

Report from the City Auditor

**City of Palo Alto
Service Efforts and Accomplishments
Report 2007-08
Annual Report on City Government Performance**



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Honorable City Council
Palo Alto, California

City of Palo Alto Service Efforts and Accomplishments Report FY 2007-08

This is the City Auditor's seventh annual Service Efforts and Accomplishments Report for the City of Palo Alto. The report is intended to be informational. It provides data about the costs, quality, quantity, and timeliness of City services. It includes a variety of comparisons to other cities, and the results of a citizen survey. Our goal is to provide the City Council, staff, and the public with an independent, impartial assessment of past performance to strengthen public accountability, improve government efficiency and effectiveness, and support future decision making.

OVERALL SATISFACTION (pages 10-12 and pages 25-26)

The sixth annual Citizen Survey, administered in conjunction with this report, reveals high ratings for City services. 85% rated the overall quality of City services good or excellent. Each year of the survey, 85% to 90% of respondents have rated the overall quality of City services good or excellent.

When asked to rate the value of services for taxes paid to the City of Palo Alto, 64% rated the value of services as good or excellent. This placed Palo Alto in the 65th percentile compared to other surveyed jurisdictions. This year, 63% of respondents reported they were pleased with the overall direction of the City (compared to 57% last year). 54% of respondents reported having contact with a City employee in the last 12 months, and 73% rated that contact good or excellent (compared to 79% last year).

In comparison to responses from other jurisdictions, Palo Alto ranks in the 97th percentile for educational opportunities, 96th percentile for employment opportunities, 95th percentile as a place to live, 94th percentile as a place to raise children and 92nd percentile in overall quality of life. On the other hand, Palo Alto ranked in the 7th percentile for availability of affordable quality housing, 16th percentile for the variety of housing options, and 21st percentile for availability of quality child care. This year, Palo Alto ranked #3 for opportunities to volunteer, availability of preventive health services, and for the number of residents reporting they visited the City of Palo Alto website.

This year's survey included a new "Key Driver Analysis" to identify service areas that appear to influence overall ratings of satisfaction. Based on this analysis, "Street repair" and "Land use, planning and zoning" were the two areas most strongly correlated with ratings of overall service quality. 47% of Palo Alto residents rated street repair as good or excellent, a similar satisfaction level compared to other surveyed jurisdictions. While only 46% of surveyed residents rated Palo Alto's land use, planning and zoning as good or excellent, this satisfaction level is more favorable compared to other surveyed jurisdictions.

OVERALL SPENDING, STAFFING, AND ACCOMPLISHMENT OF COUNCIL PRIORITIES (pages 17-27)

General Fund spending increased from \$114.4 million to \$141.7 million (or 23%) over the last five years; Palo Alto's estimated population increased 5.0% and inflation was about 13% over the same period. In FY 2007-08, total Citywide authorized staffing, including temporary and hourly positions, was 1,168 full-time equivalent employees (FTE), with 0% change from five years ago.

On a per capita basis, FY 2007-08 net General Fund costs of \$1,616 included:

- \$385 for police services
- \$218 for community services
- \$225 for fire and emergency medical services
- \$162 for public works
- \$143 for administrative, legislative, and support services
- \$103 for library services
- \$61 for planning, building, code enforcement
- \$203 in operating transfers out (including \$140 in transfers for capital projects)
- \$117 for non-departmental expenses (including \$102 paid to the school district)

The General Fund invested \$96 million in capital projects over the last five years. As a result, the Infrastructure Reserve decreased from \$35.9 million in FY 2003-04 to \$17.9 million in FY 2007-08. Capital spending last year totaled \$57.7 million, including \$21.6 million in the general governmental funds and \$36.1 million in the enterprise funds.

This year's report includes information about resident perceptions and City progress in areas related to the City Council's 2008 top priority areas (pages 22-27):

- **Library Building/Public Safety Building:** Ratings for the quality of neighborhood branch libraries have declined over the last four years. Subsequent to FY 2007-08, in November 2008, Palo Alto voters approved Measure N to fund the construction of a new Mitchell Park Library/Community Center and to renovate the Downtown and Main libraries.
- **Environmental Protection:** Residents rated Palo Alto's overall environment more favorably, in comparison to other surveyed jurisdictions, and Palo Alto ranked #1 for the number of survey respondents reporting that they recycled used paper, cans or bottles from their home.
- **Civic Engagement:** Residents rated opportunities to volunteer more favorably than other surveyed jurisdictions. Resident responses also showed an increase in visits to the City's website (from 62% in 2007, to 78% in 2008). While ratings for Palo Alto's overall image and reputation have remained consistently high (92% of respondents rated it as good or excellent), ratings for the job Palo Alto does at welcoming citizen involvement have declined (from 68% rating it as good or excellent in 2007, to 57% in 2008).
- **Economic Health:** In 2008, resident responses revealed strong indications of the economy's impact on household income – only 4% of respondents expected the coming 6 months would have a "somewhat" or "very" positive impact on their household income, compared with 20% to 27% in prior years. Affordable housing was a concern - 31% of survey participants were paying household costs of 30% or more of their monthly household income.

COMMUNITY SERVICES (pages 28-37)

Over the last five years, spending on community services increased 11% to \$21.2 million, while staffing decreased from 152 to 147 full-time equivalents. The department restructured last year and now operates under four divisions, rather than five. In FY 2007-08, volunteers donated more than 13,500 hours for open space restorative/resource management projects. Class enrollment increased last year from 18,433 to 19,018, however enrollment has decreased 16% compared to five years ago. Online class registrations remained steady at 43% during the last year. Compared to five years ago, attendance at Community Theatre performances has decreased more than 15% and attendance at Children's Theatre performances has decreased 13%. In FY 2007-08, parks maintenance spending totaled about \$4.2 million, or approximately \$15,900 per acre maintained. About 22% of maintenance spending was contracted out. The Golf Course continues to break-even.

77% of surveyed residents rated the quality of recreation centers/facilities as good or excellent; 87% rated the quality of recreation programs/classes as good or excellent; 87% rated the range/variety of classes good or excellent; 74% rated the availability of paths or walking trails good or excellent; and 89% rated the quality of city parks good or excellent. In comparison to other jurisdictions, Palo Alto's survey responses ranked in the 93rd percentile for recreation programs and classes, 91st in quality of parks, 93rd percentile in opportunities to attend cultural events, and 84th percentile in recreational opportunities.

FIRE (pages 38-43)

The Fire Department provides Palo Alto and Stanford residents and businesses with emergency response, environmental and safety services. Fire Department expenditures of \$24 million were 28% more than five years ago. In FY 2007-08, 41% of costs were covered by revenue. In FY 2007-08, the Department responded to an average of 21 calls per day. The average response time for fire calls was 6:48 minutes, and the average response time for medical/rescue calls was 5:24 minutes. In FY 2007-08, there were more than 4,500 medical/rescue incidents, and only 192 fire incidents (including 43 residential structure fires). In FY 2007-08, the Department performed 1,277 fire inspections and 406 hazardous materials inspections, an increase of 9% and 57% respectively from five years ago. Palo Alto is the only city in Santa Clara County that provides primary ambulance transport services. 36.5% of line personnel are certified paramedics (an increase from 30% the prior year); the other 63.5% of line personnel are certified emergency medical technicians (EMTs). In FY 2007-08, the department provided 3,236 ambulance transports, an increase of 51% from five years ago.

Residents give high marks to the quality of Fire Department service: 96% of surveyed residents rated fire services good or excellent, and 95% rated ambulance/emergency medical services good or excellent. In FY 2007-08, the Department provided 242 fire safety, bike safety, and disaster preparedness presentations to more than 22,000 residents. In response to a survey question about emergency preparedness, 60% of residents said that they were prepared to sustain themselves for 72 hours with sufficient food and water in the event of a major disaster such as an earthquake or flood.

LIBRARY (pages 44-48)

Operating expenditures for Palo Alto's five library facilities rose 28% over the last five years to \$6.8 million. Total circulation topped 1.5 million in FY 2007-08. More than 1 million first time checkouts were completed on the Library's self-check machines,

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compared to about 171,500 five years ago. Over the last 5 years, the number of reference questions declined 44%, while the number of internet sessions increased 42% and the number of online database searches increased 115%. Volunteers donated nearly 6,000 hours of service to the libraries in FY 2007-08. 31% of survey respondents reported they used the library or its services more than 12 times last year.

76% of Palo Alto residents rated the quality of library services good or excellent (30th percentile in comparison to other jurisdictions asking this survey question), 71% rated the quality of neighborhood branch libraries good or excellent, and 67% rated the variety of library materials as good or excellent.

PLANNING AND COMMUNITY ENVIRONMENT (pages 50-55)

Planning and Community Environment expenditures totaled \$9.6 million in FY 2007-08. This was offset by revenue of \$5.8 million, a decrease from \$6.6 million the prior year. A total of 257 planning applications were completed in FY 2007-08 – 37% fewer than five years ago. The average time to complete planning applications was 12.7 weeks. 63% of residents rated economic development as good or excellent; 57% rated the overall quality of new development in Palo Alto as good or excellent; and 59% of residents rated code enforcement services as good or excellent. 24% of residents consider run down buildings, weed lots, or junk vehicles a major or moderate problem.

The department issued a total of 3,046 building permits in FY 2007-08 – about 6% fewer than 5 years ago. 53% of building permits were issued over the counter, a decrease of 22% from 5 years ago. For those permits that were not issued over the counter, the average for first response to plan checks was 23 days (compared to 27 days last year), and the average time to issue a building permit was 80 days (compared to 102 days last year). According to the department, 98% of building permit inspection requests were responded to within one working day.

City Shuttle boardings are up 5% over the last five years, from about 171,000 in FY 2003-04 to about 178,500 in FY 2007-08. Caltrain weekly boardings are also up 62% over the last five years, from 2,825 to 4,589. In response to the 2008 National Citizen SurveyTM, 38% of residents rated the traffic flow on major streets as good or excellent. 40% of residents reported using alternative commute modes.

POLICE (pages 56-63)

Police Department spending increased 30% over the last five years, to \$28.5 million. The department handled over 58,700 calls for service in FY 2007-08, or about 161 calls per day. Since last year, the average response times for emergency calls improved from 5:08 minutes to 4:32 minutes. Over the last five years, the total number of traffic collisions decreased by 25% and the number of bicycle/pedestrian collisions decreased by 8%. However, over the last 5 years, alcohol related collisions increased 24% and the number of DUI arrests increased from 172 to 343 (a 99% increase). Police Department statistics show 127 reported crimes per 1,000 residents, with 87 reported crimes per officer last year. FBI statistics show that Palo Alto has fewer violent crimes per thousand residents than many local jurisdictions.

Although the number of Part 1 crimes (crimes including assault, burglary, theft, rape and homicide) decreased 22% over the last five years and remained relatively stable from the prior year, resident perceptions of safety declined this year. This decline may reflect the increase in highly publicized street robberies and a homicide in the downtown area during 2008. While 96% of residents felt “very” or “somewhat” safe in Palo Alto’s downtown during the day, only 65% felt the same after dark (compared to 74% last year). 34% of survey respondents reported having contact with the Police Department and 73% of these rated the quality of their contact good or excellent. The Police Department reports it received 141 commendations and 20 complaints last year (one complaint was sustained). The Police Department also provides animal control services to Palo Alto, Los Altos, Los Altos Hills and Mountain View. 78% of survey respondents rated animal control services good or excellent, placing Palo Alto in the 97th percentile compared to other surveyed jurisdictions.

PUBLIC WORKS (pages 64-72)

Over the last five years, Public Works street operating expenditures increased from \$1.9 million to \$2.5 million, and capital expenditures increased 73%, from \$3.0 million to \$5.2 million. The Public Works provides services through the General Fund for streets, sidewalks, trees, city facilities/engineering, and private development reviews. In FY 2007-08, the department repaired nearly 2,000 potholes, resurfaced 27 lane miles of streets, completed 27 ADA ramps, planted 188 trees, and maintained over 1.6 million square feet of facilities. In FY 2007-08, 53% of surveyed residents rated sidewalk maintenance good or excellent, and 68% rated tree maintenance as good or excellent.

The department is also responsible for refuse collection and disposal (\$28.6 million in FY 2007-08), storm drainage (\$2.5 million in FY 2007-08), wastewater treatment (\$18.1 million in FY 2007-08), and city fleet and equipment replacement and maintenance (\$3.7 million in FY 2007-08). These services are provided through the Enterprise and Internal Service Funds. Over the last five years, tons of materials recycled increased 6%; tons of waste landfilled increased 1%; and tons of household hazardous materials collected increased 12%. In FY 2007-08, 92% of residents rated the quality of garbage collection as good or excellent (placing Palo Alto in the 90th percentile), and 90% rated recycling services good or excellent (97th percentile compared to other jurisdictions). 71% of residents rated storm drainage good or excellent (89th percentile compared to other jurisdictions).

UTILITIES (pages 74-82)

In FY 2007-08, operating expense for the electric utility totaled \$99 million, including \$71.1 million in electricity purchase costs (72% more than five years ago). The average monthly residential bill has increased 27% over the five year period. Average residential electric usage per capita decreased 2% from five years ago. As of June 30, 2008, more than 19% of Palo Alto customers had enrolled in the voluntary PaloAltoGreen energy program – supporting 100% renewable energy. 85% of surveyed residents rated electric utility services good or excellent.

Operating expense for the gas utility totaled \$36.6 million, including \$27.2 million in gas purchases (compared to \$15.9 million in gas purchases five years ago). The average monthly residential bill has increased 125% over the five year period. Average residential natural gas usage per capita declined 2% from five years ago. The number of service disruptions decreased 51% over the five year period. 84% of residents rated gas utility services good or excellent.

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Operating expense for the water utility totaled \$18.3 million, including \$8.4 million in water purchases (12% more than five years ago). The average residential water bill has increased 31% over the five year period. Average residential water usage per capita is down 12% from five years ago. 87% of residents rated water utility services good or excellent, up from 79% the prior year, and placing Palo Alto in the 99th percentile compared to other surveyed jurisdictions.

Operating expense for wastewater collection totaled \$11.7 million in FY 2007-08, an increase of 28% over the last five years. The average residential sewer bill has increased 22% over the last five years. 81% of residents rated sewer services good or excellent. There were 174 sewage overflows in 2007.

Operating expense for the fiber optic utility totaled \$.4 million in FY 2007-08, while operating revenue totaled \$3.1 million. Over the past five years, the number of service connections grew by 75% and operating revenue increased by 173%, while operating expense declined 51%. In FY 2007-08, the system served 45 business customers and several City departments. The fiber optic system is comprised of 40.6 miles of backbone fiber and 59 miles of service connection fiber.

LEGISLATIVE AND SUPPORT SERVICES (pages 81-85)

This category includes the Administrative Services and Human Resources departments, and the offices of the City Manager, City Attorney, City Clerk, City Auditor, and the City Council, and includes performance information related to these departments.

By reviewing the entire report, readers will gain a better understanding of the mission and work of each of the City's departments. The background section includes a community profile, discussion of service efforts and accomplishments reporting, and information about the preparation of this report. Chapter 1 provides a summary of overall City spending and staffing, and an overview of the City Council's priorities. Chapters 2 through 9 present the mission statements, description of services, background information, workload, performance measures, and survey results for the various City services. The full results of the National Citizen Survey™ are also attached.

Additional copies of this report are available from the Auditor's Office and are posted on the web at http://www.cityofpaloalto.org/depts/aud/service_efforts_and_accomplishments.asp. We thank the many departments and staff that contributed to this report. This report would not be possible without their support.

Respectfully submitted,



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City Auditor

Audit staff and assistance: Edwin Young, Lisa Wehara, and Patricia Hilaire

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BACKGROUND

INTRODUCTION

This is the seventh annual report on the City of Palo Alto's Service Efforts and Accomplishments (SEA). The purpose of the report is to

- Provide consistent, reliable information on the performance of City services,
- Broadly assess trends in government efficiency and effectiveness, and
- Improve City accountability to the public.

The report contains summary information on spending and staffing, workload, and performance results for the fiscal year ended June 30, 2008 (FY 2007-08). It also includes the results of a resident survey rating the quality of City services. The report provides two types of comparisons:

- Five-year historical trends for fiscal years 2003-04 through 2007-08
- Selected comparisons to other cities.

There are many ways to look at services and performance. This report looks at services on a department-by-department basis. All City departments are included in our review.

Chapter 1 provides a summary of overall spending and staffing over the last five years, as well as an overall description of the City's accomplishments in meeting the City Council's annual priorities. Chapters 2 through 9 present the mission statements, description of services, background information, workload, performance measures, and survey results for:

- Community Services
- Fire
- Library
- Planning and Community Environment

- Police
- Public Works
- Utilities
- Legislative and Support Services

COMMUNITY PROFILE

Incorporated in 1894, Palo Alto is a largely built-out community of over 63,000 residents. The city covers about 26 square miles, stretching from the edges of San Francisco Bay to the ridges of the San Francisco peninsula. Located mid-way between San Francisco and San Jose, Palo Alto is in the heart of the Silicon Valley. Stanford University, adjacent to Palo Alto and one of the top-rated institutions of higher education in the nation, has produced much of the talent that founded successful high-tech companies in Palo Alto and Silicon Valley.

DEMOGRAPHICS

Palo Alto is a highly educated community. According to the U.S. Census Bureau 2005-2007 American Community Survey, of residents aged 25 years and over:

- 78% had a bachelor's degree or higher
- 48% had a graduate or professional degree.

This data prompted *Forbes* to recently name Palo Alto third in the top ten list of "America's Most Educated Small Towns," and first in California.

An estimated 64% of Palo Alto's population is in the labor force and the average travel time to work is estimated at 21 minutes. In 2007, the median household income was around \$119,000, while the average was around \$158,850. The breakdown of estimated household income consisted of:

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2007 Household Income	Percent
\$49,999 or less	21%
\$50,000 to \$149,999	40%
\$150,000 or more	39%
Total	100%

Source: U.S. Census Bureau 2005-2007 American Community Survey

According to census statistics, 69% of Palo Alto residents were white, and 23% were of Asian descent:

Race-ethnicity	Population	Percent
One race	62,202	98%
White	44,214	70%
Asian	14,893	23%
Black or African American	1,075	2%
Other	2,020	3%
Two or more races	1,550	2%
Hispanic or Latino (of any race)	3,746	6%

Source: U.S. Census Bureau 2005-2007 American Community Survey

Over the last three years, from 2005-2007, the median age of Palo Alto residents was 42 years. The following table shows population by age:

Age	Population	Percent
Under 5 years	3,893	6%
18 years and over	48,980	77%
65 years and over	9,654	15%

Source: U.S. Census Bureau 2005-2007 American Community Survey

The majority of residents own their homes, but a large number of dwellings are renter occupied:

Housing occupancy	Number	Percent
Owner occupied	15,326	57%
Renter occupied	10,160	38%
Vacant	1,249	5%
Total	26,735	100%

Source: U.S. Census Bureau 2005-2007 American Community Survey

OVERALL COMMUNITY QUALITY

Based on the survey results, residents give high ratings to Palo Alto's quality of life. When asked to rate the overall quality of life in Palo Alto, 44% of residents said "excellent", 47% said "good", 8% said "fair", and 1% said "poor."

In comparison to other jurisdictions¹, Palo Alto ranked in the 92nd percentile for overall quality of life, 98th percentile as a place to work, and in the 95th percentile as a place to live. These high ratings are consistent with prior surveys.

Community quality ratings	Percent rating Palo Alto good or excellent	National ranking
Overall quality of life	91%	92 nd ile
Palo Alto as a place to work	90%	98 th ile
Palo Alto as a place to live	91%	95 th ile
Palo Alto as a place to raise children	94%	94 th ile
Neighborhood as a place to live	91%	91 th ile
Palo Alto as a place to retire	67%	72 nd ile
Services to seniors	81%	94 th ile
Services to youth	73%	90 th ile
Services to low-income	46%	79 th ile

Source: National Citizen SurveyTM 2008 (Palo Alto)

Palo Alto ranked in the 97th percentile for educational opportunities, 94th percentile as a place to raise children, 94th percentile for services to seniors, and 90th percentile for services to youth. Although only 46% of residents rated Palo Alto's services to low-income people as excellent or good, these ratings were enough to place Palo Alto above the benchmark comparison. Palo Alto "as a place to retire", ranked somewhat lower, in the 72nd percentile, but this rating is an improvement over last year's 65th percentile ranking.

85% of residents plan to remain in Palo Alto for the next five years and 91% of residents would likely recommend living in Palo Alto to someone who asks. These questions were not asked in previous surveys. According to the National Research Center, intentions to stay and

¹ Based on survey results from approximately 500 jurisdictions collected by the National Research Center, Inc. (see Attachment 3). See also page 14 of this report for further information about benchmark comparisons in the survey.

willingness to make recommendations, provide evidence that the City of Palo Alto provides services and amenities that work.

SENSE OF COMMUNITY <REVISED>

Residents give favorable ratings to Palo Alto’s community and reputation. 92% of residents rated Palo Alto’s overall image/reputation as good or excellent, placing Palo Alto in the 97th percentile compared to other jurisdictions asking a similar question. Most residents (70%) rated Palo Alto’s “sense of community” as good or excellent. Most residents (77%) also felt that the Palo Alto community was open and accepting towards people of diverse backgrounds. These results placed Palo Alto in the 75th and 91st percentiles, respectively, compared to other surveyed jurisdictions.

Community characteristics	Percent rating Palo Alto good or excellent	National ranking
Overall image/reputation of Palo Alto	92%	97 ^{%ile}
Openness and acceptance of the community toward people of diverse backgrounds	77%	91 ^{%ile}
Sense of community	70%	75 ^{%ile}

Source: National Citizen Survey™ 2008 (Palo Alto)

This year’s survey also included additional questions to assess resident involvement with neighbors. 93% of residents reported helping a friend or neighbor within the last 12 months, similar to the benchmark. 80% of residents talked or visited with their neighbors at least once a month, below the benchmark comparison.

Community characteristics	Percent participation	Benchmark Comparison
Provided help to a friend or neighbor within last 12 months <NEW>	93%	Similar
Talk or visit with your immediate neighbors at least once a month <NEW>	80%	Below

Source: National Citizen Survey™ 2008 (Palo Alto)

COMMUNITY AMENITIES <REVISED>

In comparisons to other jurisdictions, Palo Alto residents give high ratings to educational and employment opportunities, ranking in the 97th and 96th percentiles compared to other jurisdictions. Although 61% of residents rated Palo Alto’s employment opportunities as good or excellent, this places Palo Alto in the 96th percentile compared to other surveyed jurisdictions. On the other hand, Palo Alto ranks in the 7th percentile when rating availability of affordable quality housing and the 21st percentile in availability of affordable quality child care.

Community amenities	Percent rating Palo Alto good or excellent	National ranking
Educational opportunities	94%	97 ^{%ile}
Employment opportunities	61%	96 ^{%ile}
Overall quality of business and service establishments <NEW>	76%	86 ^{%ile}
Traffic flow on major streets <NEW>	38%	80 ^{%ile}
Availability of preventive health services <NEW>	70%	88 ^{%ile}
Availability of affordable quality health care	57%	81 ^{%ile}
Availability of affordable quality child care	28%	21 ^{%ile}
Variety of housing options <NEW>	34%	16 ^{%ile}
Availability of affordable quality housing	13%	7 ^{%ile}

Source: National Citizen Survey™ 2008 (Palo Alto)

In 2008, the rate of population growth in Palo Alto was viewed as “too fast” by 51% of survey respondents (compared to 55% last year). 47% said population growth was the “right amount”.

KEY DRIVER ANALYSIS <NEW>

This year’s survey report from the National Research Center (see Attachment 1 of this report, pages 44-46) analyzed the responses from Palo Alto’s annual National Citizen Survey to provide an analysis of “Key Drivers” and an overall evaluation of services by category. According to the report, local government core services – like fire protection- land at the top of the list when residents are asked about the most important local government services. However, Key Driver Analysis reveals service areas that influence residents’ overall ratings for quality of government services. Examining services that have the

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greatest likelihood of influencing residents' opinions about overall service quality, may help government better focus its efforts.

Based on Palo Alto's survey results, "Street repair" and "Land use, planning and zoning" were the two areas most strongly correlated with ratings of overall service quality.

47% of Palo Alto residents rated street repair as good or excellent, 30% as fair, and 23% as poor. These ratings are consistent with prior year survey results and the satisfaction level is similar in comparison to other surveyed jurisdictions. Street repair has been a frequent topic in Palo Alto discussions. In 2006, the City Auditor issued an "Audit of Street Maintenance" with recommendations to improve Palo Alto's street maintenance program. The street maintenance program is also included in the City's infrastructure funding backlog. Efforts have been made to improve this service area and the survey results appear to indicate these efforts should continue.

