

TO: HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT:ADMINISTRATIVE SERVICES

DATE: MAY 6, 2003 CMR: 256:03

SUBJECT: COMPARISON OF COMMUNITY SERVICES, PUBLIC SAFETY, ENVIRONMENTAL SERVICES, AND STREET AND SIDEWALK MAINTENANCE AMONG PALO ALTO, MOUNTAIN VIEW, SANTA CLARA, SUNNYVALE, AND FREMONT

RECOMMENDATION

Staff requests that the Finance Committee review and provide feedback on the findings in this report.

BACKGROUND

Over the past several years, residents and local newspapers have raised questions about the growth in City staffing and City costs. Letters to the newspapers query why Palo Alto spends more per resident than Mountain View or Menlo Park to deliver the same services. Newspaper and resident editorials, referring to the budgets of other cities, express concern that the City of Palo Alto is “fat” and that “expenses are out of control.” Often, these observations reflect a lack of fundamental knowledge of the operation and financing of local government and of the varied services provided to each community. Making any city operation more efficient or effective via comparative study or benchmarking requires rigorous, accurate analysis and a clear understanding of the facts.

A solid first step in addressing cost and staffing concerns was taken in January, 2003 when the City Auditor’s office delivered to City Council its first Service Efforts and Accomplishments (SEA) report. The report is meant to be informational and provide “insights into service results,” although it acknowledges “it does not thoroughly analyze those results.” The SEA report is rich with information in areas such as expense and staff trends over the past five years, workload and performance measures, population and inflation statistics, and other

trend information. The SEA report makes comparisons among cities, such as per capita spending, full-time equivalent staff (FTE) per 1,000 of population, residents served per facility, and maintenance costs per mile. Overall, the report succeeds in its goal of providing information for further analysis, giving the reader considerable data to enhance “public accountability” and “improve government efficiency and effectiveness.”

An important conclusion in the report is that “comparisons to other cities should be used carefully ... [D]ifferences in costing methodologies and program design may account for unexplained variances between cities.” The report goes on to say that “cities provide different levels of service and categorize expenditures in different ways.” Recognizing varying service levels and unique service is an essential first step toward making valid cost and staffing comparisons.

DISCUSSION

To build upon the SEA report, the City Manager asked staff to perform a high-level comparison of services provided by Community Services, Police, Fire, environmental service programs and streets and sidewalk maintenance among Palo Alto and the following four cities: Mountain View, Santa Clara, Sunnyvale, and Fremont. The primary objective was to identify similar and dissimilar services provided by the five cities. A secondary objective was to explore the possibility of an “apples to apples” comparison of the similar services delivered. Within a limited timeframe, staff has attempted to categorize revenues, costs, and FTE across cities for similar services (See Attachments 1-5). This attempt, however, may raise more questions than it answers and reveals that a much more intensive and time-consuming effort would be necessary to yield sufficient insights to suggest specific improvements or efficiencies.

The reader and researcher should be aware of the numerous factors that must be taken into account in a meaningful comparative study:

- Different levels and types of service
- Different funding sources (including federal and state grants, special tax and assessment districts, redevelopment agencies) and levels of resources
- Varying demographics such as education and socio-economic levels
- Different budget and accounting systems
- Dissimilar community priorities
- Population and geographic differences
- Age, number and size of city facilities
- Regional, joint powers, and cooperative agreements
- Whether cities are “built-out” or not
- Whether cities contract or use in-house staff to provide services

Although staff did not control for the factors cited above, it did uncover high-level information that sheds light on why Palo Alto’s staffing levels and costs appear high compared to those of other cities. One answer is that Palo Alto provides services that other cities do not.

Community Services

For example, Palo Alto offers unique programs in Visual Arts, Children’s Theatre, and the Junior Museum and Zoo. After allocating department and division administration costs to these activities, the following 2002-03 budget figures are derived (\$ expressed in thousands):

| Program | Revenues | Expenses | FTE |
|-----------------------|-----------------|-----------------|--------------|
| Visual Arts | \$355 | \$1,117 | 10.14 |
| Children’s Theatre | \$297 | \$1,384 | 11.08 |
| Junior Museum and Zoo | \$387 | \$ 972 | 6.1 |
| Totals | \$1,039 | \$3,473 | 27.32 |

These services alone represent approximately 3 percent of General Fund costs and add \$57 on a full cost basis and \$40 on a net cost basis to per capita spending in Palo Alto. (Page 1-4 of the SEA report shows gross per capita costs of \$2,006 and net per capita costs of \$1,414 based on 2001-02 actual expenditures – see Attachment 6).

