TO: HONORABLE CITY COUNCIL

ATTN: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: DECEMBER 14, 2004 CMR: 515:04

SUBJECT: CRITERIA FOR PRIORITIZATION OF SERVICES

RECOMMENDATION
Staff recommends the Finance Committee review and comment on the attached Program/Tier Table (Attachment A). Its contents will be used as part of the Citywide Service Prioritization Matrix for the 2005-07 General Fund Operating Budget development process.

BACKGROUND
The updated Long Range Financial Plan (LRFP) for 2005-15 shows that the City of Palo Alto faces a $5.2 million General Fund Operating Budget structural deficit for 2005-06. The LRFP also indicates that if this deficit is not corrected in 2005-06, the trend of structural deficits will continue over the next nine years. Over the past four years, the City of Palo Alto has utilized a variety of solutions and strategies to balance the budget without significant impacts on service levels. Based on the continuing trend of General Fund operating deficits, staff is recommending that a methodology be developed that will provide a prioritization of citywide services and service levels. This methodology will be used by staff to recommend service reductions to eliminate projected deficits.

DISCUSSION
Staff has developed a weighting system to prioritize City programs and services. Attachment A (Program/Tier Table) shows this weighting system. All General Fund operating functions/programs by department will be listed and prioritized based on the criteria in this table. The Tier Type is a numeric-weighting factor used to determine whether a program/service is more or less essential. At the Finance Committee meeting, staff will provide a rationale for the different tiers and discuss our proposed process. Staff looks forward to the opportunity of discussing the criteria with the Finance Committee and Council. Based on the Tier, staff will recommend which, and at what level, services should be reduced or eliminated. Once the matrix has been completed, staff will return to the Finance Committee with a prioritization of all General Fund services.
**POLICY IMPLICATIONS**
This report has no policy implications at this time. Policy decisions on budget or service reductions will be identified and made during the upcoming budget process.

**RESOURCE IMPACT**
This report does not result in an immediate resource impact. The impact will not occur until Council provides input on the prioritization matrix and staff subsequently recommends service level reductions to Council.

**ENVIRONMENTAL REVIEW**
This project is categorically exempt from California Environmental Quality Act (CEQA).

**ATTACHMENTS**
Attachment A: Program/Tier Table

---

**PREPARED BY:**
CARL YEATS
Director, Administrative Services

**CITY MANAGER APPROVAL:**
EMILY HARRISON
Assistant City Manager