While only 46% of surveyed residents rated Palo Alto's land use, planning and zoning as good or excellent, these ratings are more favorable compared to other surveyed jurisdictions. In the coming year, key decisions about land use, planning and zoning will likely be discussed as the City updates its Comprehensive Plan. Based on the survey results and Key Driver Analysis, these decisions are also likely to influence resident perceptions.

GOVERNMENT

Palo Alto is a charter city, operating under a council/manager form of government. There is a 9-member City Council, and a number of Council-appointed boards and commissions.² Each January, the City Council appoints a new mayor and vice-mayor and then adopts priorities for the calendar year. The City Council's top 4 priorities for 2008 included:

- Library/Public Safety building
- Environmental Protection
- Civic Engagement
- Economic Health

² Additional information about the City's boards and commissions can be found at <http://www.cityofpaloalto.org/knowzone/agendas/default.asp>.

SCOPE AND METHODOLOGY

The City Auditor's Office prepared this report in accordance with the City Auditor's FY 2008-09 Work Plan. The scope of our review covered information and results for the City's departments for the fiscal year beginning July 1, 2007 and ending June 20, 2008 (FY 2007-08).

We conducted this work in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor's Office compiled, examined, and reviewed sources of departmental data in order to provide reasonable assurance that the data we compiled is accurate, however we did not conduct detailed testing of that data. Our staff reviewed the data for reasonableness, accuracy, and consistency, based on our knowledge and information from comparable sources and prior years' reports. Our reviews are not intended to provide absolute assurance that all data elements provided by management are free from error. Rather, we intend to provide reasonable assurance that the data present a picture of the efforts and accomplishments of the City departments and programs.

When possible, we have included in the report a brief explanation of internal or external factors that may have affected the performance results. However, while the report may offer insights on service results, this insight is for informational purposes and does not thoroughly analyze the causes of negative or positive performance. Some results or performance changes can be explained simply. For others, more detailed analysis by City departments or performance audits may be necessary to provide reliable explanation for results. This report can help focus research on the most significant areas of interest or concern.

SERVICE EFFORTS AND ACCOMPLISHMENTS REPORTING

In 1994, the Governmental Accounting Standards Board (GASB) issued *Concepts Statement No. 2, Service Efforts and Accomplishments Reporting*.³ The statement broadly describes “why external reporting of SEA measures is essential to assist users both in assessing accountability and in making informed decisions to improve the efficiency and effectiveness of governmental operations.” According to the statement, the objective of SEA reporting is to provide more complete information about a governmental entity’s performance than can be provided by the traditional financial statements and schedules, and to assist users in assessing the economy, efficiency, and effectiveness of services provided.

Other organizations including the Government Finance Officers Association (GFOA) and International City/County Management Association (ICMA) have long been advocates of performance measurement in the public sector. For example, the ICMA Performance Measurement Program provides local government benchmarking information for a variety of public services.

In 2003, GASB issued a special report on *Reporting Performance Information: Suggested Criteria for Effective Communication* that describes sixteen criteria that state and local governments can use when preparing external reports on performance information.⁴ Using the GASB criteria, the Association of Government Accountants (AGA) initiated a Certificate of Excellence in Service Efforts and Accomplishments Reporting project in 2003, in which Palo Alto was a charter participant. Our last four reports received the Association’s Certificate of Achievement for producing a high quality Service Efforts and Accomplishments Report.

The City of Palo Alto has reported various performance indicators for a number of years. In particular, the City’s budget document includes “benchmark” measures.⁵ Benchmarks include input, output, efficiency,

³ On December 15, 2008 GASB issued Concepts Statement No.5, Service Efforts and Accomplishments Reporting, which amended Concepts Statement No.2. No effective date had been determined as of the writing of this report. Further information is on-line at <http://www.gasb.org/st/index.html>.

⁴ A summary of the GASB special report on reporting performance information is online at http://www.seagov.org/sea_gasb_project/criteria_summary.pdf

⁵ In FY 2004-05, new “benchmarking” measures replaced the “impact” measures that were formerly in the budget document. The benchmarks were

and effectiveness measures. This report builds on existing systems and measurement efforts. The City’s operating budget document incorporates benchmarking measures included in this Service Efforts and Accomplishments report. Similarly, where we included budget benchmarking measures in this document, they are noted with the symbol “⊙”. This year, we also added a symbol to indicate areas in the report that are related to the City Council’s Top 4 Priorities for 2008. They are noted with the symbol “4”.

SELECTION OF INDICATORS

We limited the number and scope of workload and performance measures in this report to items where information was available, meaningful in the context of the City’s performance, and items we thought would be of general interest to the public. This report is not intended to be a complete set of performance measures for all users.

From the outset of this project, we decided to use existing data sources to the extent possible. We reviewed existing benchmarking measures from the City’s adopted budget documents⁶, community indicators in the Comprehensive Plan⁷, performance measures from other jurisdictions, and benchmarking information from the ICMA⁸ and other professional organizations. We used audited information from the City’s Comprehensive Annual Financial Reports (CAFRs).⁹ We cited departmental mission statements and performance targets¹⁰ that are taken from the City’s annual operating budget where they are subject to public scrutiny and City Council approval as part of the annual budget process. We held numerous discussions with City staff to determine

developed by staff and reviewed by the City Council as part of the annual budget process.

⁶ The budget is on-line at www.cityofpaloalto.org/depts/asd/budget.asp. The operating budget includes additional performance information.

⁷ The Comprehensive Plan is on-line at: <http://www.city.palo-alto.ca.us/knowzone/>.

⁸ International City/County Management Association (ICMA), *Comparative Performance Measurement FY 2005 Data Report*. This report summarizes data from 87 jurisdictions, including several from California.

⁹ The CAFR is on-line at http://www.cityofpaloalto.org/depts/asd/financial_reporting.asp.

¹⁰ The operating budget may include additional performance targets for the budget benchmarking measures that are noted in this document with the symbol “⊙”.

Service Efforts and Accomplishments FY 2007-08

what information was available and reliable, and best summarized the services they provide.

Wherever possible we have included five years of data. Generally speaking, it takes at least three data points to show a trend. Although Palo Alto's size precludes us from significantly disaggregating data (such as into districts), where program data was available, we disaggregated the information. For example, we have disaggregated performance information about some services based on age of participant, location of service, or other relevant factors.

Indicators that are in alignment with the City's Climate Protection Plan¹¹, Zero Waste Plan¹² and/or sustainability goals are noted in the tables with an "S".

Consistency of information is important to us. However, we occasionally add or delete some information that was included in a previous report. This seventh annual SEA report incorporates new information about accomplishments of the City Council's 2008 top priorities (page 22). Performance measures and survey information that have changed since the last report are noted in the tables as <NEW> or <REVISED>.

We will continue to use City Council, public, and staff feedback to ensure that the information items that we include in this report are meaningful and useful. We welcome your input. Please contact us with suggestions at city.auditor@cityofpaloalto.org.

THE NATIONAL CITIZEN SURVEY™

The National Citizen Survey™ is a collaborative effort between the National Research Center, Inc. (NRC), and the International City/County Management Association (ICMA).¹³ Respondents in each jurisdiction

¹¹ More information about the City's plan to protect the environment and other sustainability efforts is online at www.cityofpaloalto.org/environment.

¹² More information about the City's Zero Waste Plan is online at www.cityofpaloalto.org/depts/pwd/recycle/default.asp.

¹³ The full report of Palo Alto's survey results can be found in Attachments 1-3. The full text of previous survey results can be found in the appendices of our previous reports online at www.cityofpaloalto.org/depts/aud/service_efforts_and_accomplishments.asp.

are selected at random. Participation is encouraged with multiple mailings and self-addressed, postage-paid envelopes. Results are statistically re-weighted, if necessary, to reflect the proper demographic composition of the entire community.

Surveys were mailed to a total of 1,200 Palo Alto households in September 2008. Completed surveys were received from 415 residents, for a response rate of 36%. Typical response rates obtained on citizen surveys range from 25% to 40%.

It is customary to describe the precision of estimates made from surveys by a "level of confidence" (or margin of error). The 95% confidence level for this survey of 1,200 residents is generally no greater than plus or minus 5 percentage points around any given percent reported for the entire sample.

The scale on which respondents are asked to record their opinions about service and community quality is "excellent", "good", "fair", and "poor". Unless stated otherwise, the survey data included in this report displays the responses only from respondents who had an opinion about a specific item – "don't know" answers have been removed. This report contains comparisons of survey data from prior years. Differences from the prior year can be considered "statistically significant" if they are greater than seven percentage points. In 2008, NRC changed some of the standard survey questions based on user feedback. It also changed its report format. As a result, the survey information and presentation in this report have changed from prior years.

The NRC has collected citizen survey data from more than 500 jurisdictions in the United States. Inter-jurisdictional comparisons are available when similar questions are asked in at least five other jurisdictions. When comparisons are available, results are noted as being "above" the benchmark, "below" the benchmark, or "similar to" the benchmark. NRC provided our office with additional data to calculate the percentile ranking for comparable questions.

In 2006, the ICMA and NRC announced "Voice of the People" awards for surveys conducted in the prior year. To win, a jurisdiction's National Citizen Survey rating for service quality must be one of the top three

among all eligible jurisdictions and in the top 10% of over 500 jurisdictions in the NRC database of citizen surveys. Since the beginning of the award program, Palo Alto has won:

2005 – 5 categories:

Emergency medical, Fire, Garbage collection, Park, and Police services

2006 – 4 categories:

Emergency medical, Fire, Garbage collection, and Recreation services

2007 – 5 categories:

Emergency medical, Fire, Garbage collection, Park, and Recreation services

POPULATION

Where applicable, we have used the most recent estimates of Palo Alto resident population from the California Department of Finance, as shown in the following table.¹⁴

Year	Population
FY 2003-04	60,589
FY 2004-05	61,650
FY 2005-06	62,424
FY 2006-07	62,615
FY 2007-08	63,367
Percent change over last 5 years:	+5.0%

We used population figures from sources other than the Department of Finance for some comparisons to other jurisdictions, but only in cases where comparative data was available only on that basis.

Some departments¹⁵ serve expanded service areas. For example, the Fire Department serves Palo Alto, Stanford, and Los Altos Hills (seasonally). The Regional Water Quality Control Plan serves Palo Alto, Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto.

¹⁴ The Department of Finance periodically revises prior year estimates. Where applicable we used their revised population estimates to recalculate certain indicators in this report.

¹⁵ Additional information about the City's departments can be found at <http://www.cityofpaloalto.org/depts/default.asp>.

INFLATION

Financial data has not been adjusted for inflation. In order to account for inflation, readers should keep in mind that the San Francisco Area Consumer Price Index for All Urban Consumers has increased by 13% over the 5 years of financial data that is included in this report. The index increased as follows:

Date	Index
June 2004	199.0
June 2005	201.2
June 2006	209.1
June 2007	216.1
June 2008	225.2
Percent change over last 5 years:	+13%

ROUNDING

For readability, most numbers in this report are rounded. In some cases, tables or graphs may not add to 100% or to the exact total because of rounding. In most cases the calculated “percent change over the last 5 years” is based on the percentage change in the underlying numbers, not the rounded numbers. However, where the data is expressed in percentages, the change over 5 years is the difference between the first and last year.

COMPARISONS TO OTHER CITIES

Where possible we included comparisons to nearby California cities. The choice of the cities that we use for our comparisons may vary depending on whether data is easily available. Regardless of which cities are included, comparisons to other cities should be used carefully. We tried to include “apples to apples” comparisons, but differences in costing methodologies and program design may account for unexplained variances between cities. For example, the California State Controller’s Office gathers and publishes comparative financial information from all California cities.¹⁶ We used this information where possible, but noted that cities provide different levels of service and categorize expenditures in different ways.

¹⁶ California State Controller, *Cities Annual Report Fiscal Year 2005-06* (<http://www.sco.ca.gov/ard/local/locrep/cities/reports/0405cities.pdf>).

ACKNOWLEDGEMENTS

This report could not have been prepared without the cooperation and assistance of City management and staff from every City department. Our thanks to all of them for their help. We also want to thank the City Council and community members who reviewed last year's report and provided thoughtful comments.

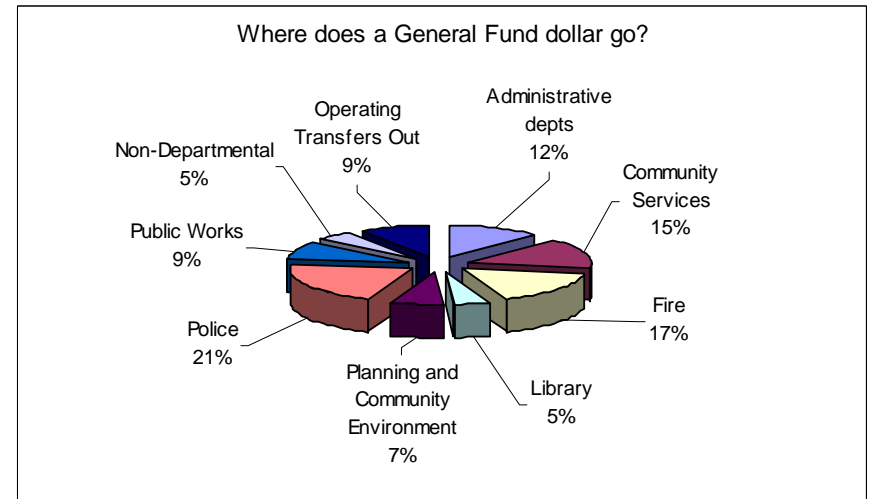
We would also like to acknowledge our debt to the City of Portland Auditor's Office that pioneered local government accountability for performance through its "City of Portland Service Efforts and Accomplishments" report – now in its 18th year of publication.

CHAPTER 1 – OVERALL SPENDING, STAFFING & ACCOMPLISHMENT OF COUNCIL PRIORITIES

OVERALL SPENDING

Palo Alto, like other cities, uses various funds to track specific activities. The General Fund is used for all general revenues and governmental functions including parks, fire, libraries, planning, police, public works, legislative, and support services. These services are supported by general City revenues and program fees. Enterprise Funds are used to account for the City’s utilities (including water, electricity, gas, wastewater collection and treatment, refuse, and storm drains) and are generally supported by charges paid by users based on the amount of service they use.

The pie chart to the right shows where a General Fund dollar goes. The table below shows more detail. In FY 2007-08, the City’s total General Fund expenditures and other uses of funds totaled \$141.7 million. This included \$12.9 million in transfers to other funds (including \$11.8 million for capital projects and \$1.1 million for debt service).



Source: FY 2007-08 expenditure data

Total General Fund uses of funds increased 24% over the last five years (some expenses were transferred to other funds), or less than inflation (13% over the same five-year period).

General Fund operating expenditures and other uses of funds (in millions)

	Admin. Depts ¹	Community Services	Fire	Library	Planning and Community Environment	Police	Public Works	Non-departmental ²	Operating transfers out ³	TOTAL	Enterprise Fund operating expenses
FY 2003-04	\$14.9	\$19.1	\$18.8	\$5.3	\$8.5	\$22.0	\$10.6	\$5.9	\$9.2	\$114.4	\$158.2
FY 2004-05	\$15.2	\$19.1	\$19.1	\$5.1	\$9.1	\$22.5	\$11.0	\$8.6	\$8.2 ⁴	\$118.0 ⁴	\$162.6
FY 2005-06	\$15.3	\$19.5	\$20.2	\$5.7	\$9.2	\$24.4	\$11.3	\$13.6	\$8.0	\$127.1	\$183.7
FY 2006-07	\$15.9	\$20.1	\$21.6	\$5.9	\$9.4	\$25.9	\$12.4	\$8.5	\$12.7	\$132.4	\$190.3
FY 2007-08	\$17.4	\$21.2	\$24.0	\$6.8	\$9.7	\$29.4	\$12.9	\$7.4	\$12.9	\$141.7	\$215.8
Change over last 5 years	+16%	+11%	+28%	+28%	+13%	+34%	+22%	+24%	+40%	+23%	+36%

¹ Includes the City Manager, City Attorney, City Clerk, City Council, City Auditor, Administrative Services Department, and Human Resources Department.

These departments allocate a portion of their expenses to the Enterprise and Internal Service Funds.

² Includes payments to the Palo Alto Unified School District as part of the Cubberley lease and covenant not to develop (\$6.4 million in FY 2007-08).

³ Includes transfers from the General Fund to the Capital Projects Fund and debt service funds.

⁴ Does not include FY 2004-05 transfer of the Infrastructure Reserve (\$35.9 million) from the General Fund to the Capital Fund.

PER CAPITA SPENDING

There are at least two ways to look at per capita spending: annual spending (shown below) and net cost (shown on the right).

As shown below, in FY 2007-08, General Fund operating expenditures and other uses of funds totaled \$2,237 per Palo Alto resident, including operating transfers to fund the City's Capital Improvement Program (CIP).

However, as shown on the right, General Fund departments generate revenues or are reimbursed for some of their activities by other jurisdictions and/or the enterprise funds. As a result, we estimate the net General Fund cost per resident in FY 2007-08 was about \$1,616.

Enterprise Fund operating expenses totaled \$3,405 per capita. Palo Alto's enterprise funds include Electric, Gas, Water, Wastewater Collection, Wastewater Treatment, Refuse, Storm Drainage, and External Services. Enterprise funds generally work like a business and charge fees to cover the cost of services.

Net General Fund Cost Per Resident²

On a per capita basis, FY 2007-08 Net General Fund costs of \$1,616 included:

- \$385 for police services
- \$218 for community services
- \$225 for fire and emergency medical services¹
- \$162 for public works
- \$143 for administrative, legislative, and support services
- \$103 for library services
- \$61 for planning, building, code enforcement
- \$203 in operating transfers out (including \$186 in transfers for capital projects)
- \$117 for non-departmental expenses (including \$102 paid to the school district)

	Estimated per capita General Fund spending and other uses of funds ³										Per capita ³		Net General Fund cost per resident
	Administrative departments	Community Services	Fire ¹	Library	Planning and Community Environment	Police	Public Works	Non-departmental	Operating transfers out	TOTAL	Capital outlay (governmental funds)	Enterprise Fund operating expenses (includes capital)	
FY 2003-04	\$247	\$316	\$311	\$88	\$141	\$363	\$175	\$98	\$152	\$1,890	\$368	\$2,611	\$1,381
FY 2004-05	\$247	\$311	\$310	\$83	\$148	\$366	\$179	\$140	\$134	\$1,917	\$346	\$2,637	\$1,390
FY 2005-06	\$245	\$313	\$324	\$91	\$147	\$392	\$182	\$219	\$128	\$2,040	\$212	\$2,943	\$1,371
FY 2006-07	\$255	\$322	\$345	\$94	\$150	\$414	\$199	\$136	\$203	\$2,118	\$279	\$3,039	\$1,518
FY 2007-08	\$274	\$335	\$378	\$108	\$153	\$464	\$204	\$117	\$204	\$2,237	\$341	\$3,405	\$1,616
Change over last 5 years:	+11%	+6%	+22%	+22%	+8%	+28%	+17%	+19%	+34%	+18%	-7%	+30%	+17%

¹ Not adjusted for Fire department's expanded service area.

² Net cost is defined as total program cost less the revenues/reimbursements generated by the specific activities.

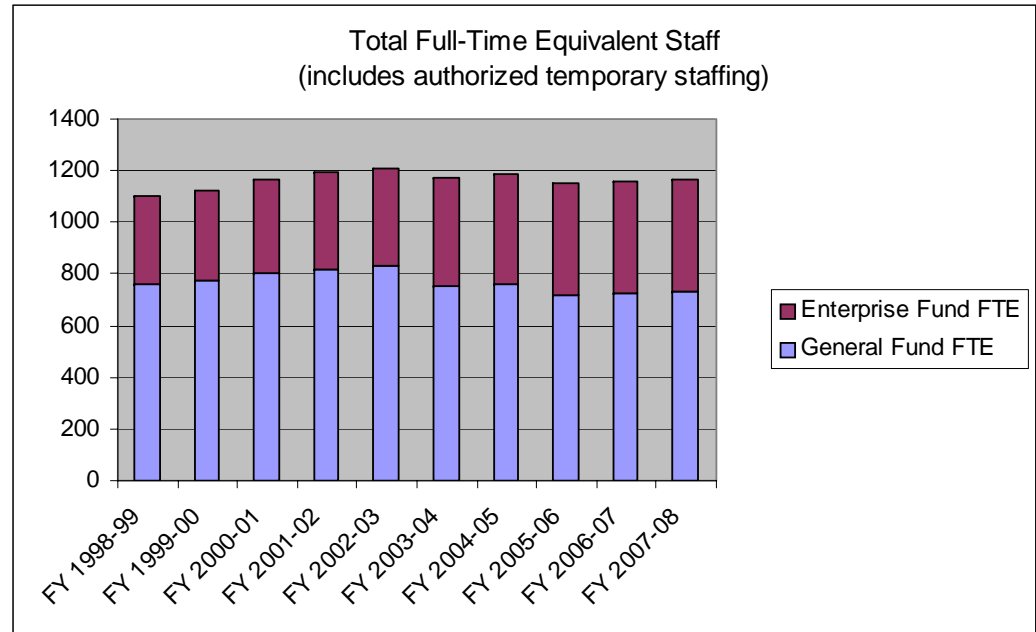
³ Where applicable, prior year per capita costs have been recalculated based on revised population estimates from the California Department of Finance.

AUTHORIZED STAFFING

City staffing is measured in full-time equivalent staff, or FTE. In FY 2007-08, there were a total of 1,168 authorized FTE citywide – including about 733 authorized FTE in General Fund departments, and about 436 authorized FTE in other funds.¹ 112 authorized positions were vacant as of June 30, 2008.

Over the last five years, total FTE (including authorized temporary and hourly positions) remained flat.

- General Fund FTE decreased by 3%, including 47 regular FTE eliminated³ and 59 regular FTE moved to other funds.⁴
- Authorized staffing in other funds increased by 5%, including the 59 regular FTE moved from the General Fund⁴ and 2 regular FTE added.



Source: Operating budgets

	Total General Fund authorized staffing (FTE ¹)								Total other authorized staffing (FTE ¹)					TOTAL (FTE ¹)	
	Admin. Depts.	Community Services	Fire	Library	Planning and Community Environment	Public Works	Subtotal	Refuse Fund	Storm Drainage Fund	Wastewater Treatment Fund	Electric, Gas, Water, and Wastewater	Other ²	Subtotal		
FY 2003-04	108 ³	152	128	54	61	177	77	757	34	10	69	241	73 ³	416	1,172
FY 2004-05	108	158	129	56	61	173	75	759	35	10	69	241	75	430	1,189
FY 2005-06	98	146	126	57	53	169	69	718	35	10	69	241	78	432	1,150
FY 2006-07	100	148	128	57	55	168	68	725	35	10	69	243	78	435	1,160
FY 2007-08	108	147	128	56	54	169	71	733	35	10	69	244	78	436	1,168
Change over last 5 years	+1%	-4%	0%	+4%	-11%	-5%	-8%	-3%	+4%	-3%	0%	+6%	+7%	+5%	0%

¹ Includes authorized temporary and hourly positions and allocated departmental administration.

² Includes the Technology Fund, Capital Fund, Special Revenue, and Internal Service Funds.

³ Net General Fund regular position changes since June 30, 2003, included 30 FTE eliminated in FY 2003-04, 1 FTE eliminated in FY 2004-05, 16 FTE eliminated in FY 2005-06, 3 FTE added in FY 2006-07, and 2 FTE eliminated in FY 2007-08.

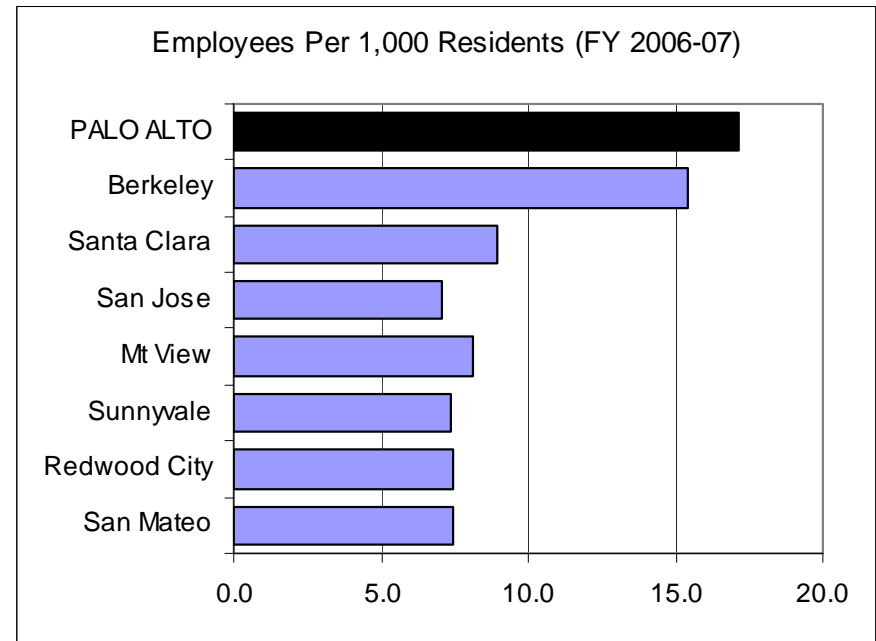
⁴ Regular positions moved from the General Fund to other funds and included 52 FTE moved to other funds in FY 2003-04 (including 33 FTE in IT Division moved to Technology Fund), 3 FTE moved to other funds in FY 2004-05, 6 FTE moved to other funds in FY 2005-06, and none in FY 2006-07. In FY 2007-08, 2 positions were added to the General Fund.