None of the other cities in this study provides the program services and staffing cited above. The City of Mountain View does not provide these programs (though it does have a robust community theatre program) and Fremont makes a modest \$28,000 contribution to a visual arts facility within City limits. Sunnyvale has a creative arts center similar to Palo Alto’s, but was unable to isolate its costs at the time of this writing. The City of Santa Clara contributes \$290,000 but no staffing to a non-city run museum that provides artistic exhibitions and educational programs. In addition, it has a small children’s theatre operation with about 2.0 FTE and is working with the school district to fund a new theatre. In short, none of the other four cities devotes \$3.4 million (\$2.4 million net) or 27 FTE to provide these types of programs.

An additional example of a unique City of Palo Alto service is the Open Space program. The City manages 3,971 acres of open space for its citizens at an annual General Fund operating cost of \$1.6 million, utilizing 14.4 FTE. The cities of Sunnyvale and Fremont devote virtually no City resources to open space management. Santa Clara has 40 acres of wetlands that require minimum maintenance, and the open space in Fremont is funded and managed by the regional park authority. The City of Mountain View manages 644 acres in its regional Shoreline Park at a cost of \$1.8 million with 12.5 FTE. Mountain View,

however, uses no General Funds to support its open space. Instead, it uses tax increment financing from its park district to support operations. (See discussion below of alternative funding sources to understand the flexibility and additional resources this financing method allows.) Of the four other cities studied, Sunnyvale is the only one that devotes general funds to open space maintenance. It has 185 acres and devotes \$.8 million and 9.3 FTE to its program.

The fact that Palo Alto maintains over six times the acreage of Mountain View and nearly twenty-two times that of Sunnyvale, making comparatively efficient use of general funds, is further testimony to the unique and high level of service provided to the Palo Alto community.

Another caveat in making reasonable comparisons is assessing funding sources. The City of Fremont has four libraries within its City limits, yet the Alameda County Library District, not the City of Fremont, funds these libraries through special district property taxes. Fremont contributes a modest \$.7 million to extend county library hours. Many cities fund and staff services through special districts and taxes (Menlo Park, for example, funds its fire services through a special tax on its residents) and do not rely on General Fund resources. If someone were comparing overall FTE in Palo Alto to Fremont for library services and did not acknowledge the county/city relationship in Fremont, they would have overstated Palo Alto's FTE count by some 58 FTE.

Another question that arose during the recent effort to enhance the City's library system is why Palo Alto's facilities are aged and do not have the modern accommodations provided in, for example, Mountain View. The figures below provide some answers (\$ expressed in thousands):

| City | Palo Alto | Mountain View | Santa Clara | Fremont |
|------------------------|------------------|----------------------|--------------------|----------------|
| Operating Costs | \$5,210 | \$4,071 | \$5,471 | \$737 |
| FTE | 58.33 | 50.6 | 38.75 | 0 |
| Population | 60,500 | 70,700 | 102,400 | 203,400 |
| No. Libraries | 6 | 1 | 1 | 4 |

The table above shows that Palo Alto has the most (six) libraries, the highest number of FTE, and the second highest level of funding among the cities, even though its resident population is the lowest. Behind these statistics, however, is the reality that these resources are spread over a higher number of facilities, serve a significant number of non-residents, and accommodate a highly educated and demanding clientele of residents. Support for six libraries has a long history in Palo Alto, and this is a policy choice in allocating resources. The effect, however,

of devoting significant resources to operational services subtracts from Palo Alto's ability to marshal resources to modernize its facilities or offer new services.

