



State of the City February 28, 2005

As you might imagine, in preparing for this State of the City, I went back and looked at the remarks of some of my immediate predecessors.

In 2002, Mayor Ojakian began by recalling an ancient Greek citizen's oath: "We will leave this city not less but greater, and more beautiful than it was left to us." He talked about the City's Top 5 priorities and what had been achieved in each area in recent years. Responding to the downturn that had begun earlier, the City made serious adjustments, including cutting expenses by \$3.5 million.

In 2003, Mayor Mossar, in a speech that the Palo Alto Weekly said "lived up to her reputation as a straight shooter" stated: "Against a national backdrop of growing unease with institutions and government in general, our own city government is suffering from attack, suspicion, distrust and slow paralysis." Still, in that year the City made further adjustments and cut expenses by \$6.3 million.

Last year, Mayor Beecham addressed the financial challenges head on stating "since the economic downturn began in the spring of 2001, we have balanced our budget without impacting our ability to deliver services. We've kept our budget reserve at its target level. We've cut \$14.5 million in expenses over the past three years. We've eliminated nearly 40 positions through attrition and restructuring. But," he concluded, "the outlook is still unclear, with unresolved challenges ahead." And in 2004 we were able to balance our budget once again.

Looking back at these difficult years, I believe it is clear that the leadership of this City and a professional and dedicated staff have met those challenges and done very well indeed.

Evidently our residents agree. I know some of you have already heard the figures from the City Auditor's Annual Report on City Government Performance. Surveys were mailed to a representative sample of 1,200 households and 582 residents responded, an unusually high rate of return.

When asked how they rated the overall quality of City services, 90 percent replied "excellent" or "good," 9 percent said "fair" and 1 percent said "poor."

Now those figures can go by pretty fast, so let me express them in another more visual way. This council chamber seats about 200 people. Imagine that all the seats are filled and this group represents the total adult population of Palo Alto. Then let's imagine that someone asks, "How many of you believe that the quality of Palo Alto city services is either good or excellent. Please stand up." And 180 people stand.

That would be all of this section, all of this section, and 2/3 of this section.

Then someone says, "Would the people who believe City services are fair, please stand." 18 people stand up. "And those of you who think that City services are poor, please stand." And 2 individuals stand. I think that provides a visual perspective of how the residents of Palo Alto view this city's services.

Asked how they rate Palo Alto as a place to live, 53% replied excellent, 43% said good, 3% said fair, and no one rated it poor.

In terms of the public's trust, when asked how many felt they received good value for the taxes they pay, 75% agreed (up from 69% last year). 6% disagreed somewhat, and 3% disagreed strongly. The rest were in the middle or said they didn't know.

Asked if they were pleased with the overall direction the City is taking, 65% said yes, up 7% points over the previous year.

Now, as you might expect, when asked how they rated access to affordable housing, 1% said excellent, 6% said good, 19% said fair, and a whopping 67% said poor.

"Traffic congestion" rated as the #1 problem, followed closely by "homelessness" and "too much growth." Asked what method of transportation do you use for your commute to and from work, 78% replied "car", 5% said "bus or other public transportation," 4% walk, and 7% work at home. Those choosing "car" were then asked, "Do other people usually ride with you to or from work?" 86% —or almost 9 out of 10—said no.

If those of us who live here and those who come to work here, were willing to use public transportation, carpool, walk, bike, or work at home just one day a week we could make a significant dent in our traffic problem.

91 percent rate the quality of city parks good or excellent, 97 percent rate fire services good or excellent and 90 percent rate police good or excellent.

Emergency calls to 9-1-1 are considered Priority 1 when they concern crimes in progress that are life threatening, major injury accidents, heart attacks, etc. The average police response time has declined over the last four years from 6:41 to 4:49. And that's from the time the call comes in to 9-1-1 to when police arrive on the scene.

Average response time for fire calls is 5:15 and for medical rescue 5:47. For comparison, some other jurisdictions have response times of up to 10 minutes or more.

Of course there are some measures where we don't do as well. Although 81% of residents rate our libraries good or excellent, because expectations for libraries in general are very high, Palo Alto libraries place only 136th out of 224 libraries surveyed.

Only 46% of Palo Altans rate street repair good or excellent and that's down from 50% last year. The City's own analysis says more than one-third of our streets are in need of some maintenance. We're currently spending almost \$2 million a year each on street resurfacing and sidewalk repair and replacement.

Still, only 50% of residents currently rate sidewalk maintenance good or excellent.

Part of the reason for that may be the fact that we are, and have been for many years, Tree City USA with our beautiful canopy of trees throughout the City. But trees also push up sidewalks and get in the way of utility lines so we have more maintenance to accomplish than other less shaded cities.

And then there are storm drains. Last year 65% of Palo Altans thought storm drainage was good or excellent. This year it's down to 57%. I certainly hope that the proposed increase in the storm drain parcel tax will be accepted by our property owners and that we can begin to take care of the much-needed maintenance and upgrading that has had to be deferred over the past years.