AUTHORIZED STAFFING (cont.)

As shown in the graph to the right, Palo Alto had more employees per 1,000 residents than several other local jurisdictions. However staffing comparisons between cities are problematic – no other city in California offers a full complement of utility services like Palo Alto, and Palo Alto employees provide some services to other jurisdictions that are reimbursed by those jurisdictions (e.g. fire, dispatch, information technology, water treatment, and animal control).

Citywide regular authorized staffing decreased 2% over the past five years from 1,093 to 1,077 FTE. Authorized temporary and hourly staffing increased from 79 FTE to 91 FTE citywide. Of total staffing, about 8% is temporary or hourly.

General Fund salaries and wages (not including overtime) increased 15% over the last five years. Over the same period, employee benefit expense increased 56% – from \$19.1 million (38% of salaries and wages) to \$29.8 million (52% of salaries and wages).³



Source: Cities' Comprehensive Annual Financial Reports and Operating Budgets

	Regular authorized staffing citywide (FTE)	Authorized temporary and hourly staffing citywide (FTE)	Total authorized staffing citywide (FTE)	Total authorized staffing per 1,000 residents	General Fund salaries and wages ¹ (in millions)	General Fund overtime (in millions)	General Fund employee benefits (in millions)	Employee benefits rate ²	Employee costs as a percentage of total General Fund expenditures
FY 2003-04	1,093	79	1,172	19.4	\$49.8	\$3.3	\$19.1	38%	63%
FY 2004-05	1,094	96	1,189	19.3	\$52.3	\$3.6	\$23.7	45%	68%
FY 2005-06	1,074	76	1,150	18.4	\$53.2	\$3.4	\$26.4	50%	64%
FY 2006-07	1,080	80	1,160	18.5	\$53.9	\$4.0	\$26.1	48%	65%
FY 2007-08	1,077	91	1,168	18.4	\$57.3	\$4.2	\$29.8	52%	64%
Change over last 5 years	-2%	+16%	0%	-5%	+15%	+27%	+56%	+14%	+1%

¹ Does not include overtime

² "Employee benefits rate" is General Fund benefit costs as a percentage of General Fund salaries and wages, not including overtime.

³ For more information on projected salary and benefits costs see the City of Palo Alto Long Range Financial Forecast at http://www.cityofpaloalto.org/depts/asd/financial_reporting.asp

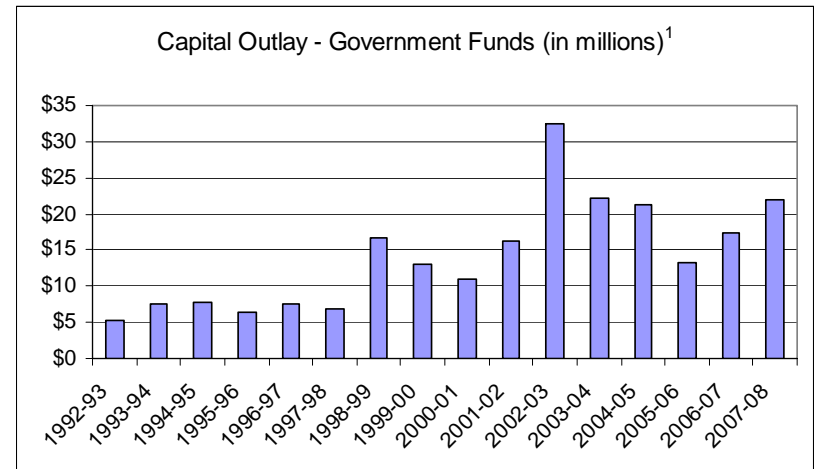
CAPITAL SPENDING

Several years ago the City inventoried, assessed, and prioritized work on its buildings, facilities, streets, sidewalks, medians, bikeways, parks, and open space. This effort resulted in a long-term plan to rehabilitate Palo Alto’s General Fund infrastructure. Infrastructure remains a City Council priority.

With the implementation of GASB Statement 34 in FY 2001-02, the City has recorded all its capital assets in its citywide financial statements.² Capital assets are valued at historical cost, net of accumulated depreciation. This includes buildings and structures, vehicles and equipment, roadways, and utility distribution systems.

As shown in the graph on the right, capital outlay by governmental funds¹ has increased over ten years ago. As of June 30, 2008, net general capital assets totaled \$351.9 million (14% more than 5 years ago). The General Fund invested \$96 million in capital projects over the last 5 years, spending down reserves set aside to fund infrastructure rehabilitation. The Infrastructure Reserve fell to \$17.9 million (compared to \$35.9 million 5 years ago).

The enterprise funds invested \$36.1 million in capital projects in FY 2007-08, for a total of \$130.8 million over the last 5 years. As of June 30, 2008, net Enterprise Fund capital assets totaled \$416.6 million.



Source: Comprehensive Annual Financial Reports

	Infrastructure Reserve (in millions)	General governmental funds (in millions)			Enterprise funds (in millions)		
		Net general capital assets	Capital outlay ¹	Depreciation	Net Enterprise Fund capital assets	Capital expense	Depreciation
FY 2003-04	\$35.9	\$310.0	\$22.3	\$8.8	\$329.1	\$22.8	\$11.4
FY 2004-05	\$25.2	\$318.5	\$21.3	\$9.5	\$346.9	\$22.8	\$11.7
FY 2005-06	\$20.7	\$324.8	\$13.2	\$12.3	\$360.9	\$20.3	\$11.8
FY 2006-07	\$15.8	\$335.7	\$17.5	\$11.0	\$383.8	\$28.9	\$12.7
FY 2007-08	\$17.9	\$351.9	\$21.6	\$11.2	\$416.6	\$36.1	\$12.7
Change over last 5 years	-50%	+14%	-3%	+27%	+27%	+58%	+11%

¹ Includes capital expenditures in the General Fund, Capital Projects and Special Revenue funds. Does not include capital expense associated with Utility or other enterprise funds.

² The City’s financial statements are on-line at http://www.cityofpaloalto.org/depts/asd/financial_reporting.asp.

ACCOMPLISHMENT OF COUNCIL PRIORITIES <NEW>

RESIDENT PERCEPTIONS AND CITY PROGRESS IN AREAS OF 2008 COUNCIL PRIORITIES

In 2008, the City Council had 4 top priority areas:¹ **4**

- 1) Library Building/Public Safety Building
- 2) Environmental Protection
- 3) Civic Engagement
- 4) Economic Health

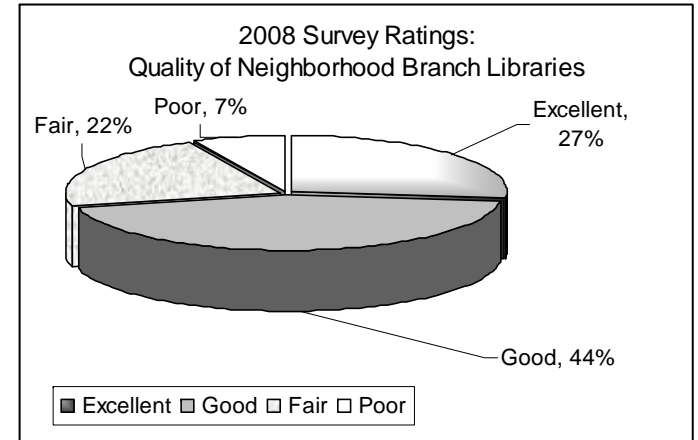
The 2008 National Citizen Survey™ results and progress in these areas indicate the following:²

LIBRARY BUILDING/PUBLIC SAFETY BUILDING

In November 2008, 69.4% of Palo Alto voters approved Measure N to fund the construction of a new Mitchell Park Library/ Community Center, and to renovate the Downtown and Main libraries. Voter approval of Measure N marked a milestone towards accomplishing one of the City Council's priorities, and also indicated a commitment from Palo Alto residents in improving library facilities, despite indications of a weakening national economy. The Library bond campaign, called "Better Libraries for Palo Alto" also provided a unique opportunity to strengthen civic engagement.

In 2008, 74% of Palo Alto residents responding to the survey reported using the library at least once during the last 12 months. Ratings for the quality of neighborhood branch libraries have declined over the last four years. In 2008, 71% of the respondents rated the quality of the neighborhood branch libraries as good or excellent, compared to 78% in 2005. According to the department, and it appears reasonable, resident perception may have been affected by the widely visible bond campaign, which called attention to shortcomings in library services and facilities as the premise for asking voters to approve the bond measure.

None of the survey questions pertained to the public safety building. However, the public safety building was part of the City's capital improvement program and during the year, staff moved forward with design and funding approvals. According to the FY 2007-08 Year-End Capital Improvement Program Projects Status Report, \$3.2 million had been budgeted for the building design and 35% of the design project was complete. Future advancement of the project will depend on funding levels and conditions.



Source: 2008 National Citizen Survey™ (Palo Alto)

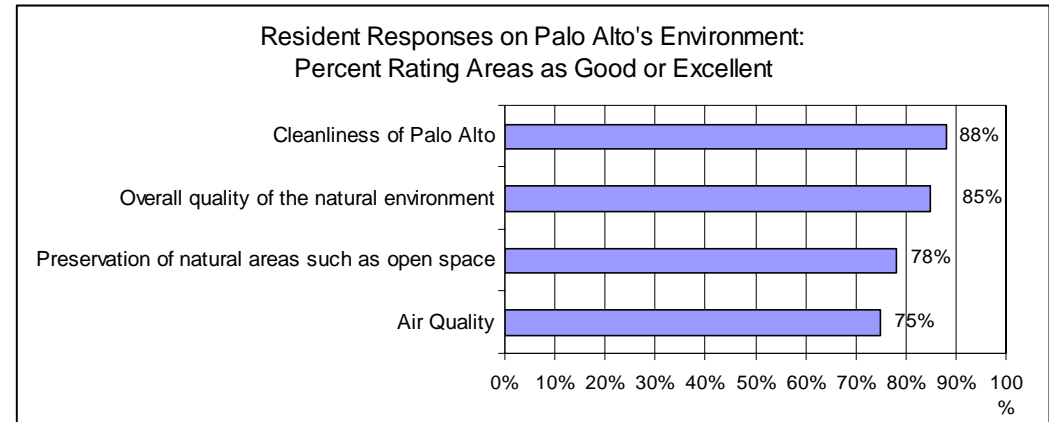
¹ In January 2009, the City Council adopted its 2009 Top Priorities as follows: Environmental Protection, Civic Engagement for the Common Good, and Economic Health.

² This section provides an overview of the City's accomplishments of the City Council's Top 2008 Priorities, however, it is not all-encompassing of the numerous staff projects. For further details, see the staff report entitled "Council Top 4 Priorities Milestones Status Report 2008" in the January 10, 2009 City Council Retreat Agenda: <http://www.cityofpaloalto.org/knowzone/agendas/council.asp>

ENVIRONMENTAL PROTECTION

RATINGS OF OVERALL ENVIRONMENT

Residents rated Palo Alto's overall environment more favorably, in comparison to other surveyed jurisdictions. This year's survey included new questions to assess resident perceptions in this area and the results are as follows: 88% rated Palo Alto's cleanliness as good or excellent, 85% of residents surveyed rated the overall quality of Palo Alto's natural environment as good or excellent, and 78% rated the preservation of natural areas such as open space as good or excellent. These ratings were above the benchmark comparisons of other jurisdictions with similar survey questions. For the last three years, the survey has asked residents to rate Palo Alto's air quality. These ratings declined from 80% rating the air quality as good or excellent in 2006, to 75% in 2008. However, they still remain above the benchmark comparison of other jurisdictions.



Source: 2008 National Citizen SurveyTM (Palo Alto)

RECYCLING AND EASE OF TRANSPORTATION OPTIONS

In 2008, 99% of survey respondents reported that they recycled used paper, cans or bottles from their home, an increase from 87% in 2007. Resident responses for the ease of public transportation modes have decreased over the last five years, placing Palo Alto at the benchmark comparison for ease of rail travel, and below the benchmark comparison for ease of bus travel. However, resident ratings for Palo Alto's ease of walking and bicycle travel are consistently rated more favorably in comparison to other surveyed jurisdictions.

	Citizen Survey					
	Recycling	Ease of Transportation Options in Palo Alto				
	Percent recycled paper, cans or bottles at least once in past 12 months	Percent rating ease of bus travel as good or excellent	Percent rating ease of rail/subway travel as good or excellent	Percent rating ease of car travel as good or excellent	Percent rating ease of walking as good or excellent	Percent rating ease of bicycling as good or excellent
FY 2003-04	97%	43%	64%	52%	85%	80%
FY 2004-05	82%	44%	69%	61%	86%	79%
FY 2005-06	84%	44%	60%	60%	87%	78%
FY 2006-07	87%	37%	55%	65%	88%	84%
FY 2007-08	99%	34%	52%	60%	86%	78%
<i>Change over last 5 years:</i>	2%	-9%	-12%	8%	1%	-2%

ENVIRONMENTAL PROTECTION (cont.)

The City of Palo Alto has a variety of programs and plans designed to protect the environment. These include, but are not limited to:

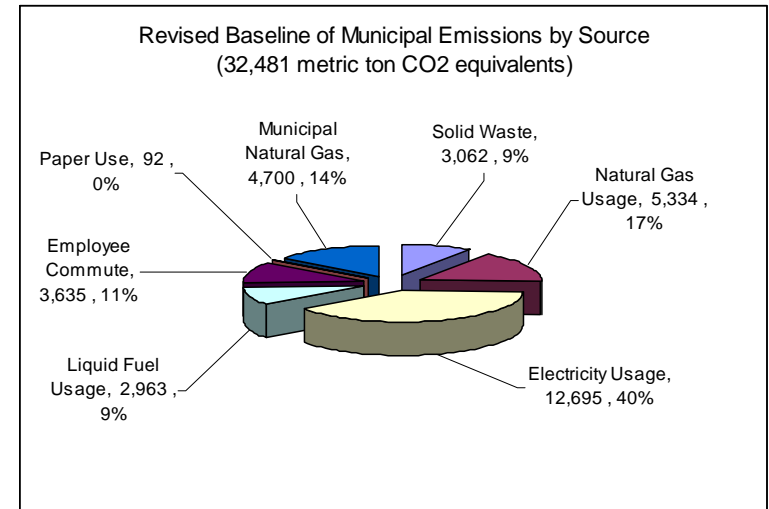
- Climate Protection Plan (CPP)
- Zero Waste Operational Plan (ZWOP)¹
- Ten-Year Energy Efficiency Plan

Climate Protection Plan

In December 2007, the City Council approved the Climate Protection Plan, which inventoried the City's municipal and community emissions and set emission reduction goals (from 2005 baseline levels) of:

- 5% of municipal emissions, by December 2009
- 5% of municipal **and community** emissions, by 2012
- 15% of municipal **and community** emissions by 2020.

City staff refined the 2005 baseline municipal emissions estimate to 32,481 metric tons² (shown on right) and also conducted a cost-benefit analysis of emissions-reducing tasks. To achieve the 5% reduction in municipal emissions by December 2009, the City formed a Climate Protection Team with representatives from each department. The team is developing departmental and Citywide actions to reduce greenhouse gas emissions. The team will also be measuring and reporting progress towards reducing emissions.



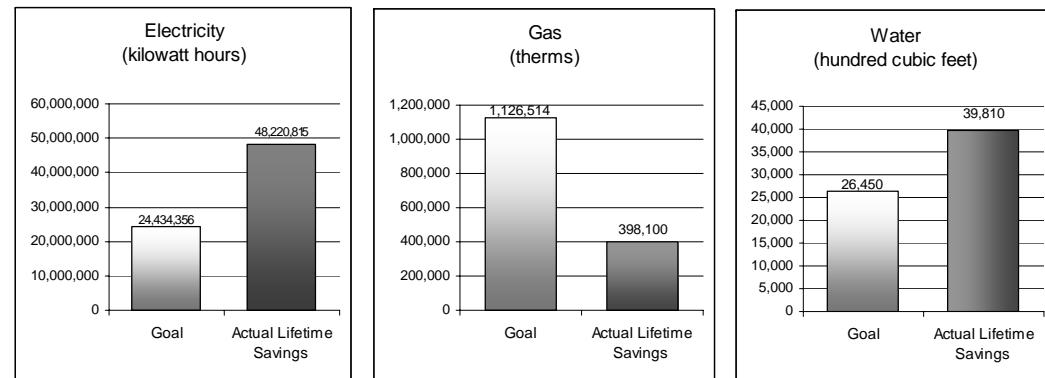
Source: City of Palo Alto Climate Protection Team

Ten-Year Energy Efficiency Plan and Water Conservation

In FY 2007-08, the City exceeded its targeted lifetime savings goals for energy efficiency and water conservation. Natural gas savings goals were not met. The Utilities Department plans to achieve these goals through implementation of the Solar Water Heating rebate and development of new natural gas efficiency rebates.

The Utilities Department has also offered its customers PaloAltoGreen, a renewable energy program. Since launching PaloAltoGreen 5 years ago, the department reports that annual sales of renewable energy have consistently increased, with a customer participation rate of over 20%, the highest rate in the nation.

FY 2007-08 Energy, Gas, and Water Efficiency Savings



¹ The ZWOP established a goal of 73% waste diversion and to strive for zero waste by 2021. In FY 2006-07, the City's State-approved diversion rate was 63%. FY 2007-08 data was not yet available.

² The prior 2005 baseline of municipal emissions was estimated at 65,329 metric ton CO2 equivalents. The revised estimate utilized new EPA procedures for natural gas leakage estimates, additional protocols from the California Climate Action Registry, and eliminated biogenic sources and sources outside the City's control.

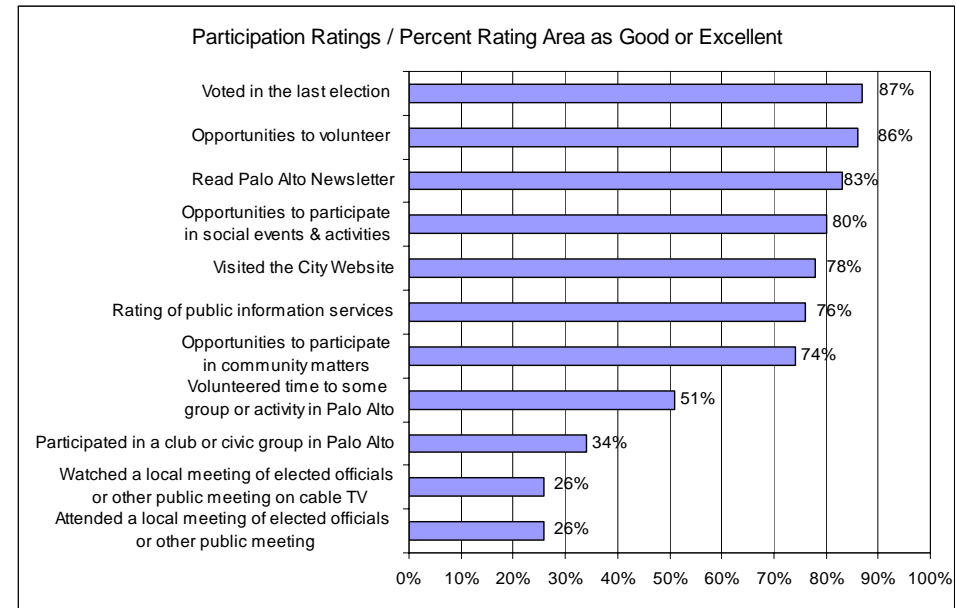
CIVIC ENGAGEMENT

Civic engagement can be difficult to measure because it often means different things to different people. According to the National Research Center: “The extent to which local government provides opportunities to become informed and engaged and the extent to which residents take these opportunities is an indicator of the connection between government and the populace.”

This year’s resident survey asked a variety of questions pertaining to civic engagement activities, opportunities, public trust, and value of City services. Residents rated *opportunities* to volunteer and participate more favorably, in comparison to other surveyed jurisdictions -- 86% of residents reported opportunities to volunteer as good or excellent, 80% reported opportunities to participate in social events and activities as good or excellent, and 74% reported opportunities to participate in community matters as good or excellent.

Palo Alto residents also reported a significant increase in visits to the City website, increasing from 62% in 2007, to 78% in 2008. Although only 26% of survey respondents had attended some type of public meeting and 34% had participated in a club or civic group, these responses are similar to other surveyed jurisdictions.

Palo Alto residents continued to provide highest ratings for overall services to the local government, and the lowest ratings to the Federal and State government. Ratings on the value of services received, for the taxes paid to Palo Alto, have declined over the last four years, placing Palo Alto in the 65th percentile compared to other surveyed jurisdictions. Ratings of Palo Alto’s overall image and reputation have remained consistently high, with 92% of survey respondents rating it as good or excellent, placing Palo Alto in the 97th percentile compared to other surveyed jurisdictions.



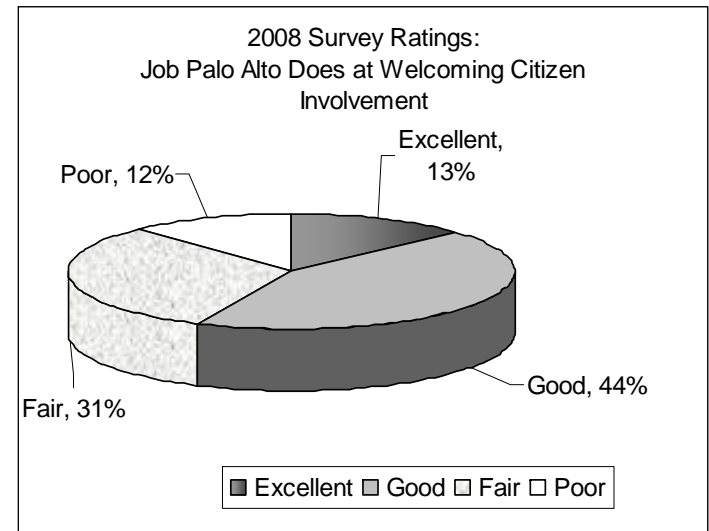
Source: 2008 National Citizen Survey™ (Palo Alto)

	Citizen Survey					
	Overall quality and value of services					
	Percent rating overall image or reputation of Palo Alto good or excellent	Percent rating City services good or excellent	Percent rating value of services for the City taxes they pay as good or excellent	Percent rating Federal Government services good or excellent	Percent rating State Government services good or excellent	Percent rating County Government services good or excellent
FY 2003-04	-	90%	75%	38%	36%	-
FY 2004-05	-	88%	70%	32%	32%	-
FY 2005-06	91%	87%	74%	32%	38%	-
FY 2006-07	93%	86%	67%	33%	44%	-
FY 2007-08	92%	85%	64%	33%	34%	54%
Change over last 5 years:	-	-5%	-11%	-5%	-2%	-

CIVIC ENGAGEMENT (cont.)

Although Palo Alto residents rated several civic engagement activities and opportunities favorably, responses to other questions pertaining to public trust, value, and impression of employee contact show opportunities for improvement. When asked to rate the job Palo Alto government does at welcoming citizen involvement, 57% of residents rated this as good or excellent, a significant decline from 68% in 2007. This rating was also below the benchmark of other surveyed jurisdictions. Resident ratings in the areas of City employees' knowledge, responsiveness, courtesy, and overall impression also declined since last year. Resident ratings for the overall direction that Palo Alto is taking increased from 57% last year, to 63% this year, a rating similar to other jurisdictions.

Some of the lower public trust ratings noted may be partly attributable to three occurrences during FY 2007-08: negative public attention over a police investigation into the City's Children's Theater, public feedback from the City's redesigned website, and a homicide and string of burglaries that plagued the City shortly before the survey was administered in September 2008. Future survey results will help determine whether these recent declines in public trust perceptions persist, or were mostly isolated to the noted occurrences.



