TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DATE: JANUARY 29, 2005

DEPARTMENT: ADMINISTRATIVE SERVICES

SUBJECT: FIRST DRAFT OF GENERAL FUND SERVICE PRIORITIZATION MATRIX

RECOMMENDATION
While Council does not make policy decisions in a study session, staff requests the City Council review and comment on the attached Citywide Service Prioritization Matrix for use in staff’s preparation of the 2005-07 General Fund Operating Budget.

BACKGROUND
The updated Long Range Financial Plan (LRFP) for 2005-15 indicates 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 during the two-year budget for 2005-07, the trend of structural deficits will continue over the next nine years. During the past four years, the City of Palo Alto has utilized a variety of budget balancing strategies and solutions to balance the budget without significant changes to service levels. In order to be fiscally prudent and eliminate projected future operating deficits, it is apparent that some less essential services must be reduced or eliminated; that certain service delivery methods may need to be changed; and that cost recovery levels of some programs may need to be increased.

In preparing for a review of service levels, staff has developed a methodology for prioritizing services as more essential vs. less essential. Previously, staff asked the Finance Committee to review and comment on the Program Tier Table that would be used by staff to prioritize citywide services. On December 14, 2004 the Finance Committee reviewed the Program Tier Table and staff has incorporated its comments into the table (Attachment A).

DISCUSSION
The attached Citywide Service Prioritization Matrix (Attachment B) contains a list of General Fund operating functions/programs listed by department by tier by category. The “tier” and “category” are values in the Program/Tier table. The “tier” is a numeric value ranging from 1 (more essential) to 4 (less essential). The “category” is used to describe each tier. The matrix also provides additional data, indicating whether a program/service is “scalable”. Scalable means that a particular program/service can be decreased as opposed to being eliminated. A “higher level of service” indicates that the service level being provided is “higher” than legally
required or provided by other jurisdictions. Finally, the column “Service Impact” is a brief
description of the program/service and the potential impact if it is reduced or eliminated.

Staff requests that the Council review the Citywide Service Prioritization Matrix and comment
on whether staff has indicated, based on the tiers and categories, appropriate programs/services
to be reduced or eliminated. Staff is not requesting that Council determine what positions should
be reduced or eliminated by a change in service level.

ATTACHMENTS
Attachment A - Program/Tier Table
Attachment B – Citywide Service Prioritization Matrix

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