

Question 4

Questionnaire for City Council Candidates 2009

Palo Alto Neighborhoods (PAN)

Terminology: "the City" refers to the government of the City of Palo Alto.

Deficit: The City has a large structural deficit. A large part of its costs are for employees, both current and retired. How do you propose to contain those costs? If you advocate reductions in the workforce, which services would be affected? Do you advocate an alternative way(s) to contain costs?

[N] Mark Weiss

I look forward to learning about, and understanding in detail, our budget. I feel I have the capacity to contribute in this area. Generally, I think we should demand excellence for our tax dollars and pay for that excellence.

[A] Dan Dykwell : <http://www.dandykwell.com>

I appreciate that this question refers to structural deficits. These are deficits that have been building for many years and there are no quick fixes. The rising costs for employee benefits are unsustainable. We all are awaiting the results of the city's efforts to gain concessions from the unions. Obviously, we cannot renege on contracts or agreements that are already in place for retired workers. Going forward, we must consider numerous options for reducing the city's liabilities, such as providing less than 100% health coverage for retirees. Reductions in the city work force should be analyzed in a manner that truly compares our work force with those cities similar in size and characteristics and the services provided. The fact that we have a sizable portion of city workers assigned to the utilities division skews our numbers compared to neighboring cities. Determining which services might be candidates for reduced employee headcount would entail, in my mind, a robust public discussion about which services we are willing to forego.

The recent audit of the city's telephone system indicates that there may be other areas in need of auditing that could produce savings. We could also consider expediting automation in areas that could be eligible for stimulus funds.

[B] Victor Frost: No response from candidate.

[C] Chris Gaither

Palo Alto finds itself in a situation shared by other municipalities, counties and states across the nation. In good financial times, and to attract employees to public sector work, government based entities offered enticing benefit, bonus and retirement packages, and promised/negotiated cost of living (or higher) annual merit increases. Hence, Palo Alto is not alone. Just as Palo Alto finds that it needs to reconfigure these fixed expense categories of benefits, retirement and salaries due to the economic downturn, other cities, counties and states are grappling with the same "how to contain costs and thrive" issues.

One must get creative so that employees do not feel devalued and become unmotivated, and that the city is able to remain financially sound. The answer lies not only in curtailing costs, but also creative revenue ventures that do not further tax or burden city residents, and small businesses.

The approaches that the city is currently taking with respect to salary cost controls are ones with which I agree, and I applaud their assertiveness, and their calculated steps. Firstly, the city directly asked the Fire and Police unions to assist with expense containment by holding off on pay increases for this upcoming fiscal year. Both unions agreed. However, the Fire union stipulated that the city not discuss medical and benefit changes with the SEIU right now, so that all three unions could work with the city on this issue in the future, and the next round of negotiations. The unions and some employees do acknowledge that the city is incurring a large burden of expense with respect to health insurance/medical and benefits. This part of the Fire union's request was ultimately tied to whether or not that union would hold off on its annual salary increases. Since the city decided to move forward with negotiating medical/benefit participation from the SEIU, the Fire Union received their normal merit increases effective retroactively to July 1, 2009 thereby reversing the Fire Union's ultimate contribution to immediate salary cost containment. The only change I would have made on the city's part was to request that the Fire union's request not be tied to any part of the SEIU negotiations.

The city is currently bargaining with the SEIU for employee contributions to medical benefits (just as in the private sector), pay reductions, and salary increase management. This has not been concluded as we speak (or write), but I am hopeful that the final agreement will be a win-win compromise for both sides, just as Stanford was able to accomplish with its SEIU employees. Secondly, the city's upper administrative and management staff will all receive salary adjustments, and there will be an alteration in the infamous bonus policy this fiscal year. The City Manager led the way by offering a decrease in his salary. Furthermore, with the official hiring of the new chief of police, the city manager has reduced the salary of the position from both that of the previous chief's salary, and what the current interim manager made this past fiscal year. The city manager basically asserts that as a result of his (city manager's) research on salaries of police chiefs, what is being offered to the new chief is the regional norm. The person to whom the position was offered, Interim Chief Burns accepted the salary which is below what he was paid this past fiscal year. Thirdly, the city is re-configuring (increasing) the age of retirement in which employees are entitled to pension benefits. This is a good thing, and will help reduce the overall pension benefits and income paid to retired employees over the future years.

