

STATE OF THE CITY ADDRESS
CITY OF PALO ALTO
MARCH 1, 2010
RE-BUILDING OUR FOUNDATION

A month ago this new city council got together for our annual priority setting retreat. Normally, it's a half day effort. For two reasons, we decided to devote a full Saturday to it. First, we had four new members on the council and it was important for everyone to work from a similar foundation. More importantly, we recognized that the near and long term challenges facing us were so significant that it would take more work than usual to determine our priorities. At the end of that day, we had identified five intertwined issues as the most important challenges facing our community. They are City Finances, Land Use and Transportation, Emergency Preparedness, Environmental Sustainability and Community Collaboration for Youth Well Being.

I think that the current state of our city can be best mapped in the framework of these five interconnected areas of high importance. I would like to share my thoughts on how they work together and how we can work together – as individuals and a community to move Palo Alto forward to a solid future.

Before diving into where we're going I'd like to talk about where we've been and where we are now. A year and a half ago we made one of the most important decisions that a city council can make - we hired a new city manager. Jim Keene has as strong a set of skills as I've seen in any executive in the public or private sector. As it happened he arrived in early September 2008, within weeks of the collapse of our financial markets and the biggest economic downturn since the Great Depression. Jim also inherited a series of issues and miss-steps large and small. These were not of his making, but it was his job, of course, to correct them. Under his administration we've seen a much greater willingness to quickly acknowledge errors openly, to aggressively correct them and prevent their recurrence. This doesn't mean that our city government nor any organization will be error free. Even Tom Brady throws some interceptions. But I do believe we are on the right track. This past year our council gave Jim and his staff the thankless but necessary task of negotiating structural reforms to the benefits and pensions of our biggest union. Comparable changes have since been expanded to our Professional and Management Group. We're now entering into similar negotiations with our other unions. Many other cities are currently facing up to the realities that Palo Alto took on a year ago. Namely, that government had agreed to a benefit and pension structure that was unsustainable.

This leads us to our highest priority: Our City Finances. Our financial condition is the backbone for everything that we do as a city government. Like governments throughout the country, we're facing major near-term and long-term financial challenges. In that environment, we are obligated to re-examine how we spend

our dollars. We must find ways to build our financial health and security. This need includes re-structuring our organization and adopting technologies to become more innovative and efficient. It means that we have to decide as a community what services are most important to us. As part of our re-structuring we have eliminated more than 20 full time positions this past year. We will be reducing our staff this year as well.

We also need to look at new revenue sources and we need to put a greater focus on economic development. To do that, the city manager is re-organizing his staff around this goal. Despite what many skeptics had predicted, we now have three new hotels in the pipeline. The city will receive 12% of those hotel's revenue. To encourage these new hotels, we implemented new zoning incentives and designed our first marketing program for hotels. That program is now spinning off to the private sector so that going forward the city will get the benefit and not bear the expense. At the initiative of civic leader Roger Smith we're evaluating red light cameras to increase safety, reduce staffing needs and add significant revenue. As we struggle this year with the likely loss of some valued services, we also need to decide as a community whether we support a more fair and better designed Business License Tax.

Despite our many near term challenges, we cannot ignore the continuing fact that even with our expense and revenue changes we do not have an adequate plan to address our decaying infrastructure. Largely through the dedication of community leaders like Cathy Miller, Alison Cormack and many others we've had some wonderful accomplishments recently including the renovation and expansion of our Children's Library and park improvements. We'll see soon the upgrades to our branch libraries and then the construction of a wonderful new central library and community center at Mitchell Park. But these valuable community efforts won't be able to meet our less glamorous but essential needs. To that end, later this year I intend to appoint a task force of top professionals from our community to develop a comprehensive plan for the repair of our infrastructure from our roads and sidewalks to our major buildings.

However, infrastructure in the 21st century is not just bricks and mortar. Fifteen years ago, former mayor Liz Kniss took the risk and led the initiative to install a high capacity ultra high speed dark fiber ring in Palo Alto. That ring is now part of our infrastructure and helps Palo Alto based businesses be more competitive. And it is generating strong annual profits.

