City of Palo Alto

Memorandum

Date: March 14, 2007

To: City Council

From: Frank Benest, City Manager

Subject: Service Reductions to Address $3 Million Challenge

On February 26, 2007, the City Manager presented a series of recommended service reductions and revenue increases for 07-09 that would provide an additional $3 million in annual funding for the Infrastructure Program.

As a follow-up to the presentation, the Council requested some additional information including customer satisfaction ratings for different City services (from the Auditor’s SEA Report) and information related to HSRAP grant funding for non-profit agencies. These two informational items are included as Attachments A and B.

In response to the City Manager’s recommendations (Attachment C), the Council requested information so it could consider a few large program cuts instead of numerous smaller service reductions. Consequently, the Executive Staff (ES) Team developed the attached matrix of Discretionary and Essential Programs (Attachment D). (The larger listing of all general fund programs is included as Attachment E).

In reviewing Attachment D, the matrix of discretionary and essential programs from all departments, I DO NOT RECOMMEND CUTS IN THE MAJOR DISCRETIONARY PROGRAMS. However, I am supportive of several proposals. I would suggest that the Council consider:

1) Extending the Comp Plan Review from two to four years, saving approximately $300,000 (mostly in consultant services) in 07-08 and another $300,000 in 08-09.

2) Reinstating the tree trimming cycle from seven to ten years (previously the cycle was every 10 years), saving $100,000 in contract costs.

3) Eliminating level “A” (high-level incidents) and level “B” (minor incidents) hazmat responses and allowing response from the County Fire Department, saving $85,000 in incentive pay, training, and equipment costs. The City responds to
approximately one level “A” (high-level incident) per year and three to four level 
“B” (minor low-level incidents) per year.

By supporting some or all of the three service reductions above, coupled with my 
previously recommended general package of cuts and revenue increases, the Council 
can achieve the $3 million additional contribution to “CityWorks” or City infrastructure 
upgrades. It would also allow the Council to indicate its support for maintaining the 
current level of funding for HSRAP (reinstating $150,000/year) and public art 
(reinstating $50,000/year).

Let me reiterate my strong recommendation that we do need to replenish the 
Infrastructure Reserve now (as opposed to later). If we do not now make the tough 
budget choices, we cannot maintain over time our CityWorks funding for infrastructure 
rehabilitation. The Council is absolutely correct in making infrastructure funding a Top 
Priority.

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Frank Benest
City Manager

Attachments