Source: 2008 National Citizen Survey™ (Palo Alto)

	Citizen Survey							
	Public trust			Impression of contact with Palo Alto employees				
	Percent rating overall direction of the City as good or excellent	Percent rating the City's job at welcoming citizen involvement as good or excellent	Percent rating the City's job at listening to citizens as good or excellent	Percent having contact with a city employee in the last 12 months	Good or excellent impression of knowledge	Good or excellent impression of responsiveness	Good or excellent impression of courtesy	Overall impression good or excellent
FY 2003-04	63%	70%	60%	64%	86%	84%	84%	84%
FY 2004-05	54%	59%	50%	56%	84%	77%	83%	80%
FY 2005-06	62%	73%	59%	54%	83%	78%	83%	80%
FY 2006-07	57%	68%	52%	57%	85%	80%	84%	79%
FY 2007-08	63%	57%	52%	54%	75%	73%	78%	73%
<i>Change over last 5 years:</i>	-	-13%	-8%	-10%	-11%	-11%	-6%	-11%

ECONOMIC HEALTH

RATINGS OF ECONOMIC HEALTH

In 2008, resident responses revealed strong indications of the economy’s impact on household income. For the first time since the City Auditor’s Office initiated the survey in Palo Alto, resident responses ranked at the bottom of the benchmark comparison for a question pertaining to the economy’s impact on income. At the time of the survey in September 2008, only 4% of Palo Alto residents expected the coming 6 months would have a “somewhat” or “very” positive impact on their household income. Ratings for the prior years ranged from 20 to 27%. This response indicates that residents understood early-on the impact of the country’s economy, well before the recession was officially announced in December 2008.

This year, the survey included a new question to assess resident perception of housing cost stress (defined as monthly housing costs amounting to 30% or more of income). About 31% of survey participants were paying housing costs of 30% or more of their monthly household income. In comparison to the benchmark data, this response indicates that affordable housing is more of a concern in Palo Alto than in other surveyed jurisdictions.

Resident responses were more favorable for employment opportunities and job and retail growth. 58% of surveyed residents ranked Palo Alto’s employment opportunities as good or excellent, placing Palo Alto in the 96th percentile of other surveyed jurisdictions. Half of surveyed residents viewed job growth as the “right amount” (48% viewed job growth as “too slow”). 62% of respondents rated retail growth as the “right amount” (28% viewed retail growth as “too slow”).

Economic Health	Percent rating	Comparison to Benchmark
Ratings of economic impact on household income as “somewhat” or “very” positive	4%	Below
Housing costs are 30% or more of monthly household income	31%	Below
Job growth seen as “right amount”	50%	Not Available
Retail growth (stores, restaurants, etc.) seen as “right amount”	62%	Not Available
Employment opportunities are “good” or “excellent”	58%	Above

Source: 2008 National Citizen SurveyTM (Palo Alto)

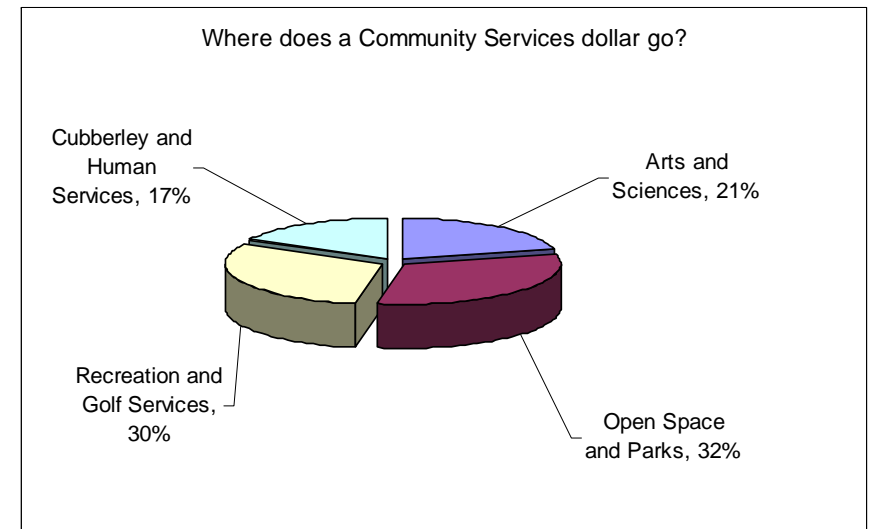
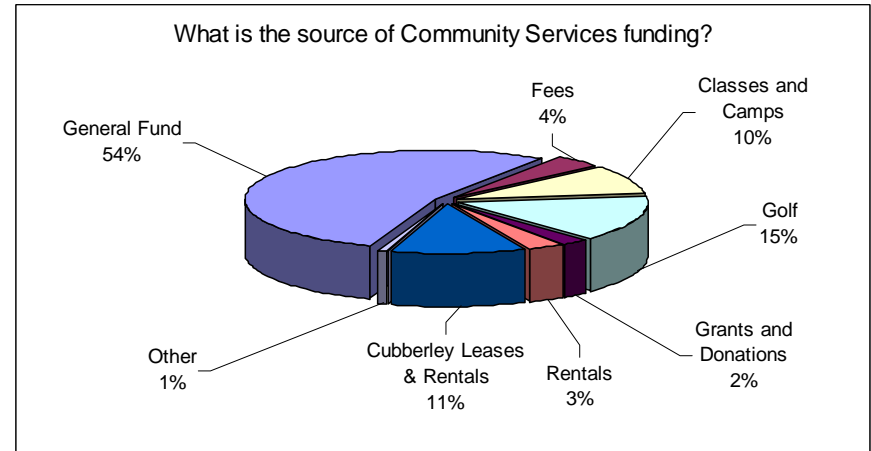
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CHAPTER 2 – COMMUNITY SERVICES

The mission of the Community Services Department is to engage individuals and families in creating a strong and healthy community through parks, recreation, social services, arts and sciences.

The department restructured in FY 2007-08 and now operates under four divisions, rather than five. The former Parks & Golf division has been moved into two existing divisions, by merging Parks with Open Space, and Golf with Recreation. In addition, Youth Sciences has merged with the Arts division. The department's four divisions are as follows:

- Arts and Sciences provides visual and performing arts, music and dance, and science programs to adults and youth, while responding to increased demand for family programs such as the Junior Museum and Zoo, the Children's Theatre, and interpretive programs.
- Open Space and Parks is responsible for the conservation and maintenance of more than 4,000 acres of urban and open space parkland and provides ecology and natural history interpretive programs for youth and adults through campfires, special interest nature programs, and guided walks.
- Recreation and Golf Services provides a diverse range of programs and activities for the community, and focuses on creating a culture of fitness and healthy living by encouraging individuals and families to participate in creative and fun activities.
- Cubberley Community Center and Human Services hosts community artists, dance groups, children centers, Palo Alto Unified School District (PAUSD) Adult Education, Foothill College, and many non-profit groups. On its 35-acre campus, the center provides a full array of facilities including fields, tennis courts, a track, gymnasiums, an auditorium, a theatre, and classrooms which are available for public rental. The Human Services function provides assistance to people in need, including grants to non-profit organizations and entry-level work experience for the homeless.



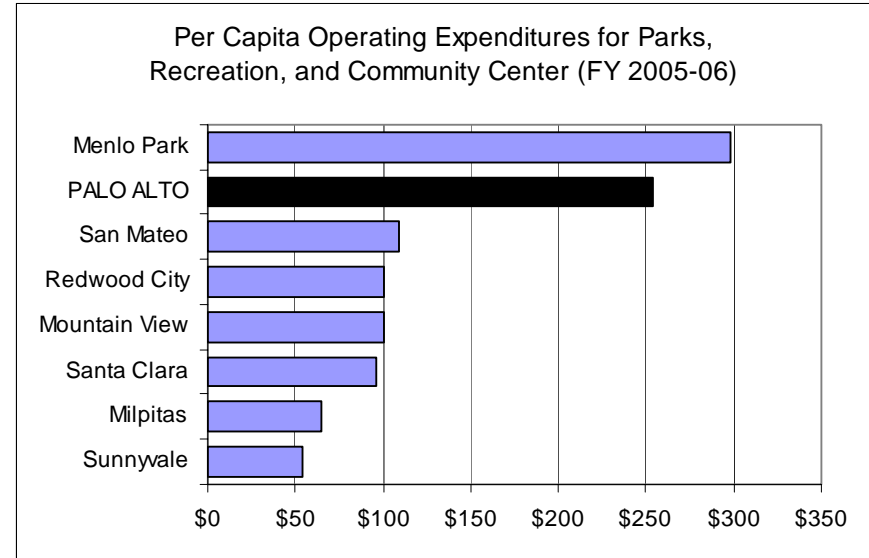
Source: FY 2007-08 revenue and expenditure data

SPENDING AND REVENUE

Total Community Services spending increased by approximately 11% in the last five years. The FY 2007-08 reorganization resulted in a 48% increase in Arts and Sciences expenditures.

Community Services staffing decreased 4% over the last five years from 152 to 147 full-time equivalents (FTEs). In FY 2007-08, temporary and hourly staffing accounted for about 34% of the department's total staffing. Over the last five years, total authorized staffing decreased 8%, from 2.5 to 2.3 FTE per thousand residents.

Palo Alto's expenditures per capita for parks, recreation, and community centers are the second highest compared with seven other nearby cities. It should be noted that each jurisdiction offers different levels of service and budgets for those services differently. Palo Alto data includes expenditures related to nearly 4,000 acres of open space, municipal golf course, human services programs, Cubberley Community Center, and unique services such as the Art Center, the Children's Theatre, and the Junior Museum and Zoo.



Source: California State Controller, *Cities Annual Report Fiscal Year 2005-06*

	Operating expenditures (in millions)				Total Operating Expense	Operating Expenditures Per Capita	Total Revenues (in millions)	Total Authorized Staffing (FTE)	Temporary (FTE)	Percent of Total Who Are Temporary	Authorized staffing per 1,000 population
	Arts and Sciences ¹	Open Space and Parks	Recreation and Golf Services	Cubberley Community Center & Human Services							
FY 2003-04	\$3.0	\$6.7	\$6.0	\$3.5	\$19.1	\$316	\$8.8	152	48	32%	2.5
FY 2004-05	\$3.2	\$6.8	\$6.1	\$3.0	\$19.1	\$312	\$8.6	158	49	31%	2.6
FY 2005-06	\$3.2	\$6.1	\$6.7	\$3.5	\$19.5	\$312	\$9.0	146	48	33%	2.3
FY 2006-07	\$3.1	\$6.3	\$7.0	\$3.4	\$19.8	\$317	\$9.3	148	49	33%	2.4
FY 2007-08	\$4.4	\$6.8	\$6.4	\$3.7	\$21.2	\$335	\$9.8	147	49	34%	2.3
Change over last 5 years	48%	2%	6%	5%	11%	5%	12%	-4%	2%	2%	-8%

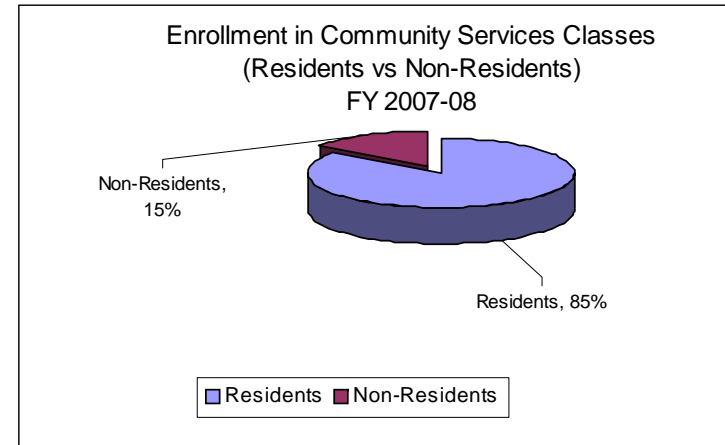
¹ Operating costs were combined to match the department's reorganization in FY 2007-08. Youth Sciences expense data could not be segregated from Recreation expenses and are excluded from Arts and Sciences costs for FY 2003-04 through FY 2006-07.

DEPARTMENT-WIDE CLASSES

Through its divisions, the Community Services Department offers classes to the public on a variety of topics including recreation and sports, arts and culture, nature and the outdoors. Classes for children include aquatics, sports, digital art, animation, music, and dance. Other classes are targeted specifically for adults, senior citizens and preschoolers. In FY 2007-08, 151 camp sessions were offered for kids.

Over the last five years, the number of camps offered decreased by 11% and total enrollment in camps decreased by 19%. The number of classes offered for kids (excluding camps) decreased by 28%, but enrollment in classes for kids only decreased by 7%. Enrollment in adult classes decreased by 18%; the number of classes offered for adults decreased by 11%. In FY 2007-08, 43% of class registrations were online, compared to 33% five years earlier.

In FY 2007-08, 87% of residents rated the range and variety of classes good or excellent. Palo Alto ranked in the 93rd percentile compared to other jurisdictions.



Source: Community Services Department

	Total number of classes/camps offered ¹					Total enrollment ¹					Citizen Survey		
	Camp sessions	Kids (excluding camps)	Adults	Pre-school	Total	Camps	Kids (excluding camps)	Adults	Pre-school	Total [Ⓞ]	Percent of class registrations online	Percent of class registrants who are non-residents	Percent rating the range/variety of classes good or excellent
FY 2003-04	170	352	366	177	1,065	7,270	5,165	6,070	4,160	22,665	33%	14%	-
FY 2004-05	156	276	362	171	965	6,601	4,862	5,676	3,764	20,903	40%	16%	84%
FY 2005-06	153	235	294	160	842	5,906	4,604	5,485	3,628	19,623	41%	15%	86%
FY 2006-07	145	206	318	137	806	5,843	4,376	4,936	3,278	18,433	42%	13%	82%
FY 2007-08	151	253	327	143	874	5,883	4,824	4,974	3,337	19,018	43%	15%	87%
Change over last 5 years	-11%	-28%	-11%	-19%	-18%	-19%	-7%	-18%	-20%	-16%	10%	1%	-

¹ Data shown is in format available from Community Services registration system. Types of classes offered include arts, sports, nature and outdoors, and recreation.

Ⓞ Budget benchmarking measure

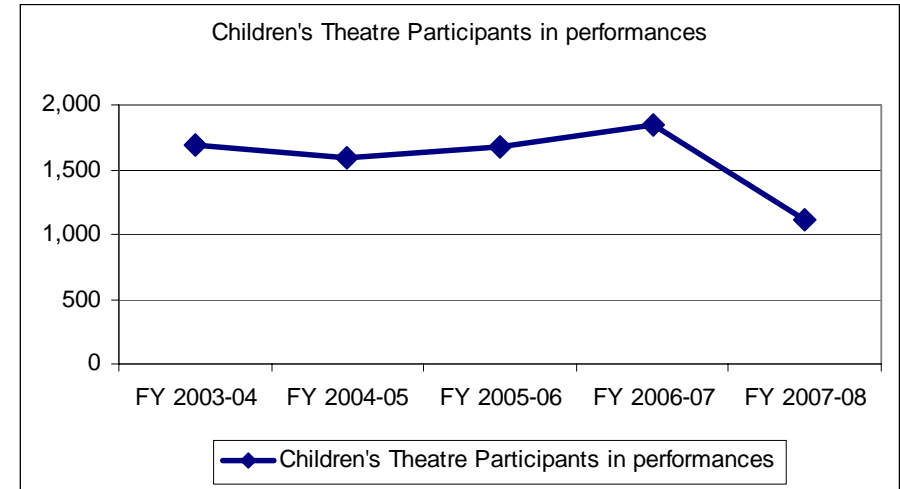
ARTS & SCIENCES DIVISION

ARTS

The Arts section provides a broad range of arts-related enrichment programs including the Palo Alto Art Center, Children's Theatre, Lucie Stern Community Theatre, Art in Public Places, music and dance programs, and concerts.

Community Theatre attendance at performances increased slightly from last year, but was 15.5% lower than five years ago. The number of participants in Children's Theatre decreased from about 23,117 last year to 19,811 in FY 2007-08. The decline is primarily attributed to a controversial investigation that reduced the Children's Theater operations for several months. There were 166 performances at the Community Theatre in FY 2007-08, off 5% from 175 in FY 2003-04.

The Art Center had about 17,200 exhibition visitors and presented 42 concerts in FY 2007-08. Total attendance decreased 13.4% from about 80,000 in FY 2003-04, to about 69,000 in FY 2007-08. Outside funding for visual arts programs was 48% higher than it was in FY 2003-04.



Source: Community Services Department

	Community Theatre			Children's Theatre ⁴			Art Center					
	Number of performances	Attendance at performances	Music & Dance Class Enrollees <NEW>	Attendance at performances	Participants in performances and programs	Theatre class, camp and workshop registrants	Exhibition visitors	Concerts ¹	Total attendance (users)	Enrollment in art classes, camps, and workshops (adults and children) ²	Outside funding for visual arts programs	Attendance at Project LOOK! tours and family days ³
FY 2003-04	175	54,052	1701	22,663	1,692	605	19,034	40	79,984	4,406	\$268,473	-
FY 2004-05	172	50,111	1424	22,734	1,592	581	19,307	53	76,264	3,559	\$275,909	6,722
FY 2005-06	183	55,204	1416	22,788	1,670	597	19,448	59	73,305	4,137	\$284,838	6,191
FY 2006-07	171	45,571	1195	23,117	1,845	472	16,191	43	70,387	3,956	\$345,822	6,855
FY 2007-08	166	45,676	982	19,811	1,107	407	17,198	42	69,255	3,913	\$398,052	6,855
Change over last 5 years	-5%	-15.5%	-42%	-13%	-35%	-33%	-10%	5%	-13.4%	-11%	48%	-

¹ All of the concerts are part of the Community Theatre program though some are performed at the Art Center.

² Enrollment shown here is also reflected in totals on "Department-Wide Classes" page.

³ Project LOOK! Offers docent-led tours of exhibitions at the Palo Alto Art Center to K-12th grade school groups. Tours are followed by a hands-on activity at the Project LOOK! Studio.

⁴ Volunteer hours in FY 2007-08 totaled 6,681 hours.

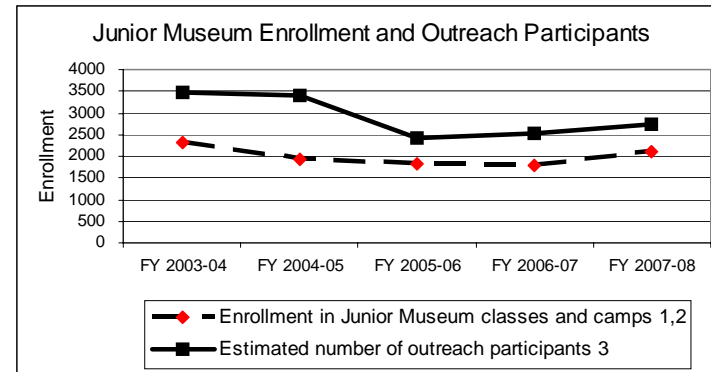
ARTS & SCIENCES DIVISION (cont.)

YOUTH SCIENCES

The Arts and Sciences Division provides science programs to adults and youth while responding to increased demand for family programs. Through public and non-profit partnerships, the division will continue to work with the community to develop support and advocacy for its programs and facilities.

Arts and Sciences will continue to administer and manage the Junior Museum and Zoo. Founded in 1934, the Junior Museum was the first children’s museum west of the Mississippi, and continues to be a local leader in children’s science education since its inception. The Zoo opened in 1969. The Junior Museum and Zoo provides summer camps, outreach programs, and exhibits for area children.

73% of the residents rated youth services good or excellent. Palo Alto was in the 90th percentile for services to youth and ranked 17th compared to other jurisdictions.



Source: Community Service Department data

	Junior Museum and Zoo		Interpretive Science Classes		Citizen Survey
	Enrollment in Junior Museum classes and camps ^{1,2}	Estimated number of outreach participants ³	Number of Arastradero, Baylands, & Foothill outreach programs for school-age children <REVISED>	Enrollment in open space interpretive classes ⁴	Percent rating services to youth good or excellent ⁵
FY 2003-04	2,321	3,491	54	1,166	68%
FY 2004-05	1,934	3,388	48	1,188	68%
FY 2005-06	1,832	2,414	48	1,280	70%
FY 2006-07	1,805	2,532	63	1,226	73%
FY 2007-08	2,089⁴	2,722⁴	85⁵	2,689⁴	73%
Change over last 5 years	-10%	-22%	57%	131%	5%

¹ Enrollment shown here is also reflected in totals on “Department-Wide Classes” page.

² Classes and camps are paid for by parents who selectively enroll their children.

³ Outreach includes interpretive programs. These are programs paid for by the schools, whether they are taught at the schools or at the Junior Museum and Zoo. The number of outreach participants decreased in FY 2005-06 because the City lost its grant funding for outreach to East Palo Alto schools.

⁴ FY 2007-08 increase includes 651 visitors at special request programs.

⁵ FY 2007-08 increase includes Foothills Ohlone programs.

⊙ Budget benchmarking measure

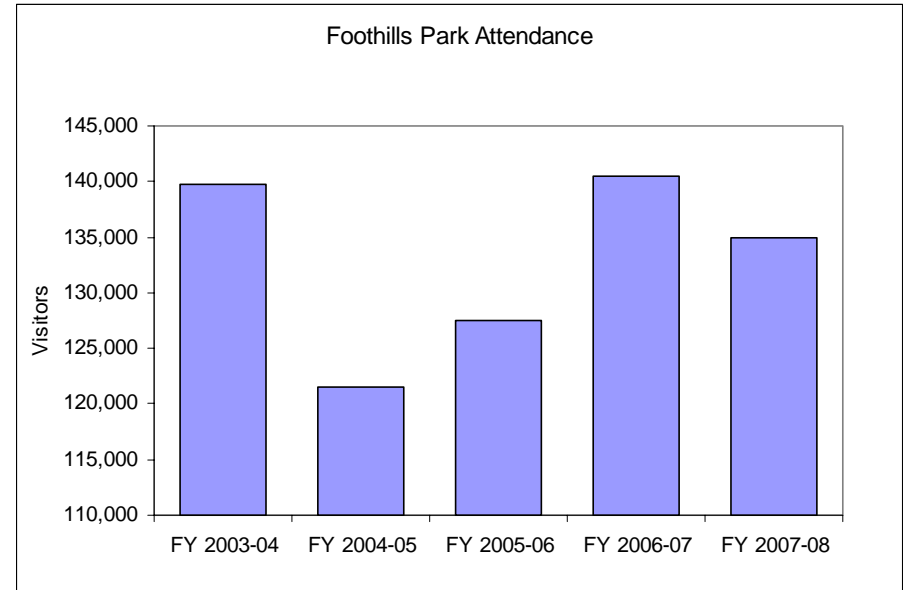
OPEN SPACE & PARKS DIVISION

OPEN SPACE

The City maintains 3,744 acres¹ of open space, consisting of Foothills Park, Baylands Nature Preserve (including Byxbee Park), Pearson-Arastradero Preserve, and Esther Clark Nature Preserve. In FY 2007-08 this amounted to about 60 acres per 1,000 residents.

Palo Alto ranked in the 90th percentile for open space preservation compared to other jurisdictions. Open space acreage per 1,000 residents decreased during the last five years from 62.0 to 60.0 acres per 1,000 residents because of an increase in population. Similarly, total urban parks and open space acreage declined from 64.1 to 62.3 acres per 1,000 residents². This was true even though the City added 13 acres to the Pearson-Arastradero Preserve with the acquisition of the Bressler property. Average open space is 535 acres per park ranger.

Collaborative partnerships with non-profit groups has increased the number of native plants in restored areas by 64% from five years ago. More specifically, Acterra coordinates native plants for the Arastradero Preserve, and Save the Bay coordinates native plants for the Baylands. Palo Alto ranked in the 78th percentile for the quality of the overall natural environment and in the 90th percentile for preservation of natural areas compared to other surveyed jurisdictions.



Source: Community Services Department

	Visitors at Foothills Park	Volunteer hours for restorative/ resource management projects ³	Number of native plants in restoration projects <NEW>	Number of Rangers <NEW>	Citizen Survey Percent rating quality of overall natural environment good or excellent <NEW>	Citizen Survey Percent rating preservation of natural areas such as open space good or excellent <NEW>	Citizen Survey Percent rating availability of paths or walking trails good or excellent <NEW>
FY 2003-04	139,787	15,055	8,484	-	-	-	
FY 2004-05	121,574	15,847	12,418	-	-	-	
FY 2005-06	127,457	10,738	15,516	7	-	-	
FY 2006-07	140,437	11,380	14,023	7	-	-	
FY 2007-08	135,001	13,572	13,893	7	85%	78%	74%
Change over last 5 years	-3%	-10%	64%	-	-	-	-

¹ Does not include the 268 acres of developed parks and land maintained by the Parks section or the Recreation and Golf Division. Neither does this include 2,200 acres of Montebello Open Space Preserve and 200 acres of Los Trancos Open Space Preserve that are operated by the Mid-Peninsula Open Space District.

² Based on total open space and urban parks acreage.

³ Includes collaborative partnerships with non-profit groups. Staff attributes the increase in FY 2003-04 to more volunteer hours primarily at the Baylands by the non-profit partner, Save the Bay.

OPEN SPACE & PARKS DIVISION (cont.)