For the last several years civic leaders and our staff have explored bringing ultra high speed internet to our homes and businesses. This technology would keep our businesses, schools and medical facilities on the cutting edge and it would provide valuable services for our residents. A year and a half ago we had developed such a plan along with private partners. The capital market crash caused our partners to lose their financing and they had to drop out of the deal. Google has recently announced a plan to deploy ultra high speed internet in several test communities in the country. There will be strong competition to be selected, but Palo Alto has all of the elements that Google is seeking. Our council, staff and community have mobilized our best efforts to make this happen. Everyone who would value this opportunity should go to the iPaloAlto website

to learn more. That Web site includes a link to the Google site so you can vote for Palo Alto. Please do!

Our second priority is Land Use and Transportation. Despite its mundane title, the council identified four critical elements to address this year and next. They are our Comprehensive Plan Update, our Housing Plan, High Speed Rail and the Stanford Hospitals. Each of these elements will have a deep impact on our quality of life and our financial health.

The Comprehensive Plan Update and its Housing Element lay out the framework to direct how our built environment will develop over the next decade. They'll be the master plan for how much development we'll have, where it will occur, what kind it will be and how it will mesh with what we value about our great little city. This Wednesday at 7 pm following several community meetings in recent months the City Council will receive an update on the plan from the Planning Commission. I hope many of you will join that important meeting.

If it is built, the High Speed Rail will be the largest transportation project ever on the Peninsula. Some of us recall how Oregon Expressway physically divided the north and south halves of our city. Unless it is done right, this project will divide us east and west. Over the past year council members and our staff have partnered with very committed and able members of our community to win us a real voice in whether and how this project may be done. Our voice might have been smothered if not for a coalition of five cities as the Peninsula Cities Consortium, the effort and expertise of architects and others who have developed underground design options and the amazing contributions of CARRD. That's Californians Advocating Responsible Rail Design. The group was co-founded by four highly capable Palo Alto moms; Nadia Naik, Sara Armstrong, Rita Wespy and Elizabeth Alexis. They want to assure that the city where they chose to raise their kids will remain the special place it is today. CARRD has become among the most important watchdog groups in the state on this project.

Finally the city will review Stanford's proposals for renovation and expansion of its Medical Center and the Packard Children's Hospital. These projects are the largest single development in the history of Palo Alto and they will certainly be with us for the next two generations. As with any development projects, their impacts must be understood and mitigated or offset. At the same time Stanford must meet a state time schedule for completing their seismic upgrades. The recent events in Haiti and Chile remind us of the life-saving importance of world class medical care. I am determined that we will move this project forward expeditiously this year through review by our relevant boards and commissions and finally the city council.

I also hope that we are moving toward a period of a stronger and mutually beneficial relationship between Stanford and Palo Alto. Over a decade ago, Stanford and Palo Alto were embroiled in a dispute over Stanford's General Use Permit. The disagreements were not only about the scale of the project, but about its impacts. Palo Alto and others argued that the campus growth should take the form of urban infill and

avoid sprawl in the foothills. Today, Stanford is transforming its campus into a model of sustainability by preserving open space, conserving water and power, reducing its carbon footprint and minimizing car trips. In addition, its scholars are global leaders in sustainability, green house gas reductions and clean technology. Stanford has recognized that sustainable planning and design can save far more dollars than they cost up front.

When Stanford first presented its hospital plans, they lacked these same innovative sustainable elements. More recently, Stanford transformed its proposals into an innovative and sustainable design, with far fewer environmental and community impacts. Our common shared belief in sustainable practices have greatly narrowed the issues that remain.

I believe that this shared vision will be the foundation for future relationships between the university and the city. We may still have interests that differ, yet we will always hold much in common. Palo Alto benefits in many ways from its relationship with a world class university and their offshoots. Stanford benefits from the great community that is Palo Alto. We both benefit from seeking collaboration rather than confrontation whenever possible.

Our recent power losses and the quakes in Haiti and Chile reinforce why Emergency Preparation is crucial for our well being and the stability of our economy. Before a major emergency hits it is easy to ignore the need for comprehensive preparations. The day after the emergency there will be no doubt what our highest priority is. On that day we'll ask ourselves what we should have done to prepare better. We need to ask ourselves now why we're not doing those things before the emergency hits.

