

## THE CHRONOLOGY OF EAST PALO ALTO'S FISCAL CRISIS

This fact sheet is an attempt by the Coalition for Effective Government (CEG) to briefly, but objectively, explain the events that led to the City of East Palo Alto's fiscal crisis. The events mentioned are in chronological order not in order of importance.

- 1) The total income of the City was overestimated by fiscal planners partially because of the changes in the Federal and State policies which reduced the amount of funding earmarked for cities while simultaneously they increased the responsibilities of those same cities.
- 2) There were 110 persons employed by the City; by comparison, other cities of similar size (approximately 25,000 population) employ approximately 50 to 60 persons; the City's payroll was \$200,000 each payday.
- 3) The City Council did not sufficiently enforce the line item budget principle of requiring each department to adhere to its original approved budget. Too many financial decisions were made on an emergency basis.
- 4) An auditor's report was prepared but the full report was not given to the Council. The report highlighted many problems in the finance department. The contract of the person in charge, Fred Howell, was later terminated.
- 5) Council members Mouton and Blakey requested that a financial expert be hired in order to get correct information about the City's finances but none of the other three Councilmembers supported the request; it takes a minimum of three votes to carry a motion. (December 1986)
- 6) Overtime monies were exorbitantly used by the Public Works and Police departments; the overtime overrun cost \$40,000 for the period January to April 1987.
- 7) An investigation of the expenditures (spearheaded by Councilmember Mouton) turned up serious financial mistakes and actions; the acting City Manager was released and has subsequently been charged by the County District Attorney.
- 8) At the Council's direction, the newly appointed City Manager, Stan Hall put a freeze on all hiring, and terminated most temporary and part-time staff.