Staff research also revealed interesting facts on the funding side of the equation. Santa Clara is in the process of building several new facilities in its North of Bayshore area. One might ask how this can be done in such financially difficult times and why Palo Alto has not been able to keep pace with new facilities rising to the south. The answer is that Santa Clara has a major source of funding Palo Alto does not. As stated in Santa Clara's 2002-03 budget document,

“Several new public facilities are planned to accommodate...growth including a new police substation, park, and fire station. Since these projects will benefit the entire North of Bayshore area, Council has reviewed and approved the use of Redevelopment Authority tax-increment funds to pay for these facilities. Staff estimates that this will allow the City to free up \$2.1 million in fy 02-03 and an additional \$20.8 million in fy 03-04 in General Contingency Capital Reserve funds.”

Redevelopment Authority (RDA) funding comes from incremental property taxes created by redevelopment investment to turn around “blighted” areas. This form of funding not only allows Santa Clara the ability to build new facilities, but frees up general funds to rehabilitate other facilities such as its main library.

Similarly, the City of Mountain View indirectly used its Shoreline Regional Park Community (Community) to fund approximately two-thirds or \$14 million of the cost to build a new downtown library. The Community issued tax allocation bonds to be repaid from incremental property taxes. Proceeds from the bond sale were then used to buy \$14 million in land owned by the General Fund. The General Fund, in turn, used that money for the library. The casual observer making comparisons would not be aware of this legal transaction, the funding advantage it conferred, and how it was translated into new facilities and services.

Differences among the cities extend beyond Community Services to other services. The following examples cast light on why Palo Alto's FTE count may be higher than those of other cities. They also reveal the higher levels of service Palo Alto provides and the creativity with which Palo Alto leverages its strengths to enhance revenues and offset costs.

Fire and Police

Stanford and SLAC contracts

Palo Alto provides fire and dispatching services to Stanford University and to the Stanford Linear Accelerator Center. Palo Alto is reimbursed for these services,

and both the City and Stanford benefit from the relationship by saving on administrative overhead expenses. However, the Stanford and SLAC contracts account for approximately 40 FTE within the Fire Department. So, comparing Palo Alto's Fire Department head count per 1,000 population, for example, would not be a meaningful comparison without subtracting those 40 FTE.

Similarly, approximately 16% of the time of the Police Department's 27 dispatchers is devoted to servicing Stanford, and this time is reimbursed accordingly. Therefore, total Police Department headcount is a misleading indicator without subtracting the 4.3 FTE allocated to the Stanford contract (as well as the approximately 3 FTE who provide dispatch services to the Utilities Department).

Basic Emergency Medical Services

All five of the cities offer paramedic services, yet Palo Alto is the only one that provides comprehensive in-house services, including transport. The other cities rely upon the County (and American Medical Response, or AMR) to provide transport and other services. (AMR provides backup to Palo Alto if calls for service come in when the City's ambulance is busy.)

As a result, Palo Altans experience a faster response time for emergency medical calls. The Fire Department estimates that City response time is 50% less than that of AMR.¹ For this level of service, in FY 02-03 Palo Alto budgeted \$1.11 million per year and 6.3 FTE for its paramedic services, in addition to the \$1.34 million and 12.2 FTE for Basic Life Support services (offset by about \$1.5 million in revenue for those services).

In contrast, the City of Santa Clara offers in-house emergency medical services, but provides transport only as a backup to County-provided transport. In FY 02-03, it budgeted \$729,000 and 2.0 administrative FTEs in its paramedic program. The city received \$209,000 in revenue for this program. Fremont budgeted \$1.123 million in FY 02-03, with 3.0 FTE, offset by \$494,000 in contract revenue plus \$980,000 from a special paramedic tax. Fremont contracts all transport to AMR. Sunnyvale outsources its entire paramedic service; Mountain View provides first responder service only, with the County (AMR) providing all other service.

In comparing the emergency medical program across cities, a key budgeting difference must be noted. In Palo Alto, the Basic Emergency Medical budget and

¹ Fire Department statistics indicate that for emergency medical calls (where Basic Life Support (BLS) services are provided) response time (i.e., time it takes from the receipt of the 9-1-1 call to arrival on scene) averages 4 minutes, 49 seconds. For paramedic calls (where Advanced Life Support (ALS) services are provided), response time averages less than 8 minutes 90 percent of the time. AMR's standard is to arrive within 12 minutes 90 percent of the time.

the paramedic service budget include all personnel time spent on emergency calls, as well as equipment, training, etc. In Santa Clara and Fremont, only the paramedic and EMT “differential pay,” or the extra compensation received by EMTs and paramedics for their additional level of expertise (estimated at 2-5% of base pay), are included in the emergency medical budget, along with equipment and training. Base pay for those FTEs is included in the Fire Suppression budget.

