

2007 State of the City Address
City of Palo Alto
Mayor Yoriko Kishimoto
March 19, 2007

Vice Mayor Klein, Honorable LaDoris Cordell and Council Colleagues, Mr. City Manager, Distinguished Guests:

Let me begin by asking you to join me in thanking my outstanding council colleagues. Each of us is different, but we are all committed to a creative and collaborative process that makes Palo Alto much more than the sum of our individual visions and experiences. I could not ask for a better council to work with.

Our council and community could accomplish nothing if we did not have an outstanding professional staff to work with on strategic initiatives and to manage our complex, daily operations. Everywhere we go, people compliment us for the professionalism and high standards of our staff. Please help me acknowledge City Manager Frank Benest, Assistant City Manager Emily Harrison, City Attorney Gary Baum, City Auditor Sharon Erickson and City Clerk Donna Rogers for going above and beyond their call of duty. We thank as well our department heads, our managers and all our teams at city hall who are so committed to serving our demanding yet wonderful community.

Thank you for joining me tonight as we pause to contemplate the 2007 State of the City.

Palo Alto is today a symbol of the future, and has the promise to continue to be the model of what our global democracy can evolve into.

We are at the center of the knowledge economy, a global center for innovation. We are special partners with Stanford University, with whom we can create a community that is committed to applying the highest principles of learning and research to a living and diverse community.

Situated in the larger Bay Area, we are at a cultural and economic epicenter of California, where the forces of history and geopolitics bring together our changing demographics and entrepreneurial energy. Our unique infrastructure of venture funding, legal network, entrepreneurs, and business services attracts talent and capital from around the world.

Palo Alto also has engaged neighborhoods, great public schools for our children, a rich cultural life, and a diverse social spectrum. Add a thriving downtown, neighborhood parks, and 4000 acres of open space – no wonder that 93% of our residents are happy with the quality of life in Palo Alto, and our downtown vacancy is a scant 3%.

But – yes, there is a but -- we face critical decisions to maintain this vaunted quality of life and vibrant economy. We do not have the time to rest on any laurels. We might call the big two challenges “sustainable budget” and “sustainable development”.

My call to action for the year is for “Building a Green Economy through Innovation”. In Palo Alto, we are committed to reducing greenhouse gas emissions to 2000 levels by 2010, 1990 levels by 2020 and by 80% below 1990 levels by 2050. This is a daunting challenge, especially since we are at the center of a global economic engine. Somehow, we must find the path to continued economic prosperity while embracing the new rules.

The path I propose tonight is through partnerships and collaboration, and a focus on innovation. The path I propose is also a walking path. Let a “walkable community” be one symbol of the next level of our green economy.

City politics is where our diverse Palo Altans as consumers, residents and wage earners look in the mirror and negotiate with Palo Altans as taxpayers, employers and protectors of the environment. Our children’s theater classes and low cost senior services do compete for the same General Fund budget as filling potholes and building libraries and firehouses. We want to pay competitive wages and benefits in an environment of high prices and limited affordable housing, yet we face significant constraints on our ability to raise revenues. Our desire for public services is unlimited; yet our means and willingness to pay for them is much more constrained.

Our city needs a “sustainable budget” — a budget that assures we leave coming generations with a city in a stronger position than we found it. This means sustaining our tax base and public infrastructure, controlling costs and redefining what we want our tax dollars to pay for.

We have focused much effort on controlling the size of our city organization while encouraging continued change and innovation. The results have been largely in the right direction, but mixed.

We worked hard to address our deferred maintenance on our streets and sidewalks, our parks and community centers. Over the past 5 years, we have invested \$221 million into our capital infrastructure in our general and utility funds. This has not been enough. Last year, the Council directed staff to bring back a budget that transfers at least an additional \$3 million a year to our capital projects.

