviewed by:
Nick Pegueros, Assistant City Manager