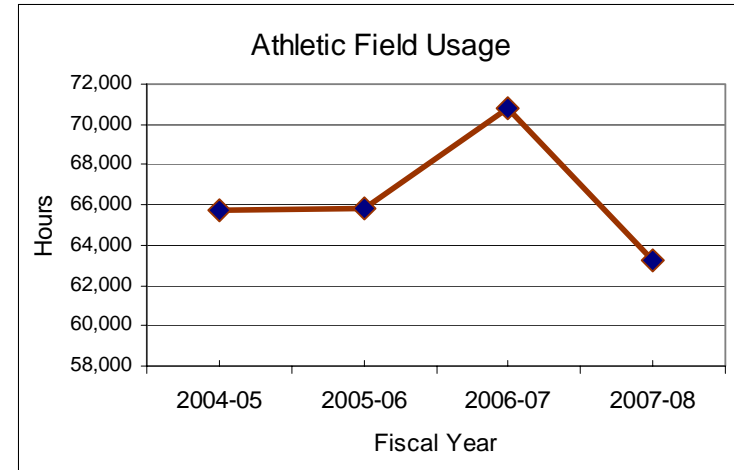
PARKS AND LANDSCAPE MAINTENANCE

The Parks section maintains approximately 268 acres of land including:

- Urban/neighborhood parks (157 acres or 59% of total)¹ The park average is 2.5 acres per 1,000 residents.
- City facilities (26 acres or 10%)
- School athletic fields (43 acres or 16%)
- Utility sites (11 acres or 4%)
- Median strips (26 acres or 10%)
- Business Districts and parking lots (5 acres or 2%).

In FY 2007-08, maintenance spending on the above acres totaled about \$2.9 million, or approximately \$15,931 per acre maintained. About 22% of this maintenance is contracted out. Athletic field usage declined in FY 2007-08 due to numerous field maintenance and upgrade closures and fewer permits issued for athletic fields that abut homes. Volunteer hours increased over the last 5 years through the Adopt-a-Park programs.

89% of residents responding to the survey rate city parks good or excellent, and 86% rate their neighborhood park good or excellent. 93% report they visited a neighborhood or city park in the last 12 months. Palo Alto parks rank in the 91st percentile compared to other jurisdictions.



Source: Community Services Department

Maintenance Expenditures (in millions)²

	Maintenance Expenditures (in millions) ²				Total hours of athletic field usage	Number of permits issued for special events ⁴ <NEW>	Volunteer hours for neighborhood parks <NEW>	Number of participants in community gardening program ⁵ <NEW>	Citizen Survey	
	Parks and landscape maintenance	Athletic fields in City parks	Athletic fields on school district sites ³	Total maintenance cost per acre					Percent rating city parks as good or excellent ⁶	Percent rating their neighborhood park good or excellent ⁶
FY 2003-04	\$2.4	\$0.6	\$0.4	\$13,017	-	7	50	243	91%	90%
FY 2004-05	\$2.7	\$0.6	\$0.5	\$14,572	65,748	14	60	244	91%	89%
FY 2005-06	\$2.5	\$0.6	\$0.6	\$14,302	65,791	16	150	223	88%	87%
FY 2006-07	\$2.7	\$0.6	\$0.7	\$15,042	70,769	22	150	231	91%	89%
FY 2007-08	\$2.9	\$0.6	\$0.7	\$15,931	63,212	22	180	233	89%	86%
Change over last 5 years	21%	4%	69%	22%	-	214%	260%	-4%	-2%	-4%

¹ Does not include 3,744 acres of open space discussed on previous page.

² Includes budgeted operating expenditures. Does not include cost plan charges or capital costs.

³ PAUSD reimburses the City for 50% of maintenance costs on these school district sites.

⁴ Special use permits are issued for special events in parks, fun runs, tournaments, festivals, etc.

⁵ Community Services coordinates 3 community gardens. Decrease in number of participants resulted from closure of a 4th community garden.

⁶ Budget benchmarking measure.

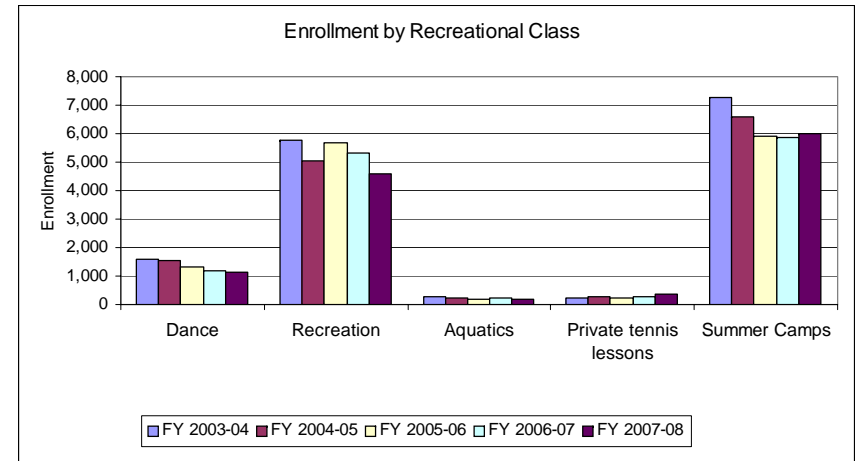
RECREATION & GOLF SERVICES DIVISION

RECREATION

Recreation services produce a large number of the classes offered by the Department. Besides summer camps, Recreation services include aquatics programs, facility rentals (through which members of the community may rent meeting room and event space, the swimming pool or gym space for parties and events, field and picnic sites) and a variety of youth and teen programs. In addition to class offerings for adults, Recreation services coordinates seasonal adult sports leagues and sponsors special events each year such as the May Fete Parade and the Chili Cook-Off. Recreation services works collaboratively with the Palo Alto Unified School District (PAUSD) to provide middle school athletics in conjunction with the PAUSD's summer school program.

Enrollment in dance, recreation, aquatics, and therapeutic classes decreased from five years ago. Summer camps also decreased 19% from FY 2003-04. However, middle school sports classes increased 28% and private tennis lessons increased 52% over the same period.

Compared to other jurisdictions, Palo Alto ranked in the 93rd percentile nationally for its recreational programs and classes, but only in the 75th percentile for recreation centers and facilities compared to other jurisdictions. The lower ranking may have resulted from public review of plans for a potential new Mitchell Park Community Center building. The bond measure campaign (Measure N) heightened awareness of the constraints and inadequacies of the current facility. Lack of classroom space and dance studios were cited as particular customer needs in the campaign surveys.



Source: Community Services Department

	Enrollment in Recreation Classes ¹							Citizen Survey	
	Dance	Recreation	Aquatics	Middle school sports	Therapeutic	Private tennis lessons	Summer Camps	Percent rating recreation centers/ facilities good or excellent [Ⓞ]	Percent rating recreation programs/classes good or excellent [Ⓞ]
FY 2003-04	1,570	5,784	269	1,091	223	228	7,270	84%	86%
FY 2004-05	1,531	5,055	223	1,242	216	259	6,601	78%	87%
FY 2005-06	1,326	5,681	199	1,247	175	234	5,906	80%	85%
FY 2006-07	1,195	5,304	225	1,391	228	274	5,843	82%	90%
FY 2007-08	1,129	4,712	182	1,396	203	346	5,883	77%	87%
Change over last 5 years	-28%	-19%	-32%	28%	-9%	52%	-19%	-7%	1%

¹ Enrollment shown here is also reflected in totals on "Classes" page. Classes and camps are paid for by parents who selectively enroll their children.

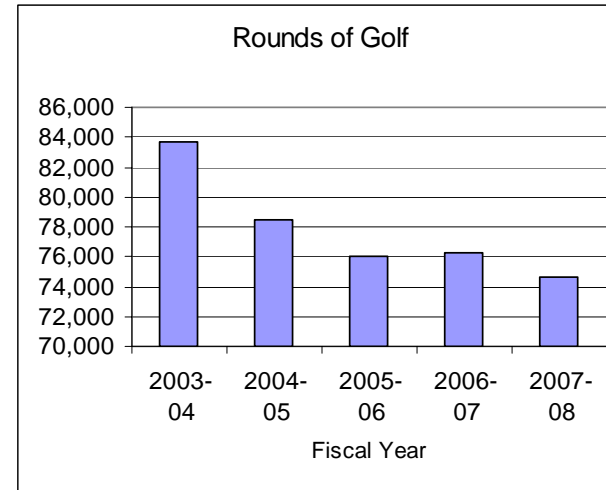
RECREATION & GOLF SERVICES DIVISION (cont.)

GOLF COURSE

The City owns and maintains the municipal golf course, and coordinates the golf shop, driving range, and restaurant operations with separate tenants.

According to the Department, the number of rounds of golf has decreased 11% to 74,630 from 83,728 five years ago.

The golf course reported profits in three of the last five years and losses in two of the previous years. The profit in FY 2003-04 was \$49,006; loss in FY 2004-05 was \$72,031; profit in FY 2005-06 was \$148,154; profit in FY 2006-07 was \$43,015; loss in FY 2007-08 was \$23,487. Overall, the golf course continues to break-even.



Source: Community Services Department

	Number of rounds of golf	Golf course revenue (in millions)	Golf course operating expenditures ¹ (in millions)	Golf course debt service (in millions)	Net revenue/ (cost) (in millions)
FY 2003-04	83,728	\$2.9	\$2.3	\$0.6	\$0.0
FY 2004-05	78,410	\$2.9	\$2.4	\$0.6	(\$0.1)
FY 2005-06	76,000	\$3.0	\$2.3	\$0.6	\$0.1
FY 2006-07	76,241	\$3.1	\$2.5	\$0.6	\$0.0
FY 2007-08	74,630	\$3.2	\$2.2	\$0.7	\$0.0
Change over last 5 years ¹	-11%	+10%	-4%	+18%	0%

¹ Includes allocated charges and overhead.

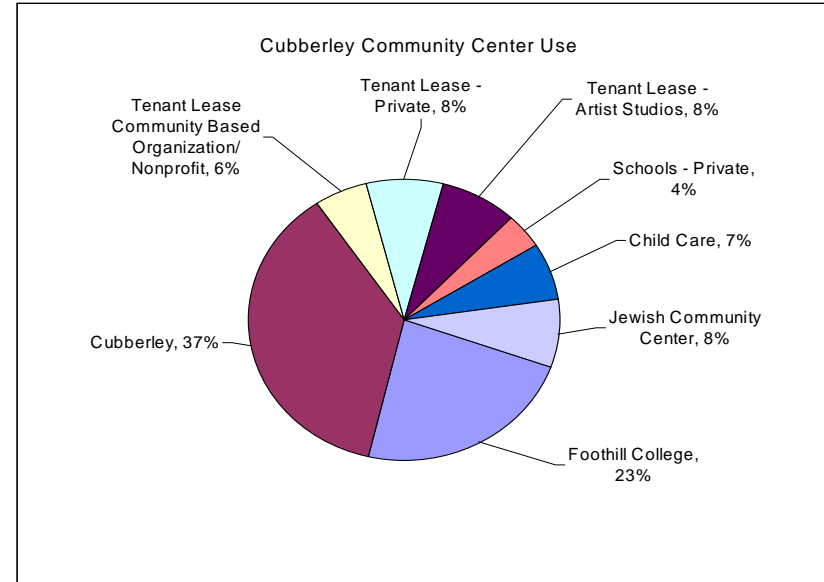
CUBBERLEY COMMUNITY CENTER & HUMAN SERVICES DIVISION

Cubberley Community Center rents space for community meetings, seminars, social events, dances, theater performances, and athletic events. In FY 2007-08, rental revenue increased 21% to about \$894,000 although total hours rented declined 3% to about 32,300 hours.

The Cubberley Community Center also leases former classroom space to artists, Foothill College, and others on a long-term basis. In FY 2007-08, there was a total of 39 leaseholders, and lease revenue increased 16% to about \$1.5 million.

The Human Services section provides connections to resources for families and grants to local non-profits. Human Services grants to local non-profits totaled almost \$1.2 million in FY 2007-08, about 9% less than in FY 2003-04.

Compared to other jurisdictions, Palo Alto ranked in the 94th percentile for services to seniors. Residents give high ratings to senior services (81% rate services good or excellent). Residents give lower marks when rating access to affordable quality child care (only 28% good or excellent).



Source: Community Services Department

	Cubberley Community Center				Citizen Survey		
	Hours rented ☉	Hourly rental revenue (in millions)☉	Number of lease-holders	Lease revenue (in millions)	Human Services' grants to local non-profits (in millions)	Percent rating access to affordable quality child care good or excellent	Percent rating senior services good or excellent☉
FY 2003-04	33,392	\$0.7	37	\$1.3	\$1.3	26%	82%
FY 2004-05	38,624	\$0.8	35	\$1.3	\$1.3	25%	78%
FY 2005-06	38,407	\$0.9	38	\$1.3	\$1.3	34%	84%
FY 2006-07	36,489	\$0.8	39	\$1.4	\$1.2	26%	80%
FY 2007-08	32,288	\$0.9	39	\$1.5	\$1.2	28%	81%
Change over last 5 years	-3%	21% ¹	5%	16%	-9%	2%	-1%

☉ Budget benchmarking measure

CHAPTER 3 – FIRE

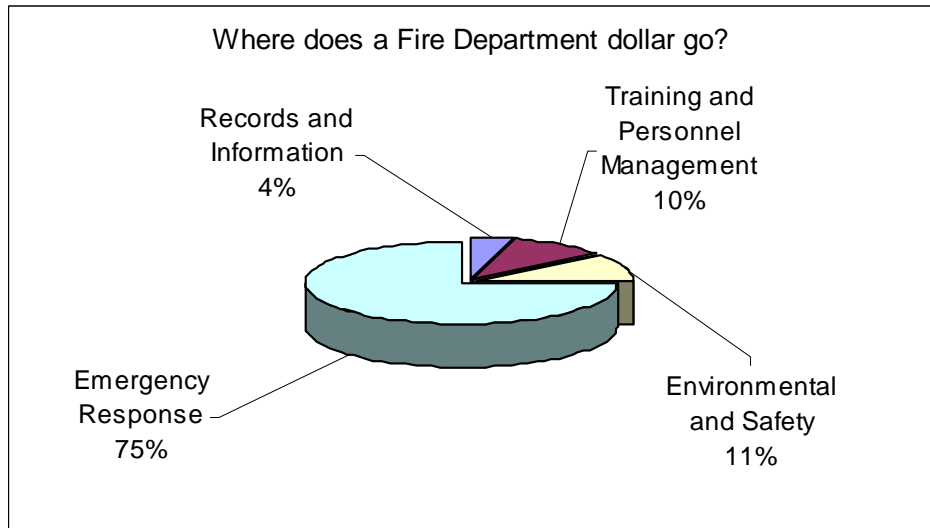
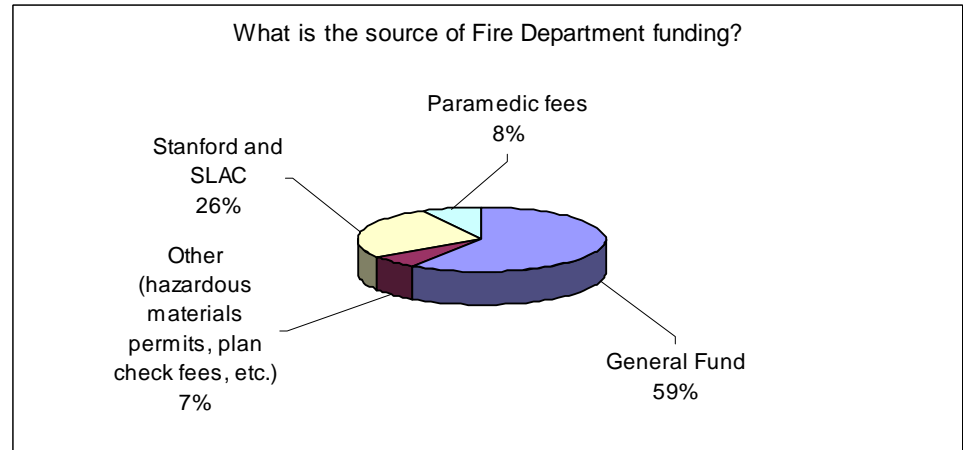
The mission of the Fire Department is to protect life, property and the environment from the perils of fire, hazardous materials, and other disasters through rapid emergency response, proactive code enforcement, modern fire prevention methods, and progressive public safety education for the community.

The department has four major functional areas:

- Emergency response – emergency readiness and medical, fire suppression, and hazardous materials response
- Environmental and safety management – fire and hazardous materials code research, development and enforcement; fire cause investigations; public education; and disaster preparedness
- Training and personnel management
- Records and information management

The department serves the resident population of Palo Alto and Stanford with a combined population of 76,682.

Fire Department revenue in FY 2007-08 totaled \$9.7 million (or 41% of costs), including about \$6.2 million for services to Stanford and the Stanford Linear Accelerator (SLAC), \$2.0 million for paramedic services, \$0.6 million in plan check fees, \$0.4 million in hazardous materials permits, and \$0.6 million in other revenues and reimbursements.



Source: FY 2007-08 revenue and expenditure data

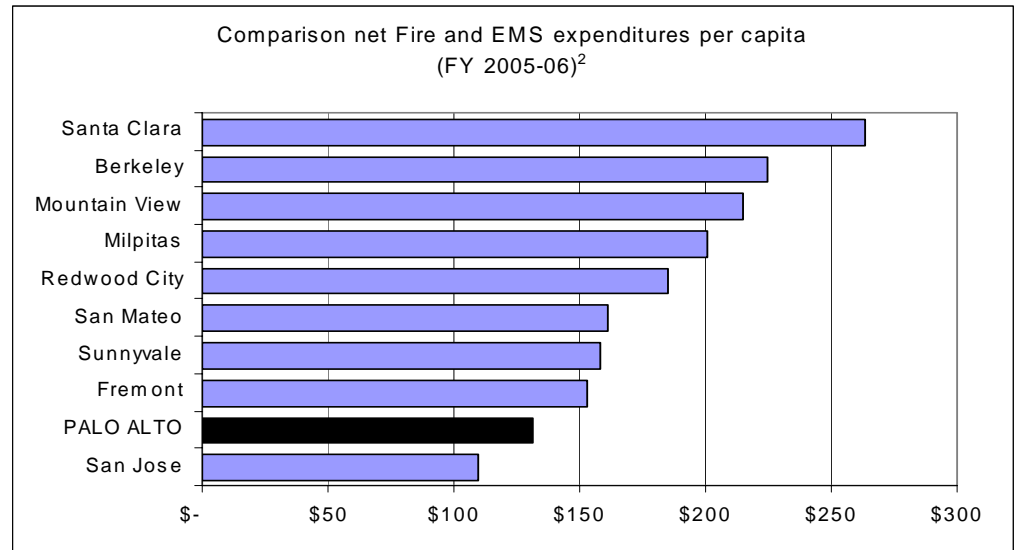
FIRE DEPARTMENT SPENDING

Over the last five years:

- Total Fire Department spending increased from \$18.8 million to \$24.0 million, or 28% in the last five years.
- Total expenditures per resident served increased from \$255 to \$313.
- Revenue and reimbursements increased 23% (from \$7.9 million to \$9.7 million). In FY 2007-08, 41% of costs were covered by revenues.

The chart on the right shows that Palo Alto's net Fire and Emergency Medical Services (EMS) expenditures per capita are lower than several other local jurisdictions.

In the most recent citizen survey, 96% of residents rated fire services good or excellent, and 87% rated fire prevention and education as good or excellent. The department won the national Voice of the People Award for the high ratings residents gave to fire and emergency medical services in 2005, 2006, and 2007.



Source: California State Controller, *Cities Annual Report FY 2005-06*

	Operating expenditures (in millions)					Resident population of area served ¹	Expenditures per resident served ¹	Revenue (in millions)	Citizen Survey	
	Emergency response	Environmental and fire safety	Training and personnel management	Records and information	TOTAL				Percent rating fire services good or excellent ☺	Percent rating fire prevention and education good or excellent
FY 2003-04	\$13.7	\$1.8	\$2.1	\$1.2	\$18.8	73,852	\$255	\$7.9	97%	85%
FY 2004-05	\$14.5	\$1.9	\$1.8	\$0.9	\$19.1	74,869	\$254	\$8.9	94%	82%
FY 2005-06	\$15.0	\$2.1	\$2.1	\$0.9	\$20.2	75,604	\$267	\$9.4	95%	84%
FY 2006-07	\$16.2	\$2.2	\$2.2	\$1.0	\$21.6	75,835	\$284	\$9.9	98%	86%
FY 2007-08	\$17.8	\$2.6	\$2.5	\$1.1	\$24.0	76,682	\$313	\$9.7	96%	87%
Change over last 5 years	+30%	+43%	+19%	-10%	+28%	+4%	+23%	+23%	-1%	+2%

¹ Based on number of residents in the Fire Department's expanded service area (Palo Alto and Stanford).

Prior year population revised per California Department of Finance estimates.

² Figures are net of functional revenues, and may not reconcile to total spending due to differences in the way the information was compiled.

Note that cities categorize their expenditures in different ways.

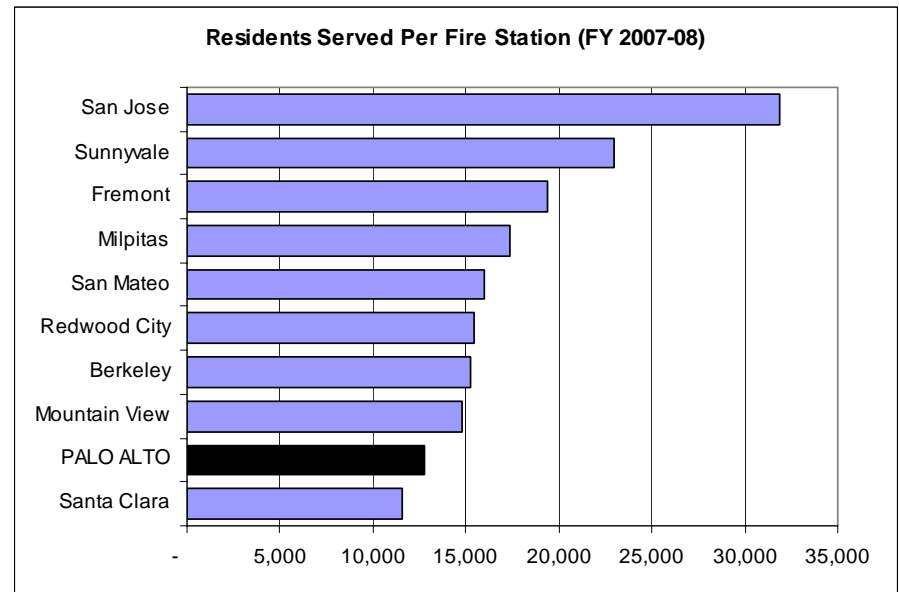
FIRE DEPARTMENT STAFFING AND CALLS FOR SERVICE

During FY 2007-08, the Fire Department handled 7,723 calls for service (an average of 21 calls per day) including:

- 192 fire calls
- 4,552 medical/rescue calls
- 1,119 false alarms
- 401 service calls
- 169 hazardous condition calls

Palo Alto has a total of 8 fire stations. Average on-duty staffing is 31 during the day, and 29 at night. 36.5% of line personnel are certified paramedics; the other 63.5% of line personnel are certified emergency medical technicians (EMTs).

Palo Alto has more fire stations per capita than most other local jurisdictions. As shown in the chart on the right, the number of residents served per fire station is lower than many other local jurisdictions.



Source: Cities, California Department of Finance, U.S. Census Bureau
 Palo Alto calculation excludes Station 7 (dedicated to SLAC) and Station 8 (seasonal).

	Calls for service							Average number of calls per day	Staffing					Residents served per fire station ^{1,2}
	Fire	Medical/rescue	False alarms	Service calls	Hazardous condition	Other	TOTAL [⊙]		Total authorized staffing (FTE)	Staffing per 1,000 residents served ¹	Average on-duty staffing	Annual training hours per firefighter	Overtime as a percent of regular salaries	
FY 2003-04	248	3,796	1,378	373	218	662	6,675	18	129	1.75	31 day/29 night	264	17%	12,309
FY 2004-05	224	3,633	1,300	358	211	688	6,414	18	129	1.72	31 day/29 night	312	23%	12,478
FY 2005-06	211	3,780	1,184	399	203	1,120	6,897	19	127	1.67	31 day/29 night	288	18%	12,601
FY 2006-07	221	3,951	1,276	362	199	1,227	7,236	20	128	1.68	31 day/29 night	235	21%	12,639
FY 2007-08	192	4,552	1,119	401	169	1,290	7,723	21	128	1.67	31 day/29 night	246	18%	12,780
Change over last 5 years	-23%	+20%	-19%	+8%	-22%	+95%	+16%	+16%	-1%	-5%	-	-7%	+1%	+4%

[⊙] Budget benchmarking measure

¹ Based on number of residents in the Fire Department's expanded service area (Palo Alto and Stanford).