In each of the last 5 years while I have been on the council, we have cut and trimmed. Our city auditor’s report tells us that during this period, citywide staffing has decreased 3% to 1074 full-time equivalent staff. Despite these cuts in

services and staffing, General Fund spending rose by about 6% due to rising personnel costs. Over the same 5 years, the city has faced cumulative inflation of about 10%, a population growth of 3%, and a doubling in employee benefit costs, so the General Fund's spending power is less than it was. We are running forward, but falling behind as the treadmill runs faster.

We have put away \$26 million against unfunded retiree medical costs, estimated between \$83 and \$149 million, and taken significant steps to contain future cost growth. However, on the pension side, we face an estimated \$25 million (in net present value) in extra costs for the next 23 years.

What all these numbers mean is that we still more work to do to contain and control costs, raise revenues to at least keep up with inflation, and focus on productivity and innovation.

We can and should look at opportunities to raise, for example, the hotel tax, to bring us to the level of our neighboring cities. We are looking to add a new hotel and keep the Stanford Shopping Center competitive, without sacrificing our commitment to our Green Economy. Above all, we must be aggressive and innovative as the business sector and as frugal as the non-profit sector in looking at new ways to deliver services.

Palo Alto is a community fortunate to have many great non-profits and businesses. Stanford University is among the world's top research universities and we can congratulate our homegrown Hewlett Packard for becoming the top technology firm in the world, recently surpassing IBM with \$92 billion in sales. We have a culture of public service and volunteering that is second to none. City government provides but a very small piece of the total set of services that our residents and businesses enjoy such as employment, transportation, healthcare, and education.

In light of our budget limitations, public-private partnerships and innovation must be central to our strategy for delivering services.

Avenidas and Palo Alto Child Care are two long established third-party institutions that deliver critical services for our seniors and our children. Canopy is our partner to educate our community about trees. The Red Cross manages emergency shelters. We count on strong neighborhood groups such as Midtown and Barron Park as partners on emergency preparedness. The Opportunity Center is a very ambitious partnership to provide social and housing services for our lowest income people. Our close working relationship with the Palo Alto Unified School District is second to none. We have wonderful Friends groups: Friends of the Library, Parks, Foothill Park, just to name a few. The Friends of the Library alone has donated over a million dollars to our libraries since 2004.

Let me take a minute to highlight two innovative partnerships.

Acterra is our partner in the restoration of Enid W. Pearson Arastradero Preserve. We just celebrated the opening of a completely off the grid, showcase educational facility at the Gateway to the Preserve that we could not have built without their volunteers and leadership. Acterra has long been leading the way on sustainability issues and we are grateful that they are here in Palo Alto to help us be successful on our sustainability initiatives.

The Downtown Streets Team is another example of innovative social entrepreneurship. Eileen Richardson, former high tech CEO and venture capitalist, runs this program that addresses two major problems downtown: homelessness and cleanliness. With funding and work grants she pieces together, she and her team provide jobs, food, housing - and hope - for folks who want to get back on their feet. In the process, sidewalks are cleaner and downtown merchants and landlords take part in the solution through their donations. So far, 20 people have found jobs and 15 have found housing.

Our community partners show great ingenuity, innovation, and perseverance delivering services in a fresh way, and we need to support more partnerships like these.

Our city council has listened to the community and examined the state of our buildings. It is high time to build a new Mitchell Park Library, the busiest library in our city. If we care to maintain our high standards of peace and safety, it is also time to build a new Public Safety Building. Emergency preparedness continues to be one of our Council's top priorities. For that, we need an Emergency Operations Center that will withstand the inevitable earthquakes and a better 911-dispatch center for routine emergencies.

When we bring these to our voters, these would represent the first major city building projects since we built this City Hall in 1970 and we passed a bond in the 1950s to build the Main and Mitchell Libraries.

Now a few words about "sustainable development", or "Building a Green Economy through Innovation".