Those are just a few of the facts and figures in this excellent and comprehensive report. Anyone who is seriously interested in the well being of Palo Alto should get a copy and read it. Copies can be obtained from the City Auditor's office or downloaded from the City's website.

I'd like to talk now about a few of the accomplishments in the past year or so.

- We broke ground for the Opportunity Center that has 90 living units and will provide services for around 200 people in need each month; battered, abused or homeless women and children, as well as men who also need help.
- A public-private partnership between the City, the Friends of the Palo Alto Library, and the Palo Alto Library Foundation has funded a \$2.6 million addition to the Children's Library. Construction is scheduled to begin in late summer.
- We dedicated land for a new two-acre Heritage Park at the corner of Homer and Waverley that will be opened to the public on March 12th.
- Construction began last year on the Homer Tunnel undercrossing (which is almost finished) and will enable pedestrians and bikes from the Palo Alto Medical Foundation,

the Sheraton and Westin Hotels, Town & Country Shopping, and students from Paly, to connect with downtown Palo Alto and vice versa.

- The Roth Building was reconfigured at a cost of \$1 million to preserve this historic building until the proposed tenant, the Palo Alto History Museum, can renovate the building for its use.
- Building upgrades were made at Lucie Stern, Fire Stations 1 and 2, Cubberley Community Center, and Civic Center.
- Transportation improvements included safe routes to school projects on Matadero and Miranda Avenues and traffic calming on Channing Avenue and in the Downtown North neighborhood.
- The South of Forest Avenue (SOFA II) Coordinated area plan was completed. One part of that is the Oak Court apartments, 52 units of affordable housing that are just about finished as we speak.
- Ridership on the free shuttle increased to 170,719, the fourth consecutive yearly increase.
- A Construction and Demolition Ordinance was put in place that is expected to divert a minimum of 6000 tons of construction debris from going into landfill each year.
- The Police Department made it possible for cellphone users to reach 9-1-1 directly without going through the highway patrol and thereby saving precious time. Ours was the first dispatch center in the state to achieve this.
- The Fire Department added four paramedics to Engine Companies in addition to the two fully-staffed ambulance units.
- A number of city parks — Werry, Robles, Bol, Hoover, Mitchell, and Seale were renovated with new play equipment, bathrooms, or other amenities..
- Community Services offers camps and classes for kids, adults, and pre-schoolers. Last year, Community Services held 170 camps, 352 classes for kids, 366 for adults, and 177 for pre-schoolers. And they installed a “register on the internet” program so parents didn’t have to camp all night on cold cement.

It’s easy to see why the annual survey ranked Palo Alto #1, compared to other cities, in the range and variety of recreation programs and classes.

And I’d like to make the point again that the City maintains it’s AAA bond rating which means that our reserves and financial stability give us the lowest possible percentage rate if and when we ever have to borrow money. Only two other cities in the entire state match us.

And so we come to 2005, and Mayor Beecham was right: there are big changes and challenges ahead.

As the City prepares for a fifth straight year of budget cuts, this may be the most difficult year to date. Much of the spending on administrative support has already been removed while we have maintained our high level of services. In addition, labor negotiations will be complex as Palo Alto operates in a heavily unionized environment and we need to maintain a degree of competitiveness with other neighboring cities. And hard decisions face us in determining just exactly what are “essential” service levels.

Still, the task of cutting \$5.2 million is before us.

The Finance Committee, chaired by Council member Vic Ojakian along with Council members Jack Morton, Dena Mossar, and Yoriko Kishimoto has already begun hearings along with City Staff on mid-year budget adjustments. Citizens interested in these hearings are urged to attend and the dates of those meetings are posted on the City website.

The City Manager and I have also scheduled a series of informal “coffees” to discuss budgets and the first is this coming Wednesday at 9:00am at the Palo Alto Café in Midtown. Anyone is welcome.

The Finance Committee’s recommendation on the 2005-2006 budget will come to the full Council in June.

Utility customers in California and elsewhere are experiencing increasing energy costs. Palo Alto is taking a number of steps to assure a dependable and economical supply: Spreading contracts over a number of years and different suppliers, studying the feasibility of local generation, promoting energy efficiency programs and conservation.

- Palo Alto Green, the City’s 100% renewable energy program now has 3,199 households committed to using energy from wind and solar sources. We are second in the nation in terms of public participation. The Council has approved a goal of having 20% of our power from renewable sources in 10 years and it appears likely we will reach that goal in only 3 or 4 years.

Here are some other issues to be addressed in the year ahead:

- Rickey’s has been sold and a new proposal for that property will be coming forward.
- The Elks Club is looking for a buyer and planning to sell off a portion of its land.
- Alma Plaza has been sold by Albertsons to a developer and we hope a new proposal will be forthcoming at an early date.
- Plans for the Center for Jewish Living have been approved.