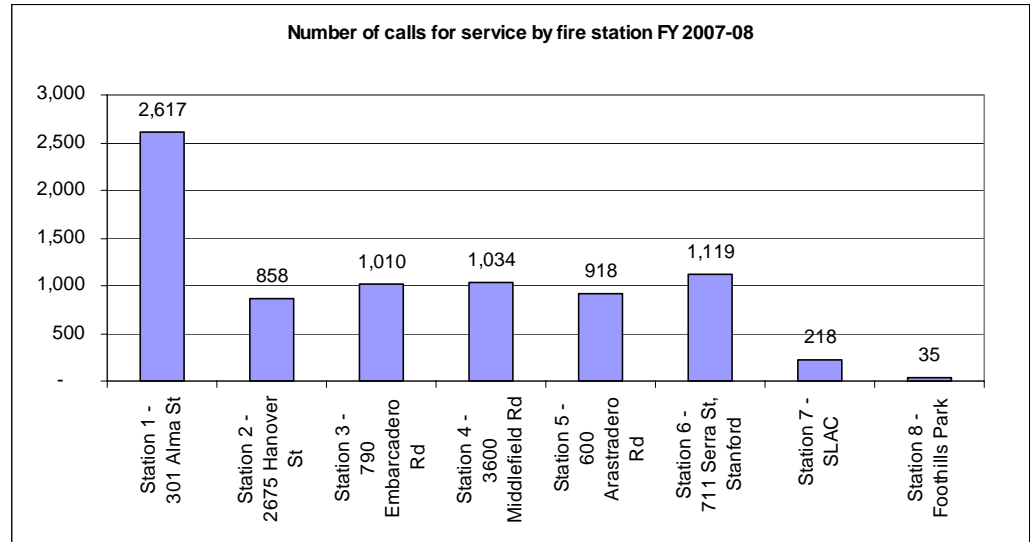
² Calculation is based on 6 fire stations, and does not include Station 7 (dedicated to the SLAC complex) or Station 8 (Foothills Park, open seasonally).

FIRE SUPPRESSION

There were 192 fire incidents and no fire deaths in FY 2007-08. This included 43 residential structure fires, a decrease of 16% from five years earlier and a decrease of 37% from FY 2006-07. Over the last five years, the number of fire incidents has declined by 23%.

Average response times vary from year to year. In FY 2007-08, the Fire Department responded to 79% of fire emergencies within 8 minutes (the goal is 90%). The average response time for fire calls was 6:48 minutes. According to the department, response times increased due to increased call volume, more training mandates, traffic calming devices, and ambulance delays.

According to the Fire Department, 79% of fires were confined to the room or area of origin. This is less than the department's goal of 90%. The standard Fire Department response to a working structure fire is 18 personnel.



Source: Palo Alto Fire Department data

	Number of fire incidents	Average response time for fire calls [Ⓞ]	Percent responses to fire emergencies within 8 minutes ¹	Percent of fires confined to the room or area of origin	Number of residential structure fires	Number of fire deaths	Fire vehicles
FY 2003-04	248	5:15 minutes	90%	62%	51	0	23
FY 2004-05	224	5:09 minutes	91%	73%	58	0	25
FY 2005-06	211	5:28 minutes	91%	63%	62	1	25
FY 2006-07	221	5:48 minutes	87%	70%	68	2	25
FY 2007-08	192	6:48 minutes	79%	79%	43	0	25
Change over last 5 years	-23%	+30%	-11%	+17%	-16%	-	+9%

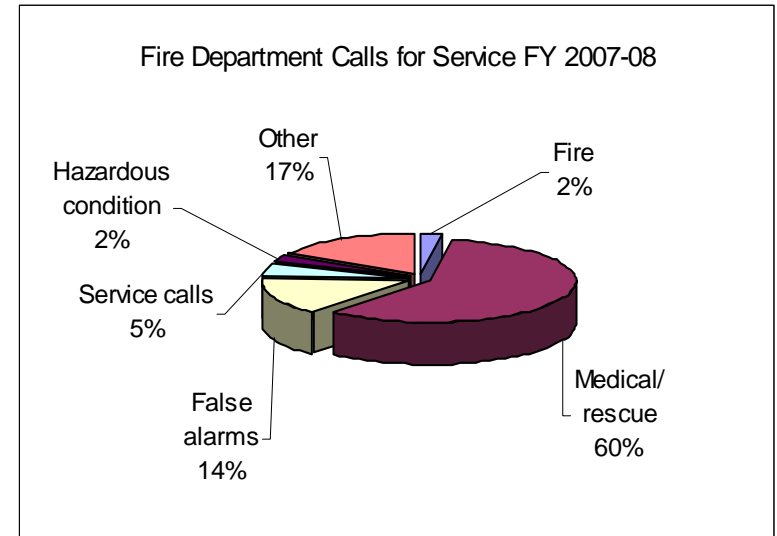
¹ Response time is from receipt of 911-call to arrival on scene; does not include cancelled in route, not completed incidents, or mutual aid calls.

EMERGENCY MEDICAL SERVICES

The Department responded to 4,552 medical/rescue incidents in FY 2007-08. As shown in the chart on the right, medical/rescue calls represented 60% of the Fire Department calls for service in FY 2007-08. The average response time for medical/rescue calls was 5:24 minutes in FY 2007-08. The Department responded to:

- 93% of emergency medical requests for service within 8 minutes (the Department's goal is 90%)
- 99% of paramedic calls for service within 12 minutes (the Department's goal is 90%)

Palo Alto is the only city in Santa Clara County that provides primary ambulance transport services. The Fire Department operates two ambulances and seven engine companies that provide Advance Life Support (ALS) capability. In FY 2007-08, average on-duty paramedic staffing increased to 10 during the day and 8 at night. In FY 2005-06, the Department implemented a Basic Life Support (BLS) transport program. Of the 3,236 EMS transports in FY 2007-08, 2,831 were ALS and 405 were BLS transports.



Source: Fire Department

95% of survey respondents rated ambulance/emergency medical service as good or excellent.

	Medical/rescue incidents	Average response time for medical/rescue calls ¹	First response to emergency medical requests for service within 8 minutes ¹	Ambulance response to paramedic calls for service within 12 minutes ^{1,2}	Average on-duty paramedic staffing	Number of EMS transports	Paramedic revenue (in millions)	Citizen Survey Percent rating ambulance/emergency medical services good or excellent
FY 2003-04	3,796	5:47 minutes	94%	99%	4 day/2 night	2,141	\$1.3	95% ³
FY 2004-05	3,633	5:28 minutes	95%	98%	8 day/6 night	2,744	\$1.5	95% ³
FY 2005-06	3,780	5:13 minutes	94%	99%	8 day/6 night	2,296	\$1.7	94%
FY 2006-07	3,951	5:17 minutes	92%	97%	8 day/6 night	2,527	\$1.9	94%
FY 2007-08	4,552	5:24 minutes	93%	99%	10 day/8 night	3,236	\$2.0	95%
Change over last 5 years	+20%	-7%	-1%	-	-	+51%	+53%	0%

¹ Response time is from receipt of 911-call to arrival on scene; does not include cancelled in route, not completed incidents, or mutual aid calls.

² Includes non-City ambulance responses.

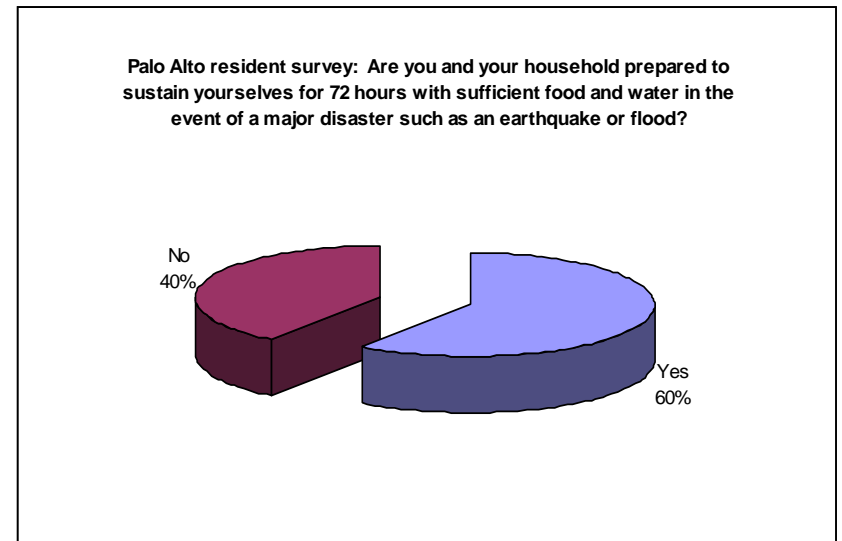
³ Revised based on updated National Citizen Survey data.

HAZARDOUS MATERIALS AND FIRE SAFETY

In FY 2007-08, the Hazardous Materials Response Team (Rescue 2) responded to 18 hazardous materials incidents. Over the past five years, the number of facilities permitted for hazardous materials increased from 493 to 503 facilities. In FY 2007-08, the Department performed 57% more hazardous materials inspections (including 81% of annual inspections of the 503 facilities permitted for hazardous materials) and 61% more fire inspections than 5 years ago. According to the Fire Department, the hiring of additional contract fire inspectors in FY 07-08 has freed hazardous materials inspectors to conduct hazardous materials inspections.

According to the Department, 242 fire safety, bike safety, and disaster preparedness presentations reached a total of 22,437 residents during FY 2007-08.

The 2008 National Citizen Survey included new questions related to environmental hazards and emergency preparedness. 80% of the residents responding to the survey reported they felt very or somewhat safe from environmental hazards. 60% reported their households were prepared to sustain themselves for 72 hours with sufficient food and water in the event of a major disaster. 71% rated emergency preparedness services as good or excellent.



Source: National Citizen Survey™ 2008 (Palo Alto)

	Hazardous Materials				Fire safety, bike safety, and disaster preparedness presentations		Citizen Survey		
	Number of hazardous materials incidents ²	Number of facilities permitted for hazardous materials	Number of hazardous materials inspections [⊙]	Percent of annual hazardous materials and underground storage inspections performed	Number of fire inspections	Number of plan reviews ¹	Percent rating fire prevention and education good or excellent [⊙]	Percent prepared to sustain themselves for 72 hours in the event of disaster	
FY 2003-04	12	493	259	53%	793	833	85%	-	
FY 2004-05	19	503	241	48%	1,488	982	82%	-	
FY 2005-06	20	497	243	49%	899	983	84%	57%	
FY 2006-07	9	501	268	53%	1,021	928	86%	57%	
FY 2007-08	18	503	406	81%	1,277	906	87%	60%	
Change over last 5 years	+50%	+2%	+57%	+28%	+61%	+9%	+22%	+2%	-

¹ Does not include over-the-counter building permit reviews.

² Hazardous materials incidents include flammable gas or liquid, chemical release, chemical release reaction or toxic condition, or chemical spill or release.

⊙ Budget benchmarking measure

CHAPTER 4 – LIBRARY

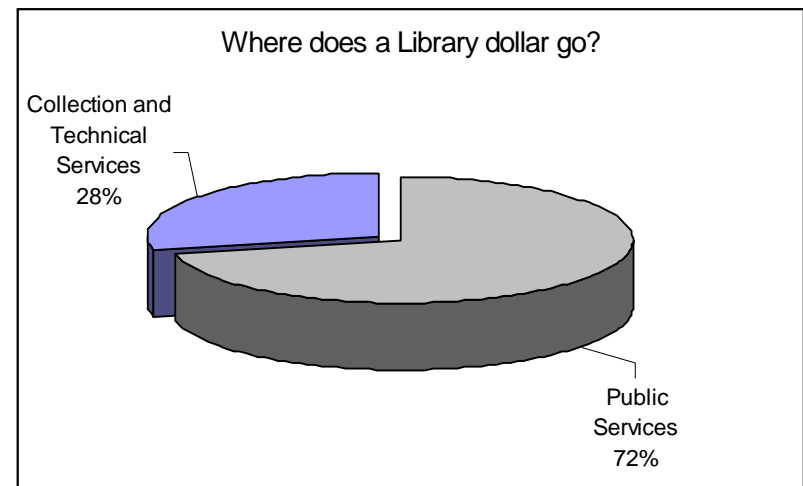
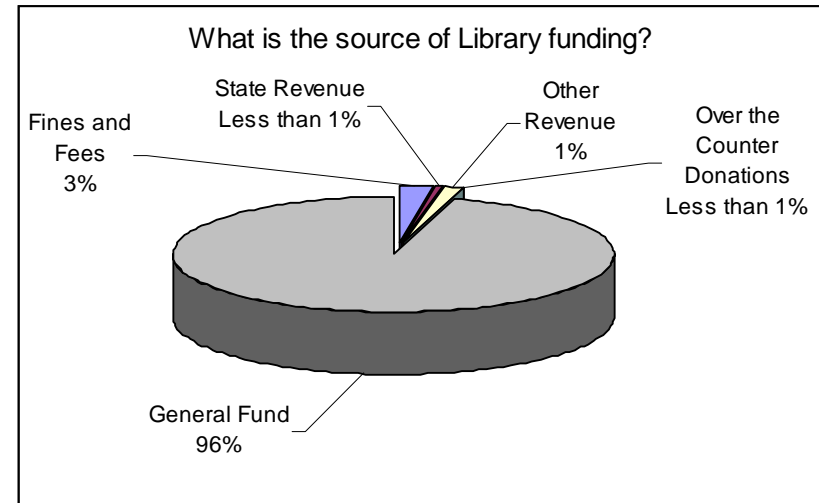
The mission of the Library is to enable people to explore library resources to enrich their lives with knowledge, information and enjoyment.

The Library has two major activities:

- Collection and Technical Services – to acquire and develop quality collections, manage databases, and provide technology that enhances the community’s access to library resources
- Public Services – to provide access to library materials, information and learning opportunities through services and programs.

In FY 2007-08, the Children’s Library reopened following a major renovation. In November 2008, voters approved a bond measure of \$76 million (Measure N) to fund improvements for the Mitchell Park, Downtown, and Main libraries and the Mitchell Park Community Center.

In FY 2007-08, the Office of the City Auditor issued an audit report on the Library’s operations in advance of the November 2008 bond measure for facilities improvements. The audit included 32 recommendations for improving the efficiency and effectiveness of Library operations. As indicated in the City Auditor’s Report on the Status of Audit Recommendations, as of November 2008, the Library had implemented 20 recommendations with 10 in process and 2 not started.



Source: FY 2007-08 revenue and expenditure data

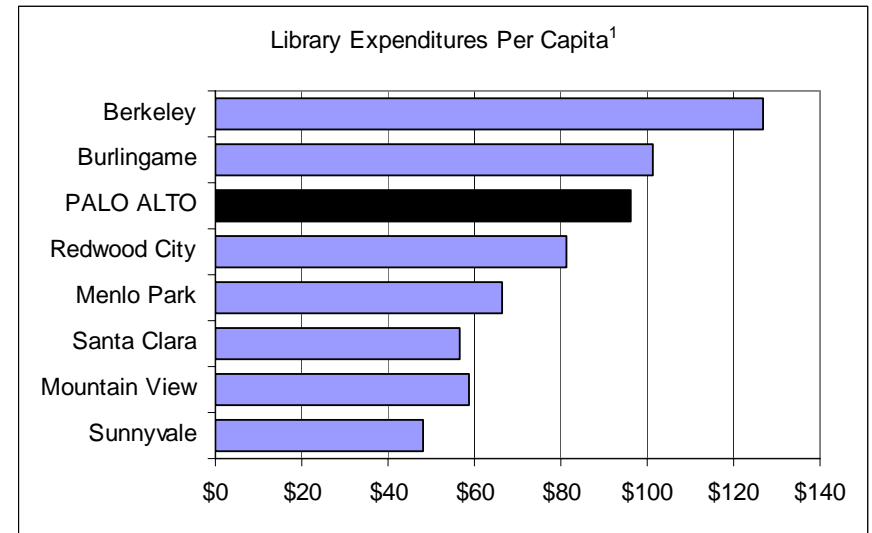
LIBRARY SPENDING

In FY 2007-08, Palo Alto had five libraries:

- Main (open 62 hours per week)
- Mitchell Park (open 58 hours per week)
- Children’s (closed for renovation until September 2007; open 48 hours per week from September 2007 to June 2008)
- Downtown (open 35 hours per week)
- College Terrace (open 35 hours per week)

Palo Alto has more libraries than surrounding communities and more than other communities of its size. In comparison, Redwood City has 3 libraries³, Mountain View has 1, Menlo Park has 2, and Sunnyvale has 1. Palo Alto library expenditures per capita were less than those of Berkeley and Burlingame in FY 2006-07, but more than those of other area cities.

In FY 2007-08, Library spending totaled \$6.8 million, an increase of 18% since last year, and 28% over the last five years.² 76% of residents rate library services good or excellent, placing Palo Alto in the 30th percentile compared to other jurisdictions. 71% rate the quality of neighborhood branch libraries good or excellent. Although these ratings show a decline, the changes may be related to the widely visible library bond campaign and resulting public awareness of library shortcomings.



Source: California Library Statistics 2008 (Fiscal Year 2006-07 data)

	Operating Expenditures (in millions)			Library expenditures per capita	Citizen Survey	
	Public Services	Collections and Technical Services	TOTAL		Percent rating quality of public library services good or excellent [Ⓞ]	Percent rating quality of neighborhood branch libraries good or excellent
FY 2003-04	\$3.0	\$2.3	\$5.3	\$89	81%	76%
FY 2004-05	\$2.9	\$2.2	\$5.1	\$83	80%	78%
FY 2005-06	\$4.0	\$1.6	\$5.7	\$91	78%	73%
FY 2006-07	\$4.2	\$1.6	\$5.8	\$92	81%	75%
FY 2007-08	\$4.9	\$1.9	\$6.8²	\$108	76%	71%
Change over last 5 years	+63%	-17%	+28%	+22%	-5%	-5%

¹ Data in graph and table may differ because City of Palo Alto and California Library Statistics compile data differently on a different basis. In addition, different jurisdictions offer differing levels of service and budget for those services differently.

² The Department advises that a large portion of the budget increase from FY 2006-07 to FY 2007-08 was due in part to unused leave retirement payouts, a public-private partnership to increase the collection, and the completion of prior year deferred purchases.

³ Redwood City had 3 libraries in FY 2007-08 but in September 2008 opened a fourth branch.

Ⓞ Budget benchmarking measure

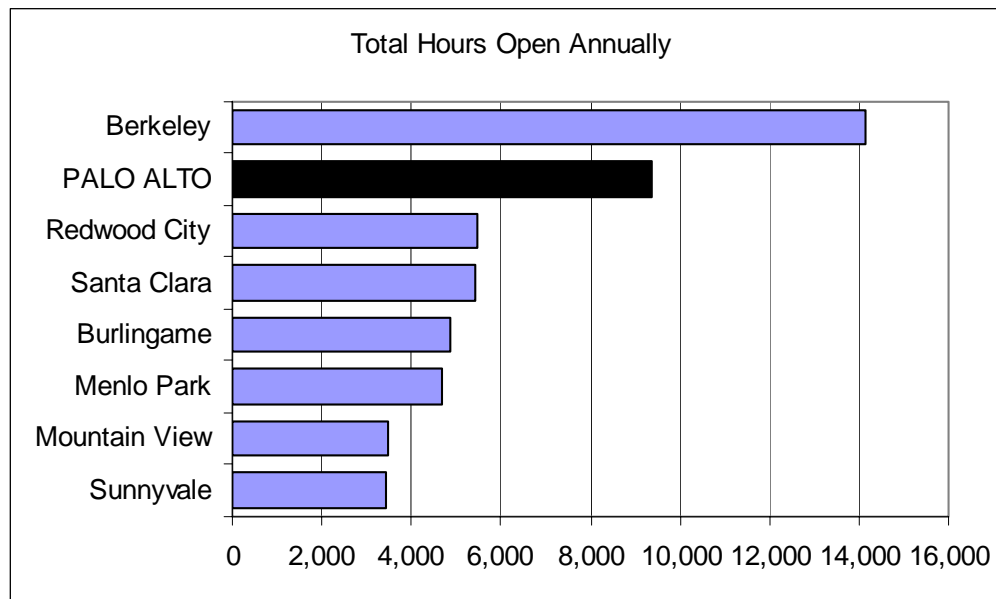
LIBRARY STAFFING

Total authorized Library staffing in FY 2007-08 was 57 FTE, an increase of 4% from FY 2003-04 levels. Temporary and hourly staff accounts for approximately 23% of the Library's total staff. In FY 2007-08, 13 of 57 FTE staff were temporary or hourly.

Volunteers donated approximately 5,988 hours to the libraries in FY 2007-08. This was a 10% decrease over the last five years and was a slight increase from FY 2006-07.

Palo Alto libraries were open a total of 11,281 hours in FY 2007-08. This was a 20% increase from FY 2006-07 and a 2% decrease from five years earlier. The increase compared to FY 2006-07 was due to the closure of Children's Library for renovation during FY 2006-07 and its reopening in late September 2007. All Palo Alto libraries combined were open at least 190 hours per week during FY 2007-08. With the reopening of Children's Library, the standard schedule is a combined 238 hours of service per week across all libraries.

As shown in the graph on the right, Palo Alto libraries were open more hours than most other local jurisdictions in FY 2006-07. This is because the City has multiple branches.



Source: California Library Statistics 2008 (Fiscal Year 2006-07 data)

	Authorized Staffing (FTE)			Number of residents per library staff FTE	Volunteer hours	Total hours open annually ¹	FTE per 1,000 hours open ²
	Regular	Temporary/hourly	TOTAL				
FY 2003-04	43	11	54	1,120	6,630	11,540	4.70
FY 2004-05	44	12	56	1,097	7,537	11,268	4.94
FY 2005-06	44	13	57	1,095	5,838	10,488	5.41
FY 2006-07	44	13	57	1,099	5,865	9,386	6.06
FY 2007-08	44	13	57	1,112	5,988	11,281	5.00
Change over last 5 years	+2%	+12%	+4%	-1%	-10%	-2%	+6%

¹ Decrease in hours in FY 2006-07 due to closure of Children's Library from December 2005 to late September 2007 for renovations.

² The increase in FTE per 1,000 hours in FY 2005-06 and FY 2006-07 was due significantly to the closure of Children's Library for renovation from December 2005 to late September 2007.

© Budget benchmarking measure

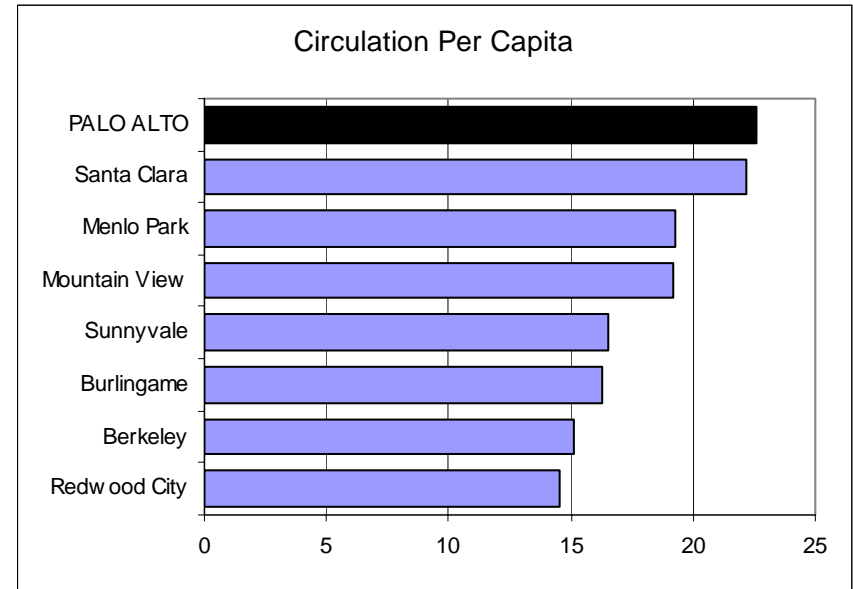
LIBRARY COLLECTION AND CIRCULATION

The total number of items in the Library's collection has increased by 6,717 or approximately 3% over the last five years. The number of titles in the collection has increased by about 2%; the number of book volumes has increased by about 1%.

Circulation increased 17% over the last five years. In FY 2007-08, non-resident circulation accounted for approximately 20% of the library's total circulation. This is 3% lower than it was five years ago.

67% of residents responding to the survey rate the variety of library materials as good or excellent.

Of all the libraries, Mitchell Park had the highest circulation in FY 2007-08, with 623,853 items circulating. Main had the second highest circulation at 519,034. Children's Library, which reopened in late September 2007 after an extensive renovation, had a circulation of 214,802 for the remainder of FY 2007-08. Circulation for College Terrace was 107,462 and Downtown was 70,048. An additional 6,917 checkouts were made from the Library's digital book service.