Dr. Jonas Salk, the developer of the polio vaccine, was a humanist as well as medical scientist and devoted much thought to what we might call Seven Generation thinking. He said, "The brontosaurus became extinct, but it wasn't its fault, so to speak. If we become extinct, it will be our fault... In order to survive, man has to evolve."

Thousands of scientists have studied the climate change issues and their considered consensus is that without a significant course correction, we are in the danger of leaving our descendents with serious deterioration in the global and local environment. There are threats to our long-term water supply, food

supply, and energy supply. There are threats of catastrophic storms and fire. Government exists so that we can take collective action to protect our highest interests. With your support, the City is taking aggressive steps to understand what the consequences might be and how Palo Alto can contribute to the collective solutions.

Our Green Ribbon Task Force on Climate Action has delivered its findings and 250 recommendations, and we thank last year's Mayor Kleinberg and Task Force Chairman, Walt Hays, and all the volunteers who worked on it. According to its findings, the Palo Alto economy emitted at least 644,000 metric tons of carbon dioxide in 2005. This amounts to about 11.3 metric tons/capita. This figure is slightly higher than the average in California since we have more businesses per capita. About half is from transportation and the other half from utilities, that is, gas and electricity.

How and when we get to a renewable energy regime depends on our political will and our ingenuity as an innovation economy.

Solutions require Palo Alto to be both a leader and a partner within the region, state and beyond. We need to work jointly with our neighboring communities to solve challenges of transportation, growth and energy transitions.

Here are some thoughts about heading in the right direction.

* Palo Alto is the first city in California to win a prestigious award from the Environmental Protection Agency as a Green Power Community. Residents and businesses can choose to receive 100% renewable electricity by signing up for our Palo Alto Green program. 14% of households have signed up, and we hope to increase that to 15% or 20%. I hope any one who has not done so already will go to www.paloaltogreen.com and sign up tonight!

* Some of our leading corporations have also signed up for Palo Alto Green. Since business uses about 80% of our electricity, this is very significant. Roche Pharmaceuticals for example has achieved a very impressive reduction of about 40% in electricity, gas and water use since 2000. They are undoubtedly reducing both costs and emissions.

* Since 2001, we have signed long-term contracts for wind and landfill gases expected to meet 20% of our supply needs. Our goal is to have new renewable energy provide 30% of our portfolio by 2012. And this is on top of our main source of electricity, hydropower, which is already carbon neutral.

* Palo Alto is already a Gold-level Award-winning "Bicycle Friendly Community" and going for Platinum! With our beautiful climate and flat neighborhood terrain, I call for doubling the number of bicyclists and pedestrians on our streets.

* Boomers who grew up in the 1960s remember that about half of us either walked or biked to school – including me. Now, nationally, fewer than 15% do. Led by PTA moms and dads and joined by the City Council and Board of Education, the Palo Alto Safe Routes to School program has results that are worth applauding. Since 1994, the proportion of elementary school age kids getting to school by walking or biking has climbed back from 31% to 43%.

* Our Parks and Recreation Commission has challenged us to 10,000 steps a day and I am wholeheartedly supporting them. It requires almost no capital or operating funds – just a good pair of shoes. It is one of the best and cheapest ways to support our walkable communities and maintain one's health. Join me in this low-cost path to a Green Economy.

* The Palo Alto Chamber of Commerce has been taking the lead in promoting "Palo Alto Business Goes Green" program, encouraging our businesses, small and large, to be certified as Green Businesses or sign up with Sustainable Silicon Valley. With their leadership, it is my hope that Stanford Research Park can be a model Green Research Park, with everything from walkable, transit-oriented campuses to smart use of energy and water.

* I am happy to announce that California Avenue may be seeing a new Farmer's Market this year. Farmers markets bring together neighbors to support local farmers and create community. We wish best of luck to all who have been working on this.

* I have also been encouraging our Downtown Palo Alto to explore the idea of opening parts of downtown streets for one or two nights a month to strollers so we can eat under the stars *al fresco* in the nice weather and enjoy the shops and movie theaters.