It appears that Palo Alto spends approximately \$900,000 per year, net of revenues, compared to roughly \$500,000 net in Santa Clara, and virtually zero net in Fremont (due to its paramedic tax), to offer faster paramedic services. However, given the budgeting difference noted above, even those dollar figures are not “apples-to-apples.”

General Fire Protection

As an SEA report graph shows (Page 3-3 – see Attachment 6), the City of Palo Alto serves fewer residents per fire station than any City, except Santa Clara, in the immediate area. Having six fire stations (eight with SLAC and the Foothills station that becomes operative in the summer), means each neighborhood will receive prompt response times; but it takes FTE, equipment and facilities to achieve that higher level of service.

Specialized Police Services

A number of factors contribute to Palo Alto police expenditure levels (aside from the Stanford dispatch contract mentioned above), such as:

- More geographic area (square miles) per capita than the other cities
- More street miles per capita
- Daytime population of 139,000

Furthermore, as a result of the higher funding and staffing levels, Palo Alto enjoys the following advantages:

- **Animal Control Services**
The Police Department’s animal control program has grown over the last ten years as it has begun providing services to other cities such as Mountain View, Los Altos, and Los Altos Hills. Palo Alto is currently negotiating with Sunnyvale to provide services there as well. These contracts benefit all the cities involved: other cities receive a valuable service without incurring new overhead costs, and Palo Alto receives approximately \$475,000 in revenue from other cities, offsetting its \$1.16 million animal services budget. To compare Palo Alto’s Police Department budget with

that of another city, one would have to understand these relationships and adjust budget and personnel numbers accordingly.

- **High Levels of Traffic and Parking Enforcements**
Palo Alto has two vibrant downtown districts and a large regional mall – the Stanford Shopping Center – as well as Stanford University and Hospital that bring in visitors from all over the Bay Area and the world. Due to the high volume of traffic and the lack of adequate parking, the City of Palo Alto dedicates more resources to traffic and parking enforcement than many other cities. As a result, injury accidents have declined by 10% over the last five years, while other cities have seen those incidents increase; pedestrian bicycle accidents have declined by 19% over the same period. Traffic and parking enforcements also generate substantially more revenue compared to other cities, which helps to cover the costs of the parking program.
- **Low Level of Violent Crime**
Palo Alto’s Police Department has a higher staffing-to-population ratio (at 1.6 per 1,000) than most cities cited in the SEA report (Page 6-3 – see Attachment 6), and this is reflected in lower crime rates for the city. According to Police Department records, Palo Alto’s violent crime rates are among the lowest in the state for a city of its size.

Clearly Palo Alto’s Police and Fire Department services are extensive, especially for a city with a population of 60,000. The critical question that must be answered by someone who believes the departments’ or the City’s FTE count is high is: what tradeoff is the community willing to make to reduce expenses?

Environmental Programs/Services

Palo Alto devotes an estimated \$5.1 million annually to environmental management programs including sustainability, full-service recycling and composting, hazardous materials, and street sweeping services. These programs are funded primarily by the City’s enterprise funds, with the exception of the Hazardous Materials program offered by the Fire Department. Combined, environmental services programs represent approximately \$88 in expenditures per capita while Mountain View spends \$57 per capita, Santa Clara \$59, and Fremont \$28.²

These figures make clear that Palo Alto has made conservation and improvement of the environment a priority, distinguishing itself among its neighbors. Here are some interesting facts:

² Palo Alto’s combined figure includes Hazardous Material collection and disposal for City-generated as well as household-generated waste; other cities’ figures include only costs for household-generated waste.

- Palo Alto is the only City that owns and operates its own landfill and does its own composting and household hazardous waste collection and disposal.
- In commercial districts, Palo Alto provides street sweeping three times a week, compared to once a week in Santa Clara, every two weeks in Mountain View and Sunnyvale, and once a month in Fremont
- Palo Alto and Mountain View are the only cities that have a Sustainability Program
- Palo Alto has two leaf packer vehicles to collect leaves from large number of street trees while other cities lack such equipment

In addition, Palo Alto's refuse diversion rate was 61 percent compared to 47-55 percent in other cities in 2001-02, and Palo Alto's hazardous waste participation rate is 13-16 percent while other cities have a 3 - 5 percent rate. These figures show the community's high level of environmental awareness and the City's effort to support it.