- The location for a new public safety/police building needs to be determined soon in order to begin the process of seeking construction funding.
- After much hard work and participation on all sides, the Zoning Ordinance Update will be completed by the end of this year.
- We need to pursue agreement on a Library plan that will offer renewed library facilities as well as distributed library services for our residents.
- We need to continue to actively pursue Federal and other funding dollars for the approved Charleston/Arastradero corridor project
- It is critical that we continue efforts to restore and enhance the City's economic base. Since Proposition 13, property taxes have become less and less a source of revenue to the City. As a result, sales taxes have become crucial and, today, more than half of the City's revenue is associated with business activity. The top 100 businesses generate 63% or \$11 million of the City's sales tax revenue. And I don't believe that we can repeat too often that the City receives only twelve cents out of every sales tax dollar.

Mayors Ojakian, Mossar, and Beecham each appointed a committee directed at this important effort. The initial focus was on problems faced by Palo Alto businesses in dealing with City government, followed by an emphasis on small retail business and such issues as signage, parking, and zoning changes particularly related to auto dealerships. Auto dealers alone account for almost \$2 million in sales tax revenue for Palo Alto.

This year's committee, composed of developers, bankers, residents, staff, and Council members, and again chaired by Bern Beecham, is working on specific ways to attract new stores and businesses to our City.

- Next month, the final agreement with Stanford for the creation of the new soccer fields at the Mayfield site will come forward to the Council.
- San Francisquito Creek continues to be a major preoccupation. A long term solution will take many years and many millions of dollars and the Joint Powers Authority is working with the Corps of Engineers to keep that on track, while at the same time doing everything possible in the short term to protect residents from flooding.
- We need to continue our commitment to the concepts of Zero Waste and Sustainability. Zero Waste means we take responsibility for reducing by all means possible the materials we return to the land, the water and the air. And sustainability is the lens through which we should look at all we do in terms of its effect on all future generations.

On that note, I'd like to take a few moments to set a context for our work together in the years ahead.

The native indigenous peoples often begin their ceremonies or events by recognizing the four directions—North, South, East and West— or acknowledging in some way their place in space and time. It helps to put their lives and actions in a larger perspective. Consider this:

We are gathered here this evening in a room...in a building...in a city... located on the Western rim of the north American continent...on a planet we call Earth which is circling around a star we call the sun and upon which we are totally dependent for life.

Our sun is one of more than 200 billion stars in a galaxy known to us as the Milky Way. And our galaxy is only one of more than a billion other galaxies, most of them thousands of light years apart, and each with its own billions of stars. Thanks to the Hubble telescope our generation can explore the depths of the universe. Those images help establish our relationship in terms of space.

As for our place in time, several years ago, Hewlett Packard was looking for a way to set a context for its inventors, visionaries who would be creating products in the future. HP Labs was planning an event called “Creativity Day” and they wanted to establish the largest context possible. A senior scientist at HP, Dr. Sidney Liebes, proposed building a series of 90 large panels spread over a mile and where each step along the way would represent a million years. As you walked along, each panel would reflect what was happening at a particular moment in the 13+ billion year history of the Universe from the original moment to the present. Called “A Walk Through Time...from Stardust to Us” that display was a huge success at HP Labs and has since been seen all over the world. That’s the context in which you and I live. And we know, as no generation before us, that our earth is precious, a living system, and we and all other species are embedded within it and totally dependent upon it.

Understanding that, here we are, gathered in this Council chamber where we citizens often spend hours, days, months, and even years discussing issues of concern to our City.

Will we use the resources the earth provides wisely? Will we work to restore the harm we may have unconsciously done to our biosphere? Will we build carefully, using renewable materials, renewable energy, and re-using materials whenever possible? Will we help our city to change and renew, ever mindful of the inheritance we have received from those who have gone before us? Waste reduction, producer responsibility, the triple bottom line of economy, environment and social equity—these are the new phrases of expanded consciousness.

What we accomplish is important, but equally important and critical to our future is **how** we accomplish it.

As we go about proposing, discussing and deciding how to deal with critical issues we still have not come to any kind of serious agreement on how we will work together.

Last year, one group, PAGE (or Palo Altans for Government Effectiveness), concerned about this very problem, evolved a list of proposed guiding principles. Here they are:

- Focus on the Common Good
- Be sure all stakeholders are represented
- Define the problem
- Get complete facts and clarify assumptions
- Be open and listen to other points of view
- Focus on the issue, not the person
- Be willing to compromise
- Build bridges toward common interests
- Build relationships in the process of solving the problem
- Don't assume the obvious solution is the right solution
- Better to get it right than to be right
- Solutions don't have to be perfect; they are evolutionary and flexible
- Once a solution is reached, support it and move on

Just imagine what our famous "Palo Alto process" would be like if we committed ourselves to those principles. We don't have to agree on those exact words; they are, after all, principles and the words are not as critical as the spirit that lies behind them.

The spirit with which we relate to one another and with which we work together is totally determinative of the outcomes we will ultimately achieve. From whatever journey has brought us as individuals to this place and this time, we can make a conscious decision to be of good spirit.

Choosing to manifest a spirit of good will in our dealings with each other can not only make each of us a better, more considerate person, but will enrich and nourish this City we love. And we will be caring not only about the physical state of the city, but also its heart and soul.

Thank you.