Source: California Library Statistics 2008 (Fiscal Year 2006-07 data)

	Total number of items in collection	Total number of titles in collection	Number of book volumes	Number of media items	Volumes held per capita	Total circulation [Ⓞ] 1	Percent non-resident circulation	Circulation per capita [Ⓞ]	Number of items placed on hold ²	Number of first time checkouts completed on self-check machines	Average number of checkouts per item	Percent rating variety of library materials good or excellent [Ⓞ]
FY 2003-04	267,693	165,573	239,089	28,604	3.95	1,314,790	23%	21.72	97,414	171,501	4.91	74%
FY 2004-05	264,511	164,280	236,575	27,928	3.84	1,282,888	20%	20.84	125,883	306,519	4.85	75%
FY 2005-06	260,468	163,045	232,602	27,866	3.73	1,280,547	20%	20.56	181,765	456,364	4.92	71%
FY 2006-07	270,755	167,008	240,098	30,657	3.84	1,414,509	21%	22.62	208,719	902,303	5.22	75%
FY 2007-08	274,410	169,690	241,323	33,087	3.81	1,542,116	20%	24.34	200,470	1,003,516	5.62	67%
Change over last 5 years	+3%	+2%	+1%	+16%	-4%	+17%	-3%	+12%	+106%	+485%	+14%	-7%

¹ In FY 2005-06 the loan period on all items except DVDs was increased from three to four weeks.

² Starting on July 1, 2007, the Library began charging a fee for expired holds, items placed on hold which are not picked up. According to Library staff, this caused the reduction in the number of items placed on hold.

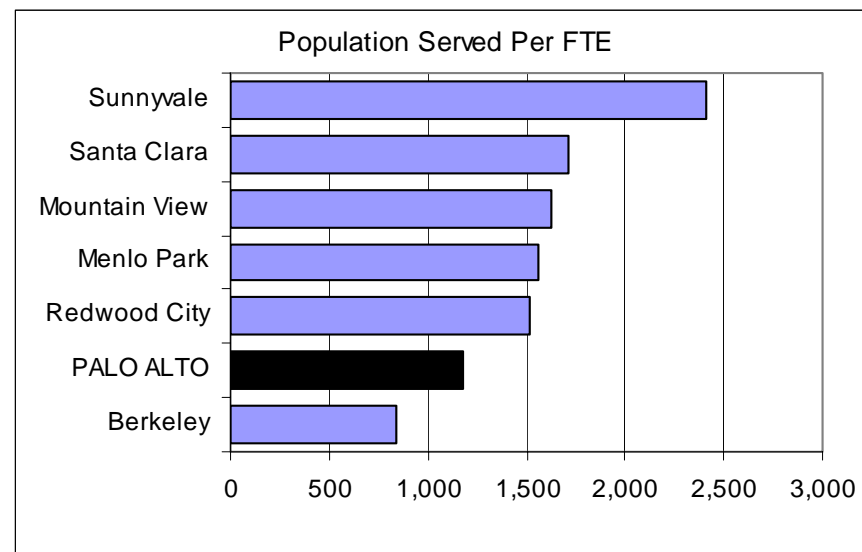
Ⓞ Budget benchmarking measure

LIBRARY SERVICES

The total number of library cardholders increased 7% from 50,171 to 53,740 over the last five years, and the percent of Palo Alto residents who are cardholders increased from 57% to 62%. Total library visits remained flat over the same timeframe. 31% of residents responding to the survey reported they used libraries or their services more than 12 times during the last year.

The total number of items delivered to homebound borrowers increased by 314 items, or 13%, and the total number of reference questions received by librarians decreased by 38,479, or 44% over the five-year period. However, online database sessions and internet sessions have increased by 115% and 42%, respectively, over the last five years. This reflects an ongoing shift in how the public retrieves information from libraries. The Library can now track the number of web page views on its site. Beginning from August 2007 and through June 2008, library web pages were viewed 516,160 times.

The number of family programs offered increased from 451 to 669, or approximately 48%; the total attendance at such programs increased by about 12%.



Source: California Library Statistics 2008 (Fiscal Year 2006-07 data)

	Total number of cardholders	Percent of Palo Alto residents who are cardholders	Library visits	Total items delivered to homebound borrowers	Total number of reference questions	Total number of online database sessions ¹	Number of Internet sessions	Number of laptop loans	Number of family programs	Total family program attendance	Citizen Survey Percent who used libraries or their services more than 12 times during the last year
FY 2003-04	50,171	57%	882,918	2,391	86,818	22,845	96,654	-	451	33,994	30%
FY 2004-05	52,001	59%	873,594	2,217	80,842	39,357	113,980	1,748	519	31,141	25%
FY 2005-06	55,909	61%	885,565	1,627	69,880	42,094	155,558	9,693	564	30,739	32%
FY 2006-07	53,099	57%	862,081	1,582	57,255	52,020	149,280	11,725	580	30,221	33%
FY 2007-08	53,740	62%	881,520	2,705	48,339	49,148	137,261	12,017	669	37,955	31%
Change over last 5 years	+7%	+5%	0%	+13%	-44%	+115%	+42%	-	+48%	+12%	+1%

¹ In FY 2007-08, the Library changed its method for reporting online database sessions. For this reason, FY 2007-08 data may not be comparable to prior years.

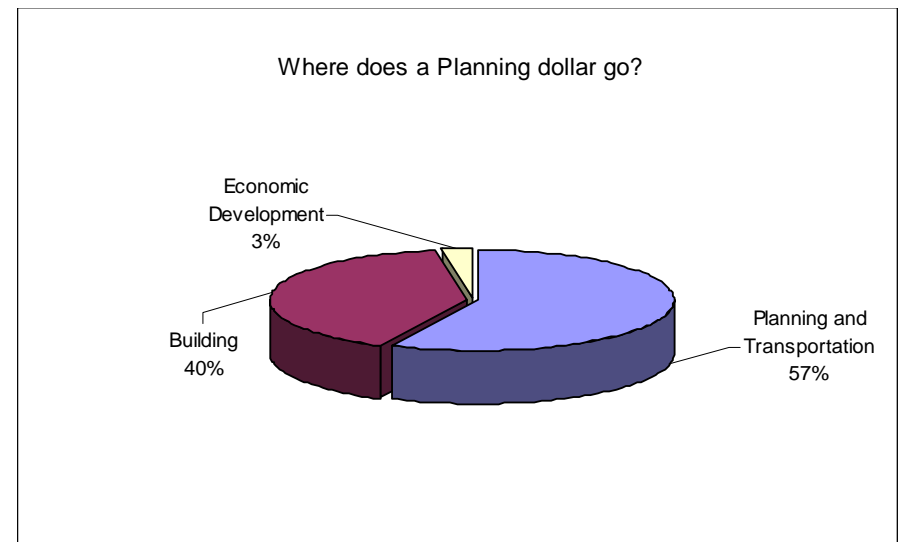
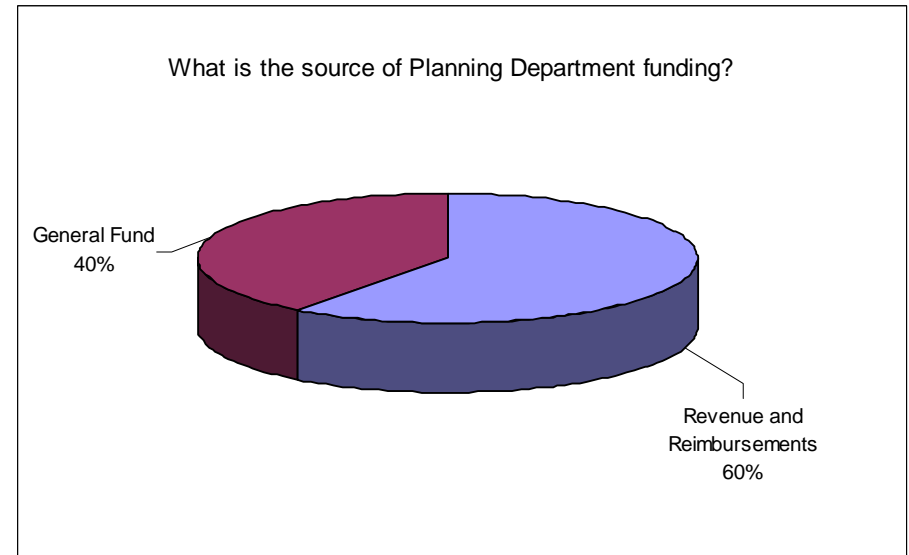
© Budget benchmarking measure

CHAPTER 5 – PLANNING AND COMMUNITY ENVIRONMENT

The mission of the Planning and Community Environment Department is to provide the City Council and community with creative guidance on, and effective implementation of, land use development, planning, transportation, housing and environmental policies, plans and programs that maintain and enhance the City as a safe, vital and attractive community.

The Planning and Community Environment Department has three major divisions:

- Planning and Transportation - To provide professional leadership in planning for Palo Alto's future by recommending and effectively implementing land use, transportation, environmental, housing and community design policies and programs that preserve and improve Palo Alto as a vital and highly desirable place to live, work, and visit.
- Building - To review construction projects and improvements for compliance with all applicable codes and ordinances in a professional and efficient manner; and to ensure that all developments subject to the development review process achieve the specified quality and design.
- Economic Development - To provide information and data on the local economy and business community that will assist the City Council in decision-making; identify initiatives that will increase City revenues and economic health; and facilitate communication and working relationships within the business community.



Source: FY 2007-08 revenue and expenditure data

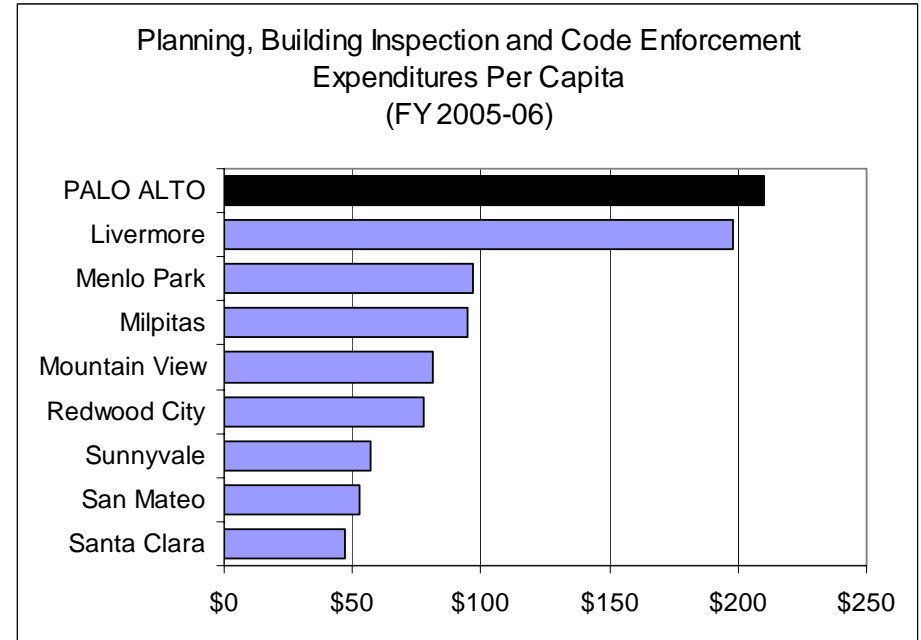
SPENDING AND STAFFING

Spending increased from about \$8.5 million to \$9.6 million over the last 5 years, or approximately 13%. The department's revenue increased from \$3.5 to \$5.8 million, or 68%, over the same period.

However, revenue decreased from \$6.6 million in FY 2006-07 to \$5.8 million in FY 2007-08. The department attributes this change to several large, one-time projects in FY 2006-07.

Authorized staffing for the department decreased from 61 to 54 FTE, or 11% over the last five years. According to the department, this was the result of a decrease in hourly staffing as well as one plan check engineer.

The graph on the right uses California State Controller's data to show Palo Alto's per capita spending for Planning, Building Inspection, and Code Enforcement as compared to other jurisdictions. Data in the graph and table below differ because the City of Palo Alto and the Controller's Office compile data differently. Palo Alto's Planning Department expenditures per capita appear higher than those of surrounding jurisdictions, but it should be noted that different cities budget expenditures in different ways. For example, Palo Alto includes a transportation division, shuttle services and rent for the Development Center in its costs.



Source: California State Controller, *Cities Annual Report Fiscal Year 2005-06*

	Operating Expenditures (in millions)				Expenditures per capita	Revenue (in millions)	Authorized staffing (FTE)
	Planning and Transportation ¹	Building	Economic Development ²	TOTAL			
FY 2003-04	\$5.5	\$3.0	-	\$8.5	\$141	\$3.5	61
FY 2004-05	\$6.0	\$3.1	-	\$9.1	\$148	\$4.2	61
FY 2005-06	\$5.9	\$3.3	-	\$9.2	\$151	\$5.6	53 ³
FY 2006-07	\$5.6	\$3.7	\$0.1	\$9.4	\$150	\$6.6	55 ⁴
FY 2007-08	\$5.5	\$3.9	\$0.2	\$9.6	\$152	\$5.8	54
Change over last 5 years	-	+29%	-	+13%	+8%	+68%	-11%

¹ The Planning and Transportation Divisions merged in Spring 2006.

² Economic Development moved from the City Manager's Office to the Planning and Community Environment Department in FY 2006-07.

³ The Department reduced temporary staffing; the City also adopted a new method for calculating temporary staffing.

⁴ The Department also has one position in the Refuse Fund and one position in the Community Development Block Grant (CDBG) Fund.

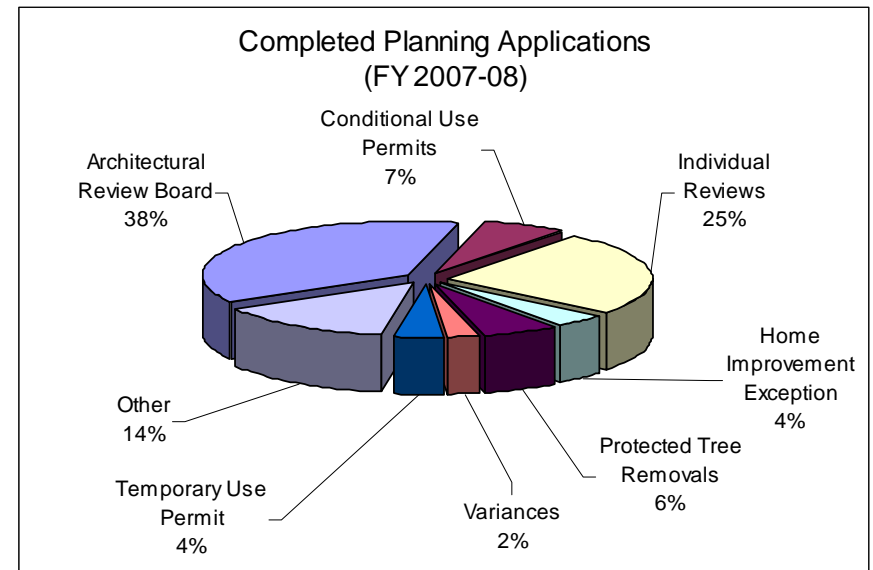
ADVANCE PLANNING AND DEVELOPMENT REVIEW

A total of 257 planning applications were completed in FY 2007-08, 37% fewer than in FY 2003-04.

The average time in weeks to complete applications decreased from 13.5 weeks in FY 2003-04 to 12.7 weeks in FY 2007-08 (a 6% decrease). The target is 10.6 weeks.

The Department completed 107 Architectural Review applications, a decrease of 28% from five years earlier. The number of business outreach contacts has dropped by 30% in the last five years.¹

47% of residents responding to the survey rated the quality of land use, planning and zoning as good or excellent. 57% rated the overall quality of new development in Palo Alto as good or excellent. 63% rated economic development services good or excellent.



Source: Planning and Community Environment Department

	Citizen Survey				Economic Development		
	Planning applications completed [⊙]	Architectural Review Board applications completed	Average weeks to complete staff-level applications [⊙]	Percent rating quality of land use, planning, and zoning in Palo Alto as good or excellent	Percent rating overall quality of new development in Palo Alto as good or excellent	Number of business outreach contacts	Citizen Survey Percent rating economic development good or excellent
FY 2003-04	409	149	13.5 weeks	48%	-	60	58%
FY 2004-05	327	108	11.1 weeks	46%	56%	48	55%
FY 2005-06	390	115	13.6 weeks	50%	51%	36 ¹	60%
FY 2006-07	299	100	13.4 weeks	49%	57%	24	61%
FY 2007-08	257	107	12.7 weeks	47%	57%	42	63%
Change over last 5 years	-37%	-28%	-6%	-1%	-	-30%	+5%

¹ In FY 2005-06, staffing for business outreach was reduced from 2 to 1 FTE. In previous years, the number of outreach contacts was higher because Executive Staff and City Council members were also involved in business outreach.

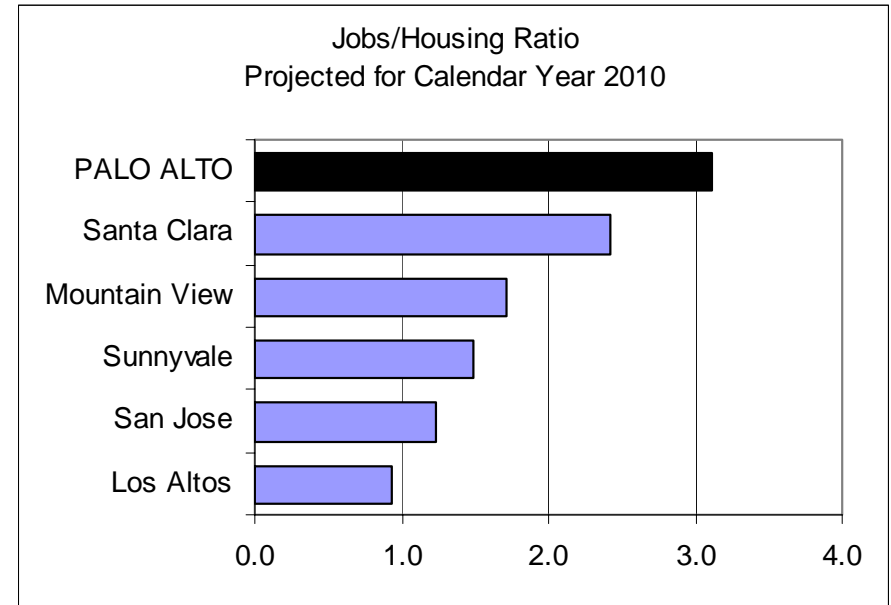
⊙ Budget benchmarking measure

ADVANCE PLANNING AND CODE ENFORCEMENT

Based on data from the Association of Bay Area Governments, Palo Alto's jobs to housing ratio is projected to be 3.1 in 2010, higher than five nearby jurisdictions. However, this is lower than previous figures in 2000 (3.8 ratio) and 2005 (3.2 ratio). The number of residential units increased from 27,019 to 27,938, or 3% over the last five years.

The average home price in 2007 was more than \$1.8 million – up 71% over 2003. Only 13% of residents responding to the survey rated the availability of affordable quality housing as good or excellent, placing Palo Alto in the 7th percentile compared to other jurisdictions.

The department notes that the method for counting code enforcement cases changed in FY 2007-08 and therefore, the number of new cases and reinspections increased. 59% of residents surveyed rated code enforcement services good or excellent. This places Palo Alto in the 83rd percentile compared to other jurisdictions. 24% consider run-down buildings, weed lots, or junk vehicles to be a major or moderate problem, an increase from the 17% who thought so five years ago. However, only 3% consider them a major problem.



Source: Association of Bay Area Governments (ABAG), Projections 2007

Advance Planning (cont.)

	Number of residential units	Average price – single family home in Palo Alto ¹	Estimated new jobs resulting from projects approved during year	Number of new housing units approved	Cumulative number of below market rate (BMR) units
FY 2003-04	27,019	\$1,096,579	+127	141	280
FY 2004-05	27,522	\$1,339,274	-197	81	322
FY 2005-06	27,767	\$1,538,318	-345	371	322
FY 2006-07	27,763	\$1,516,037	0	517	381
FY 2007-08	27,938	\$1,872,850	+193	103	395
Change over last 5 years	+3%	+71%	+52%	-27%	+41%

Code Enforcement

Number of new cases	Number of reinspections <REVISED>	Percent of cases resolved within 120 days of date received ☉	Citizen Survey	
			Citizen Survey Percent rating quality of code enforcement good or excellent	Percent who consider run down buildings, weed lots, or junk vehicles a major or moderate problem
630	1,094	94%	59%	17%
473	796	91%	55%	21%
421	667	94%	61%	16%
369	639	76%	58%	17%
684²	981²	93%	59%	24%
+9%	-10%	-1%	-	+7%

¹ Average home price is on a calendar year basis (e.g. FY 2007-08 data is for calendar year 2007). Source is http://rereport.com/scc/annual/palo_alto.html

² The department advises that the method for counting new code enforcement cases and reinspections changed in FY 2007-08. Inspections or cases with multiple components that in the past were counted as a single inspection or case are now counted as multiples. This is the reason for the increase in the numbers compared to FY 2006-07. For this reason, FY 2007-08 data is not comparable to prior years' data.

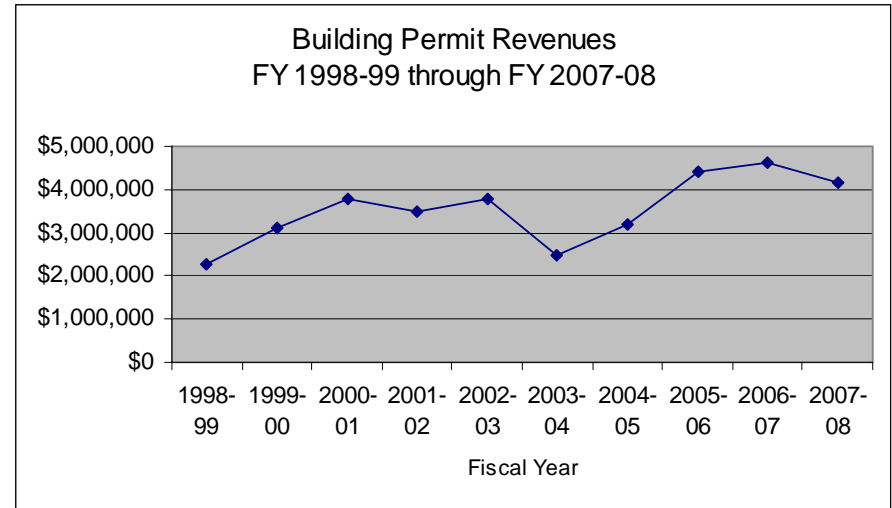
☉ Budget benchmarking measure

BUILDING PERMITS AND INSPECTIONS

Compared to five years ago, the number of building permits issued in FY 2007-08 was five percent lower at 3,046. During that same period, the valuation of construction for issued permits increased from about \$129 million to about \$359 million, or 178%.⁵ Building permit revenue, increased from \$2.5 to \$4.2 million, or 68%.

Staff completed 22,820 inspections in FY 2007-08. According to the department, 98% of inspection requests were responded to within one working day or within the timeframe of the customer's request. The average number of days for first response to plan checks was 23 days.

Compared to 5 years ago, the average number of days to issue a building permit has decreased from 86 to 80 days excluding permits issued over the counter.



Source: Planning and Community Environment Department

	Building permit applications	City's average Cost per permit application	Building permits issued ©	Percent of building permits issued over the counter	Valuation of construction for issued permits (in millions)	Building permit revenue (in millions)	Average number of days for first response to plan checks ¹	Average number of days to issue building permits ¹	Number of inspections completed© <REVISED>	City's average cost per inspection <REVISED>	Percent of inspection requests for permitted work responded to within one working day ² ©
FY 2003-04	3,340	-	3,236	75%	\$129.2	\$2.5	21 days	86 days	13,310	-	93%
FY 2004-05	3,219	-	3,081	69%	\$214.9	\$3.2	24 days	94 days	12,186	-	91%
FY 2005-06	3,296	\$662	3,081	78%	\$276.9	\$4.4 ³	28 days	98 days	11,585	\$139	94%
FY 2006-07	3,236	\$736	3,136	76%	\$298.7	\$4.6	27 days	102 days	14,822	\$127	99%
FY 2007-08	3,253	\$784	3,046	53%	\$358.9	\$4.2	23 days	80 days	22,820³	\$94⁴	98%
Change over last 5 years	-3%	-	-6%	-22%	+178%	+68%	+10%	-7%	+71%	-	+5%

¹ Average number of days does not include over the counter plan checks or building permits.

² In some cases, a customer requests a specific day or time as opposed to within one working day; this percentage indicates how often the Department met the one working day deadline or, when applicable, the customer's specific request. The Department's target was 90%.

³ According to the department, the increase in the number of inspections in FY 2007-08 is due to a change in the method for counting inspections. Under the new method, each type of inspection included in a residential inspection is now counted as an individual inspection whereas in the past the residential inspection would have counted as one.

⁴ The department advises that the decrease in the City's average cost per inspection in FY 2007-08 is due to the new method for counting inspections, which resulted in a higher number of inspections and therefore, a lower cost per inspection.