This priority didn't suddenly appear by coincidence with recent events. In 2006 former Mayor Judy Kleinberg began the job of identifying our needs and helping the city prepare for them. This goal is not a simple task and it cannot be finished in a single year. This year, however, we will achieve some major milestones in our plan. Driven largely by Annette Glanckopf and Ken Dueker, we have worked for over a year to prepare for last week's launch of the Citizen Corp Council (CCC). This is the city's umbrella organization for the many public, private and non-profit organizations involved in emergencies. This group is focused on building a team that will be ready to deliver an effective coordinated response when a big one hits. The CCC includes our city emergency leaders, and representatives from the school district, Stanford, our medical centers, the airport, our neighborhoods, the Red Cross, neighboring jurisdictions and others.

Our Block Preparedness program has grown greatly this year. Our neighborhood groups are working to have one trained coordinator for each block in the city who will know who's on their block and what special needs or skills they have. In addition, this year our city manager will be consolidating our various city staff emergency responders into a unified team.

Last year a major voter approved program kicked off to upgrade our emergency water system with new pump stations and an underground reservoir. With our recent experience as an unscheduled preparedness test, we will also re-examine our electrical power back-up system. In June we will receive our mobile back-up Emergency Operations Center (EOC). We will also soon receive plans to build a new primary Emergency Operations and Dispatcher Center.

We are finally making concrete progress in flood prevention for San Francisquito Creek. Construction should begin by late 2011 to widen the creek and raise levees downstream of Highway 101. We also expect to soon see a second culvert under 101. These changes will not only address the downstream flooding, they will enable us to focus next on the section between El Camino and 101.

Emergency Preparedness is not only an issue of public health. The recovery from emergencies is vital to the stability of our local economy.

The Well Being of Our Youth has become an even greater concern this past year. In response to recent events, our staff has created a comprehensive task force called Project Safety Net. They have also convened a series of Youth Summits. Once again, our staff by themselves could not possibly achieve all that needs to be done. Instead they have brought together and leveraged the great resources throughout our community, our school district, our PTA's, our faith organizations, our medical community, our youth service organizations, and outside experts – a total of 20 participating organizations. With help from all of us, we can make a difference.

Last, but surely not least, is our focus on Environmental Sustainability. Sustainable practices meet the needs of today without compromising the ability of future generations to meet their needs. Over the past several years, under the leadership of mayors with vision and responsibility, Palo Alto has earned a well deserved reputation as one of the greenest small cities in America. Our programs in waste reduction, water recycling, sustainable buildings, renewable energy and climate protection have made us a model that other cities turn to.

It's also important to recognize that beyond their impact on the quality of life for us and our children, environmental efforts can have strong paybacks. Our Sustainability Team identified potential ongoing cost savings of \$250,000 per year. We projected \$130,000 in savings in this years' budget and we're on track to achieve that. Over on the farm, Stanford will be spending \$15 million to retrofit existing energy hog buildings and they expect to recover those costs in just four years. From then on they'll save \$4 million per year.

Even more remarkable is how much our local economy has become focused on clean tech and the environment. We have major new clean tech employers such as Tesla Motors and a Better Place choosing to locate here. They're building on our ecosystem of world class research centers like EPRI, Xerox Park and Stanford University. But the clean tech economy is affecting our local economy in less visible ways too. For example,

one of our major software companies has entered the field of monitoring greenhouse gases. Other companies are attracted to Palo Alto because we reflect their environmental values. Local developer, Jim Baer has created an innovative program called Wave One. It will transform our buildings downtown by overcoming the barriers experienced by office tenants who need to become more energy efficient. Our relationship with Stanford creates even greater opportunities. We have both recognized that our future well being and economic strength are tied to a sustainable, clean tech economy.

In closing, I want to return to the reality that our financial condition is the backbone of everything that we do as a city government. All of our other priorities either contribute to our financial health or depend on it. We are in the midst of very challenging times. We are positioning our city government to be a leaner and more efficient operation for a strong future. Through innovation, community collaboration and hard work we can make our financial health secure and the future of our city bright.