A simple common concept frames these vignettes.

It can be summarized by the phrase, a "walkable community". In this busy, complicated, high-technology world, having a walkable community might seem a great luxury but it is a tenet that we must constantly strive to protect. It is so easy to be overwhelmed by traffic, growth, and the wish for convenience.

A leafy, safe walking path is the thin line that divides great communities from lesser ones.

Walkable communities are based on walkable destinations. Farmers' markets, neighborhood shopping centers and libraries, Stanford Research Park... What greater luxury could there be but to be able to walk or catch a shuttle to work at the Research Park or Medical Center from your home or from the train station?

Walkable communities are fine-grained, deeply rooted, diverse places where humans and our natural environment co-exist in a complex harmony and balance.

Walkable communities create a thick web of community, reduce our dependence on foreign oil, improve our health, don't pollute and are economical. They foster independence in our children so they do not have to ask their moms to drive them from one activity to another. They also help our seniors who find themselves isolated when no longer able to drive.

In 2007, we face choices that could forever change the fine balance in this community. Stanford Medical Center, a globally respected teaching hospital, is proposing a 1.3 million square foot net expansion over what our zoning laws allows today. This could add a significant burden to our infrastructure that we have not planned for. Given that we are a built-out community with little extra room at our schools, that one affordable housing unit can easily cost half a million dollars in public subsidy, and our street system barely accommodates today's traffic, it will take the best thinking and collaborative work to reach a great outcome.

The Comprehensive Plan update and review of the Stanford projects force us to face the issues of growth. How much more growth? Where it should go? Who should pay for the additional services and infrastructure? The big challenges are traffic, housing, especially affordable housing, open space, and schools. Since Palo Alto has a high jobs-housing imbalance already, somehow, we will be expected to provide housing with its various infrastructure needs for any new jobs added.

On the issue of traffic, I am convinced that with Stanford's world-class expertise and Palo Alto meeting them halfway, we can achieve a "no net increase in traffic" result over the larger Palo Alto-Stanford area. Stanford's world-class Marguerite Shuttles take full advantage of GPS (global positioning system) and web technology and are designed to accommodate the busiest commuter. An expansion of this system into Palo Alto, East Palo Alto and the vicinity could take as many trips off the road as the expansion may add. We can use the momentum from this major proposal to help transform our area into a more connected, sustainable, walkable community.

I call for Palo Alto and Stanford to both take some risks and strive for a new era of cooperation.

Finally, I will mention two initiatives which I believe will further our quest for a Green Economy through Innovation.

One is our pursuit of a citywide 100 megabit-per-second ultra broadband system. I have consistently advocated for this as a fundamental economic development project – when the timing is right and we have the right partners in place.

Just as we benefit from the decisions made Seven Generations ago to create the Palo Alto Utilities, so too is it our turn to create a networking utility for the next Seven Generations. Our era of innovation has only just begun and an ultra broadband system will keep Palo Alto on the forefront of data networking, providing the underpinning for the next generation of the knowledge economy.

Second, with the support of my colleagues, we need to build on the momentum and enthusiasm we have for re-tooling our city and our economy to be in harmony with the natural environment we live in. Our progress so far has been thanks to the heroic volunteer efforts of both our business and residential community, and our staff who has enthusiastically encouraged our environmental efforts.

Now is the time to institutionalize this effort by creating an Environmental Commission, with a charter to create a plan for achieving our ambitious climate protection goals and bring our economy into harmony with the environment. Let us translate this moment of opportunity into a lasting cultural and organizational change for the next Seven Generations.

We have a fine working democracy here, with people willing to study issues, offer thoughtful opinions, and ask hard questions. An educated, engaged citizenry is the single best gauge of a successful community. With that gauge, despite the significant challenges I have outlined, I declare the State of the City of Palo Alto to be robust and resilient. Thank you again for the honor of serving as your Mayor in 2007.