The city also requires that new employees hired in 2005 and beyond have to provide 20 years of service at a minimum prior to receiving life long health/medical benefits. This is an acceptable and adequate amount of time to invest in any organization, and expect some reward (like life long medical benefits) in return for service. If an employee is older and begins to work for the city, in most cases, the employee would have previously worked in the private sector thereby being in the position to receive both Medicare and Social Security benefits by the age of 65 to supplement any retirement pension and medical benefits, and they would not need to have the life long medical/health benefits if they are unable to achieve the above 20 years of service requirement. In addition, the city now requires that employees contribute at least 2 percent of their salary to the CALPERS pension plan, while the city contributes 2 percent at 55. As the years go on, the city should require a higher salary contribution towards pensions from each employee. People have to learn to pay "yourself" first via savings and investments. With more aggressive employee contributions, the city could pare down its portion of contribution and save in the long run. For more information see City of Palo Alto website – benefits and pension.

What I would add to the mix, when some positions become vacant through attrition, I would fill them with qualified volunteers who have time, and want to contribute and help the city. Palo Alto is fortunate to have amongst its residents, people who have tremendous experience and skills – acquired from years of working and owning businesses. We have many unused people

resources. The city could save money as positions open up by creating a volunteer opportunity and invite residents whose skills match with the position to assist on a part-time basis to help the city provide any services lost to attrition.

I do not advocate reductions in the work force as the city needs to maintain services to its residents via its employees. However, I would research other cities that are similar in population size to Palo Alto to determine their number of respective city employees, and the types of services those cities provide to determine if Palo Alto in comparison has too many, or too few employees to maintain community and customer services. In other words, we need to do some investigations as to whether the city is efficient with respect to its work force. If the research reveals that we have too many employees in certain positions compared to other cities of the same size and similar characteristics than we could reduce staff in those over employed services as attrition occurs, or do transfers to different departments. I am not a fan of eliminating jobs, as people and humans are affected. Decisions that affect peoples' lives and well being always have to be made while taking into consideration both the impact on the person (the human) and the business entity. A win-win compromise is always the best and desired result.

In terms of creating more revenue to help budget deficits, the city could do as private non-profits and universities do, look to its citizenry for those who would like to leave parts of their estates or assets to the city in the form of a will or trust. People who attend universities, or participate in organizations and have good memories associated with those entities do this all the time. If we leave people with a great feeling about Palo Alto, some people will naturally want to give back in return in this format if they possibly can. They simply need to be encouraged in the form of positive outreach. Secondly, Palo Alto needs to do a better job of helping retail businesses create a solid and supportive presence in the city so that the business can thrive, and the city receives resulting tax revenue.

[D] Tim Gray : www.vote4Gray.com/

My campaign mantra has been to set priorities, and from those collective priorities, exercise fiscal discipline. Jim Keene has indicated a willingness to work with council in reducing services, if that is what we requested, so the council just needs to set its priorities, and then issue some clear instructions. I have a personal bias for preserving public safety and children's services. I am sorry to know that our lack of financial discipline in previous years when funds were more available is going to come back to haunt us and cause some pain in the future. There are many people who will work on this with the highest integrity and commitment to finding the solutions that will serve the greatest good. As Jim Keene has said, even the smallest service cuts will cause a vocal uproar. We will just have to stand together and know in our hearts that any reductions are made with an endless commitment to fairness.

[E] John Hackmann

Cost containment should first be addressed by fair negotiations between labor and management. Structurally, we clearly need to reform the taxpayer's annual contribution to the pension pot so it is a known and fixed contribution each year. Lifetime payouts of pensions can be up to \$2,000,000 to \$6,000,000 EACH for long serving employees. The city, and the taxpayers, can simply not be on the hook for forever increasing, unknowable obligations far into the future.

Palo Alto is said to be in much better shape on the pension funding than other cities. This is precisely the reason we should fully address and solve this problem now.