Streets and Sidewalk Maintenance

On an annual basis Palo Alto spends, on average, around \$2 million on street and \$2 million on sidewalk maintenance. Based on population, Palo Alto's street expenditures are in line with Fremont's, Santa Clara's, and Sunnyvale's. For sidewalks, however, Palo Alto's expenditures are twice that of Fremont's (which has three times the population of Palo Alto); twice that of Santa Clara; nearly twice that of Sunnyvale (population twice that of Palo Alto), and four times that of Mountain View. This may be partially due to the mature tree canopy, enjoyed by Palo Alto residents, which reduces a sidewalk's useful life.

It is also important to note that in Mountain View and Fremont, residents pay for sidewalk repairs in particular instances. Fremont residents pay 50 percent of repair costs if they want work done on an expedited basis, and Mountain View residents who do not want sidewalks ramped and ground may have sidewalks repaired based on a 50 percent share of the costs. Currently, Sunnyvale staff is proposing to Council that property owners pay 20 percent of sidewalk work in the future. Unlike the other cities, Palo Alto has no cost sharing arrangement with property owners; the City's General Fund pays for 100 percent of all sidewalk work.

Unique Services the Other Cities Provide

There are many types of services and costs within the five cities studied, with considerable variety in the levels of services provided. Here are three examples of services provided by the four other cities, above and beyond what Palo Alto offers:

- Within its Parks and Recreation department, Santa Clara budgets operations for its City cemetery. This service costs Santa Clara \$.8 million that includes 6.0 FTE. No other city in this study provides such as a service.
- Fremont provides a much more intensive level of services to its senior citizens than any other city in this study. Not only does Fremont maintain a Senior Center, it provides “a continuum of services for well-to-frail seniors...to help elders remain independent and in their own homes.” These services include counseling, health screening, home visits, adult education and a meal program. Fremont devotes over 19 FTE to senior services. Palo Alto offers human services grants -- about \$500,000 in 02-03 -- to nonprofit organizations that offer nutrition, outreach, and legal services to seniors. In addition, Palo Alto supports a variety of senior programs through the use of federal Community Development Block Grant pass-through funds. The City devotes minimal staffing to senior activities.
- Sunnyvale is unique in that it has combined its Fire and Police services into one department where staff can work in either capacity.

Conclusion

Informative comparative studies and benchmarking require considerable understanding and meticulous research. By pointing out the pitfalls in making comparisons with other cities, staff’s intent is not to question the value of benchmarking, but rather to point out it would require significant additional staff time and cooperation from other cities to delve further.

This report attempts to add perspective, analysis, caution, and rigor to the public discourse on the City’s staffing and expenditure levels, by highlighting differences in services and service levels among cities. Each city’s budget is a reflection of that community’s unique priorities and resources. This city chooses to devote considerable resources to its Community Services Department and to other activities (including full-service utilities) that enhance the values, quality of life, and sense of safety in the community. The casual observer cannot accept the high level of services provided in this community and simultaneously discount the resources required to support those services. Moreover, one cannot undertake a major reallocation of resources without altering the fabric of services the community has come to expect.

Given the current acute budget crisis, the City must carefully reassess its priorities and allocate its diminishing resources. The SEA and this service comparison report provide a context in which to approach this difficult exercise in a thoughtful and prudent manner.

ATTACHMENTS

- Attachment 1: Community Services Fiscal Year 2003-03 Adopted Budget
- Attachment 2: Fire Services Fiscal Year 2002-03 Adopted Budget
- Attachment 3: Police Services Fiscal Year 2002-03 Adopted Budget
- Attachment 4: Environmental Services Programs Fiscal Year 2003-04 Adopted Budget
- Attachment 5: Streets and Sidewalk Maintenance Fiscal Year 2002-03 Adopted Budget
- Attachment 6: Service Efforts and Accomplishments 2001-02, pages 1-4, 3-3, and 6-3

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