No essential service need be cut. With focused goals, specific objectives, closer management and accountability, and increased public partnerships with the non-profit organizations we have here in Palo Alto, we can continue to provide all essential services. We have many excellent employees here in Palo Alto.

Overall, we need to do a better job controlling spending. In my opinion, we, as other cities do, have a high cost per employee when salary, benefits and pension contribution are all included. And Palo Alto has a larger number of city employees per population than most of our neighbors.

One specific area of service where savings are possible is to have a closer partnership between staff and volunteers in library operations, where there are many skilled and willing people ready to help. A second valid alternative to contain costs is with new government sector productivity software, for example, in public record keeping and record retention. This would put Palo Alto on the cutting edge and demonstrate Palo Alto's leadership.

[F] Karen Holman : karenholman.org

There are union negotiations going on currently that will likely result in some relief in ongoing City employee obligations. Painful as this is for employees, the employees and the City will both benefit from a balanced budget.

I do not advocate at this time for either staff cuts or reduced services but rather for internal audits to identify and rectify duplicated efforts, waste, and inefficiencies. I believe significant savings can be identified through this process as well as through improved management practices that focus on responsible expenditures of public funds.

[G] Larry Klein www.ReelectLarryKlein.com

As part of the City's negotiations this year with the SEIU, our largest union, I have advocated a five percent (5 %) reduction in the total compensation paid these employees. Part of this reduction should come from their paying a portion of their medical insurance premiums and pension payments to CalPers. I voted with all of my colleagues to reduce the City's headcount by twenty positions in the 2009-10 fiscal year which represents about 3% of our general fund work force.

[H] Leon Leong : www.leonleong.com

The first step is the budget needs to be more transparent. Even though the budget is a lengthy document, it is difficult to determine what different services cost. Once the cost of each service can be quantified, the council can make policy decisions on what level each service should be subsidized by the budget, and what are appropriate fee levels.

Another step is look for efficiencies in how services are delivered, and what are the overhead costs in delivery. For example, the city auditor recently found that the city could save hundreds of thousands of dollars in the phone bill.

Lastly, the pay, retirement & benefits of city staff need to be benchmarked against other government entities as well as equivalent private sector jobs. The council should evaluate it's compensation philosophy on how risks in the retirement benefits are shared between the city & it's employees.

[I] Corey Levens : www.electcoreylevens.com

I believe the budget deficit, currently projected at more than \$10,000,000, and the even larger projected deficits for the next few years, are the biggest threat to the City and the very nature, character, and quality of life we have enjoyed in Palo Alto. Budget deficits of this size will have a cancerous impact threatening the City's ability to provide the services and programs that make Palo Alto special. Environmental plans, transportation services, arts projects, and other services and facilities will all be placed in jeopardy unless we can control our finances. We urgently need a City Council with a NEW VOICE and a NEW PERSPECTIVE to attack this problem.

Palo Alto's costs for providing services are greater than virtually every other community in our area for providing similar services. The City's ratio of workers to population far exceeds Mountain View's, for example, and is a major factor behind the structural deficit that Palo Alto faces. Currently, the City Council, trying to make up for past years of bad negotiating, has determined that the City's workers should fund a large part of our deficit through wage and benefits cuts. While such cuts, if they occur, would assist in managing our deficit, they would likely be more than offset by the deterioration in labor relations and quality of life for our community that will ensue. They also do not address the large structural deficit in the budget.

I therefore prefer an approach that more directly addresses the structural deficit. There are currently many unfilled positions which the City continues to fully fund and which I believe can be eliminated and which I believe our workers will support eliminating. The current solutions being put forth also make no mention of correcting the even bigger problem of the ratio of managerial and supervisory staff to workers of approximately 1 manager for every 3 staff workers. These are the high paying positions most Palo Altans refer to when they complain about the large salaries being paid to City workers.

The City Council's proposal for closing this year's budget deficit also includes one time accounting manipulations (e.g., \$3 million in temporary funding reductions for the City's infrastructure and \$1.4 million in proposed increases from other funds to the General Fund). Instead of "borrowing" from such funds and delaying the repair of streets and sidewalks, we should be borrowing from the "rainy day" funds that have been established to compensate for unusual circumstances, such as the unusual economic times we are now experiencing. I believe such borrowing will be a one time event and that with the changes described above we can make substantial progress towards closing our budget deficits in 2010 and beyond.

[J] Gail Price

A balanced budget will require compromises. The deficit we are facing is not dissimilar to what other communities are facing throughout the region and California. I believe that we need to pay our city employees good wages and reasonable benefits that are aligned with what other communities have negotiated. Our pay scales should be comparable to "benchmark cities." I have several ideas to explore.

I believe that additional savings can be identified with more focused discussions and establishing an on-going joint benefits committee that explores more creative and solutions from both sides. Both have a vested interest in making this successful. Solid solutions are not necessarily developed in the midst of urgent and intense debate.

I think that the City and the unions need to engage in better communication and explore alternative methods and “best practices” for funding benefits and managing costs. I am a proponent of more aggressively reviewing what has been done successfully in other communities, including a phased approach to address significant budget problems. Other communities have used methods of cost containment while remaining competitive; other cities have concluded negotiations successfully.

In many cases, employees closest to the work being done can best and most easily identify creative ideas, including feasibility and impact of costs savings or revenue generation. I am not sure this has been fully explored.

The City should explore additional ways of providing services at market rates to other public agencies as long as it does not reduce services to Palo Alto. We currently have revenue for services provided to other public and private entities (County of Santa Clara and Stanford University).

Given the current recession and skepticism about government, I do not think this is the time to consider either a bond measure or a parcel tax although it may be one of the few choices we have in the future to support services or to at least partially fund a new police station.

Investment in and support of the business community is critical. We need to ensure that we are sufficiently business friendly to support our businesses and create an environment that promotes revitalization and expansion of business opportunities and jobs. Successful business supports employment and creates sales tax revenue. I think we should explore additional opportunities for hotels to provide additional options to business, tourists, and academic visitors to Stanford. An additional source of transit occupancy tax revenue would enhance our General Fund.

[K] [Greg Scharff : ElectGregScharff.com](#)

We need strong fiscal management, accountability, and transparency. We will have long-term fiscal problems if unsustainable pension and health care benefits aren't reduced. City pension costs have increased 86% for SEIU and Management employees over the last five years, in large part due to an enhanced pension formula implemented in 2007. The City of Palo Alto by adopting "2.7% @ 55," has provided a benefit that, if not reduced now, will result in unsustainable long-term obligations for the City that will cause a future of sustained fiscal crisis and declining city services. The retirement formula for city employees must be scaled back to 2% at 60 rather than the gold-plated 2.7% at 55 granted to city employees in the last several years. 2.7% at 55 means that a city employee can retire at 55 and receive 2.7% of their highest salary worked times the number of years worked for life. This is simply too generous and a benefit that the City cannot afford. We also must control the spiraling costs of health care benefits. According to its most recent actuarial study, the City's unfunded liability for retiree medical insurance grew by over \$27.5 million over the past 2 years alone, from \$102.2 million to \$129.7 million. With these costs far exceeding inflation and the general public paying an increasing share of its own health care costs, it is only fair that City employees begin picking up some of the costs of their coverage. The City cannot continue to pay 100% of its employee's medical costs. We also need to look closely at the number of employees Palo Alto has in proportion to its neighboring cities and determine if we could be more efficient with our resources. It is simply shocking that Palo Alto could save \$235,000 each and every year by simply having more competitive rates for landline telephone service and telecommunication lines. It is likely that there are other areas where substantial savings could be realized by strong fiscal management. If elected, I will be a strong voice for fiscal responsibility and accountability.

[L] Nancy Shepherd: www.electNancyShepherd.com

I support the current strategy of Council to solve the deficit burden by 1) reducing city inefficiencies and potentially reduce or eliminate some services, 2) work with city staff and labor to find cost savings and potentially restructure labor contracts and benefits package so that the city can meet its future responsibilities, and 3) collect a business license tax. It's also important that we have an in-house city auditor to help Palo Alto remain vigilant throughout the budget cycle eliminating redundancies and inefficiencies.

[M] Brian Steen

Restructure budget to reflect retirements and vacancies
Implement hiring freeze excluding public safety and special positions
Expense reductions and one-time cost savings

Examine all General Fund services for potential reductions