⁵ The department attributes this increase to several one-time development projects such as Taube-Koret Campus for Jewish Life, Altaire, Arbor Real, Sterling Park, Echelon, Vantage, and the VM Ware corporate campus.

© Budget benchmarking measure

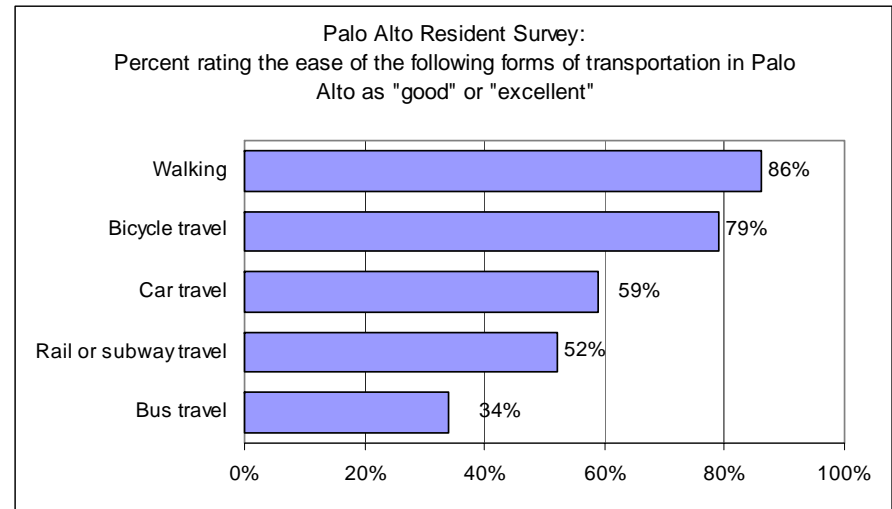
TRANSPORTATION PLANNING

In the 2008 Citizen Survey, 86% of residents responding to the survey rated the ease of walking good or excellent, and 79% rated the ease of bicycle travel good or excellent. 38% of respondents rated traffic flow on major streets good or excellent. The City has 97 intersections with signals; 35 of the intersections have signals coordinated during commute time.

The City operates a free shuttle. In FY 2007-08, the department reports there were 178,505 shuttle boardings.

The City and the school district encourage alternatives to driving to school by teaching age-appropriate road safety skills to students in kindergarden through 6th grade. In FY 2007-08, staff provided scheduling, administrative support, training and follow-up parent education materials for:

- 68 pedestrian safety presentations to 2,439 students in kindergarden through 2nd grade
- A three lesson bicycle/traffic safety curriculum for all 775 3rd graders²
- A refresher bicycle/traffic safety lesson for all 814 5th graders²
- 9 assemblies for 816 6th graders in three middle schools



Source: National Citizen Survey™ 2008 (Palo Alto)

	Number of monitored intersections with an unacceptable level of service during evening peak	Number of intersections with 10 or more accidents ¹	City Shuttle boardings [Ⓞ]	City's cost per shuttle boarding	Caltrain average weekday boardings	Average number of employees participating in the City commute program [Ⓞ]	Percent who rate traffic flow on major streets good or excellent ³ <NEW>	Percent of days per week commuters used alternative commute modes ⁴ <REVISED>	Percent who consider the amount of public parking good or excellent
FY 2003-04	2 of 21	8	170,719	\$1.89	2,825	127	-	-	56%
FY 2004-05	2 of 21	11	169,048	\$1.92	3,264	117	-	-	57%
FY 2005-06	2 of 21	7	175,471	\$1.91	3,882	104	-	-	58%
FY 2006-07	2 of 21	13	168,710	\$2.00	4,132	105	-	-	65%
FY 2007-08	3 of 21	2	178,505	\$1.97	4,589	114	38%	40%	52%
Change over last 5 years	-	-38%	+5%	+4%	+62%	-10%	-	-	-4%

¹ Accidents within 200 feet of intersection.

² In cooperation with the Palo Alto Fire Department.

³ This question replaced "Percent who consider traffic congestion to be a major or moderate problem in Palo Alto." Responses to that question were 60% (FY 2003-04), 58% (FY 2004-05), 60% (FY 2005-06), and 55% (FY 2006-07).

⁴ Alternative commute modes include carpooling, public transportation, walking, bicycling, and working at home.

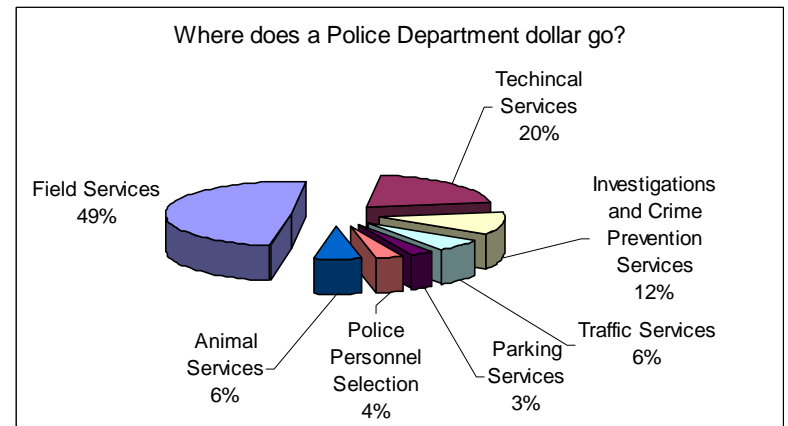
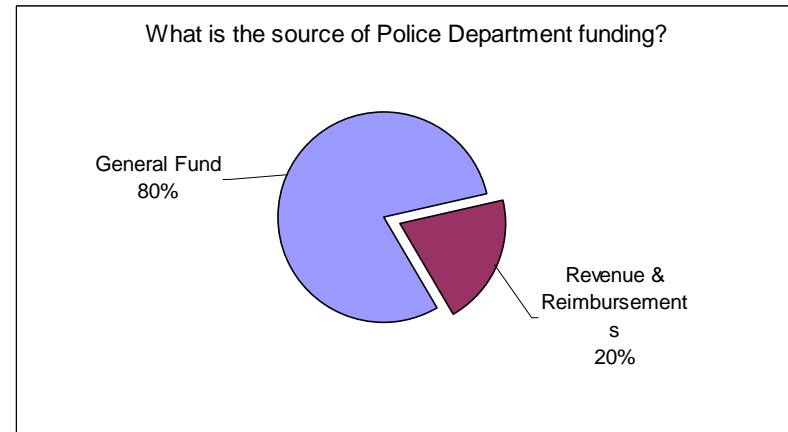
Ⓞ Budget benchmarking measure

CHAPTER 6 – POLICE

The mission of the Police Department is to proudly serve and protect the public with respect and integrity.

The Department has seven major service areas:

- Field services – police response, critical incident resolution, regional assistance response, and police services for special events
- Technical services – 911 dispatch services for police, fire, utilities, public works and Stanford, and police information management
- Investigations and crime prevention services – police investigations, property and evidence, youth services, and community policing
- Traffic services – traffic enforcement, complaint resolution, and school safety
- Parking services – parking enforcement, parking citations and adjudication, and abandoned vehicle abatement
- Police personnel services – police hiring, retention, personnel records, training, and volunteer programs
- Animal services – animal control, pet recovery/adoption services, animal care, animal health and welfare, and regional animal services



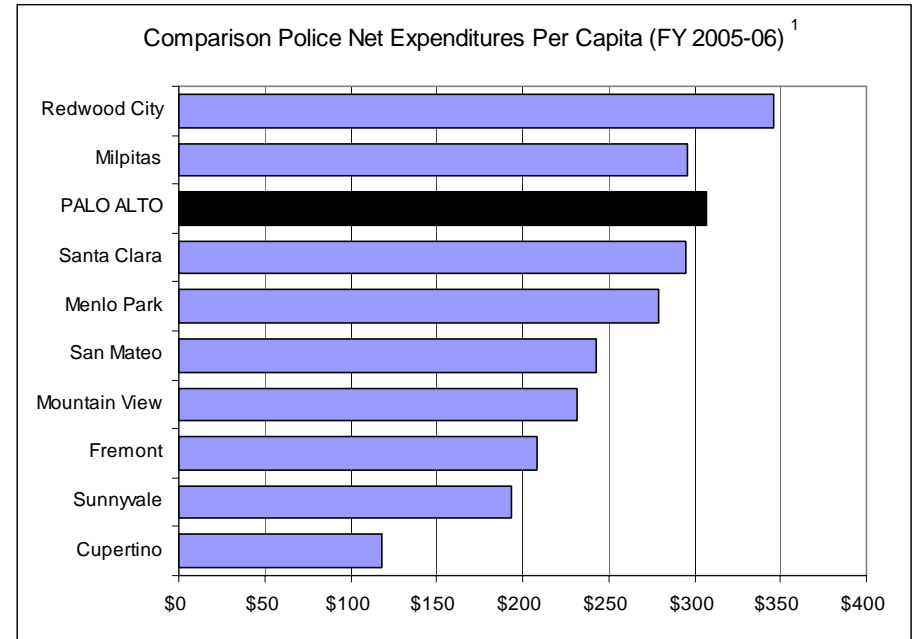
Source: FY 2007-08 revenue and expenditure data

POLICE SPENDING AND REVENUE

Total Police Department spending increased from \$22.0 to \$28.5 million, or 30%, in the last 5 years. This includes animal services and 911-dispatch services provided to other jurisdictions. Over the same five year period, total revenue and reimbursements increased from \$5.1 to \$5.7 million, or 12%.

A comparison of police expenditures during FY 2005-06 (the most recent data available from the State Controller) shows Palo Alto spends more per capita than most other local jurisdictions. It should be noted that every jurisdiction has different levels of service and categorizes expenditures in different ways. For example, Cupertino contracts with the Santa Clara County Sheriff's Office for police services, and Sunnyvale's Department of Public Safety provides both police and fire services.

84% of residents rated police services good or excellent – placing Palo Alto in the 77th percentile compared with other surveyed jurisdictions, but a decline from the prior year. Satisfaction also declined in those respondents who had contact with the Police Department. The department reports the survey results may reflect the impact of staffing shortages, disabilities, vacancies, and academy and field training programs. A recent increase in street robberies, residential burglaries, and a recent homicide may also have affected the public perception in the survey results.



Source: California State Controller, *Cities Annual Report Fiscal Year 2005-06*

	Operating Expenditures (in millions)								Total spending per resident	Total revenue	Citizen Survey Percent rating OVERALL police services good or excellent [⊙]
	Field services	Technical services	Investigations and crime prevention	Traffic services	Parking services	Police personnel services	Animal services	TOTAL			
FY 2003-04	\$9.0	\$5.3	\$2.7	\$1.4	\$0.8	\$1.3	\$1.4	\$22.0	\$363	\$5.1 ²	90%
FY 2004-05	\$9.8	\$4.8	\$3.2	\$1.5	\$1.1	\$0.8	\$1.4	\$22.5	\$367	\$4.5	87%
FY 2005-06	\$10.9	\$5.4	\$3.1	\$1.5	\$1.1	\$0.9	\$1.5	\$24.4	\$393	\$4.8	87%
FY 2006-07	\$11.4	\$6.2	\$3.2	\$1.7	\$1.0	\$1.0	\$1.5	\$25.9	\$414	\$5.0	91%
FY 2007-08	\$13.9	\$5.8	\$3.4	\$1.7	\$0.9	\$1.1	\$1.7	\$28.5	\$449	\$5.7	84%
Change over last 5 years	+55%	+8%	+27%	+18%	+3%	-18%	+25%	+30%	+24%	+12%	-6%

¹ Comparison of operating expenditures does not include animal control. Palo Alto figures include dispatch and some animal services expenditures.

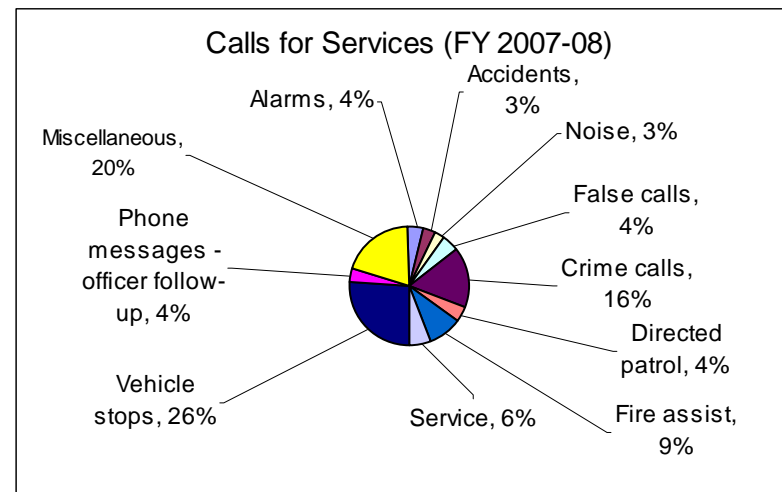
² FY 2003-04 revenues included an unusually high bail forfeiture amount.

⊙ Budget benchmarking measure.

CALLS FOR SERVICE

The Police Department handled over 58,700 calls for service during FY 2007-08, or about 161 calls per day. 34% of the Citizen Survey respondents reported contact with the Police department. 73% rated the quality of their contact as good or excellent. Over the last five years:

- The percent of emergency calls dispatched within 60 seconds of receipt decreased to 96%. Emergency calls are generally “life threatening” or high danger crimes in progress.
- The average response times for emergency calls improved by 27 seconds – from 4:59 minutes to 4:32 minutes (the target is 6:00 minutes). The percent of responses within 6 minutes improved from 72% to 81%. Response times are measured from receipt of the 911 call to arrival on-scene.
- The average response times for urgent calls improved by 53 seconds – from 7:55 minutes to 7:02 minutes – with 88% of responses within 10 minutes. Urgent calls are generally non-life threatening, or less dangerous property crimes that are in progress or just occurred. The FY 2007-08 target for on-scene arrival for urgent calls was changed from 7:30 minutes to 10:00 minutes for FY 2008-09.
- The average response time for non-emergency calls was 24:06 minutes – with 99% of responses within 60 minutes. Non-emergency calls are generally routine or report-type calls that can be handled as time permits. The FY 2007-08 target for on-scene arrival for non-emergency calls was changed from 20 minutes to 45:00 minutes for FY 2008-09.



Source: Police Department

	Total Police Department calls for service [⊙]		Percent emergency calls dispatched within 60 seconds of receipt of call	Average emergency response (minutes) [⊙]	Average urgent response (minutes) [⊙]	Average non-emergency response (minutes) [⊙]	Percent emergency calls responded within 6 minutes	Percent urgent calls responded within 10 minutes	Percent non-emergency calls responded within 60 minutes	Citizen Survey	
	False alarms									Percent reported having contact with the Police Dept ¹	Percent rating quality of their contact good or excellent
FY 2003-04	52,489	2,681	98%	4:59	7:55	-	72%	96%	96%	-	-
FY 2004-05	52,233	2,385	94%	5:01	7:50	18:15	71%	78%	96%	36%	78%
FY 2005-06	57,017	2,419	88%	4:41	7:39	20:36	78%	78%	95%	-	-
FY 2006-07	60,079	2,610	96%	5:08	7:24	19:26	73%	79%	95%	33%	81%
FY 2007-08	58,742	2,539	96%	4:32	7:02	24:06	81%	88%	99%	34%	73%
Change over last 5 years	+12%	-5%	-2%	-9%	-11%	-	+9%	-8%	+3%	-	-

[⊙] Budget benchmarking measure.

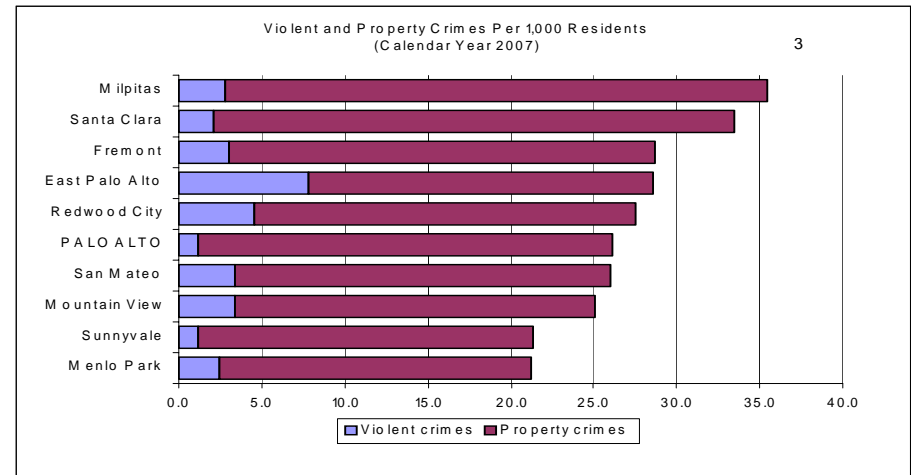
¹ Survey questions not conducted in FY 2003-04 and FY 2005-06.

CRIME

The Police Department categorizes crime as Part 1¹ and Part 2.² Compared to FY 2003-04, the number of reported Part 1 crimes dropped by 22%, and the number of Part 2 crimes increased by 32% in FY 2007-08. Although Palo Alto is a relatively quiet, affluent community of about 63,000, it has a daytime population estimated at nearly 140,000, a regional shopping center, and a downtown with an active nightlife.

Police Department statistics show 127 reported crimes per 1,000 residents, with 87 reported crimes per officer last year. FBI statistics show that Palo Alto has more property crimes per 1,000 residents, but fewer violent crimes per thousand, than most other local jurisdictions.

In the most recent citizen survey, 10% of households reported being the victim of a crime in the last 12 months (35th percentile compared to other surveyed jurisdictions). Of those households, 73% said they reported the crime. Palo Alto ranked in the 31st percentile, below the benchmark, compared to other surveyed jurisdictions for reporting crimes.



Source: FBI Uniform Crime Reporting Program (www.fbi.gov/ucr/ucr.htm)

	Reported crimes				Citizen Survey		Arrests		Clearance rates for part 1 crimes ¹			
	Part 1 ¹ crimes reported	Part 2 ² crimes reported	Reported crimes per 1,000 residents	Reported crimes per officer ⁵	Percent households reported being victim of crime in last 12 months	Percent households that were victim of a crime who reported the crime	Juvenile arrests	Total arrests ⁴	Homicide cases cleared/closed	Rape cases cleared/closed	Robbery cases cleared/closed	Theft cases cleared/closed
FY 2003-04	2,370	4,719	117	76	11%	59%	344	2,577	100%	63%	44%	21%
FY 2004-05	2,466	4,994	121	80	10%	64%	256	2,134	100%	78%	46%	14%
FY 2005-06	2,520	5,140	123	82	12%	59%	241	2,530	None reported	67%	68%	14%
FY 2006-07	1,855	5,662	120	81	9%	61%	244	3,059	None reported	100%	42%	18%
FY 2007-08	1,843	6,227	127	87	10%	73%	257	3,253	100%	100%	104%⁶	21%
Change over last 5 years	-22%	+32%	+9%	+14%	-1%	+14%	-25%	+26%	0%	+37%	+60%	0%

¹ Part 1 crimes include assault, burglary, homicide, rape, robbery, larceny/theft, vehicle theft, and arson.

² Part 2 crimes include assaults or attempted assaults where a weapon is not used or where serious injuries did not occur; forgery and counterfeiting; fraud; embezzlement; buying, receiving, and possessing stolen property; vandalism; weapons offenses; prostitution and other vice crimes; sex offenses other than rape; drug offenses; gambling; offenses against family and children; drunk driving; liquor laws; drunk in public; disorderly conduct; and vagrancy.

³ Does not include arson or larceny/theft under \$400.

⁴ Total arrests does not include drunk in public where suspects are taken to the sobering station, or traffic warrant arrests.

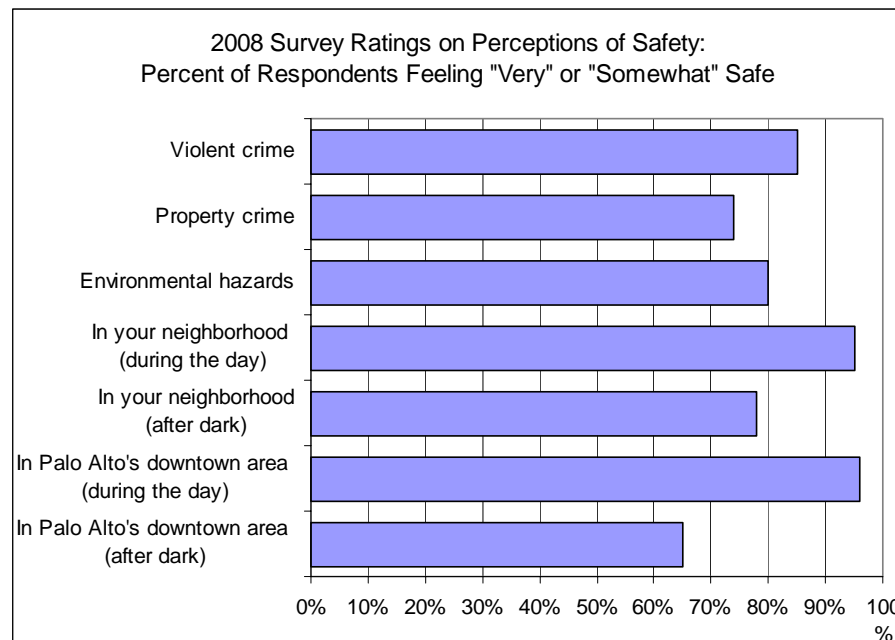
⁵ Based on authorized sworn staffing.

⁶ Some robberies from the previous year were cleared in this fiscal year.

PERCEPTIONS OF SAFETY

When evaluating safety in the community:

- 85% of residents felt “very” or “somewhat safe” from violent crimes in Palo Alto, and 74% felt safe from property crime. This placed Palo Alto in the 72nd percentile for violent crimes and in the 79th percentile for property crimes compared to other jurisdictions.
- In their neighborhood during the day, 95% of residents felt “very” or “somewhat safe”. After dark, 78% of residents felt “very” or “somewhat safe” in their neighborhoods. In comparison to other jurisdictions, Palo Alto ranked in the 88th percentile for ratings of safety in your neighborhood during the day, and in the 62nd percentile for neighborhood safety after dark.
- 96% of residents felt “very” or “somewhat safe” in Palo Alto’s downtown during the day. 65% felt safe after dark. The Palo Alto ratings for perceptions of downtown safety were in the 81st and 61st percentiles, respectively, compared to other jurisdictions.
- The decrease in survey results may reflect the increase in crimes that occurred in FY 2007-08, including a homicide and street robberies in the downtown area.



Source: National Citizen Survey™ 2008 (Palo Alto)

	Citizen Survey: Percent of residents feeling very or somewhat safe				Citizen Survey		
	From violent crime	From property crime	In your neighborhood during the day	In your neighborhood after dark	In Palo Alto's downtown area during the day	In Palo Alto's downtown area after dark	Percent rating crime prevention good or excellent
FY 2003-04	84%	71%	98%	82%	94%	76%	87%
FY 2004-05	87%	76%	98%	84%	96%	69%	85%
FY 2005-06	75%	62%	94%	79%	91%	69%	77%
FY 2006-07	86%	75%	98%	85%	94%	74%	83%
FY 2007-08	85%	74%	95%	78%	96%	65%	74%
Change over last 5 years	1%	+3%	-3%	-4%	+2%	-11%	-13%

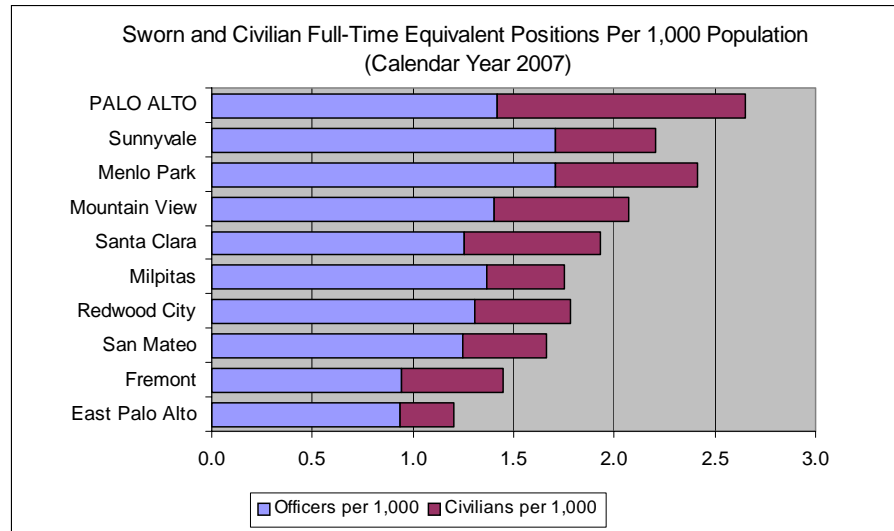
© Budget benchmarking measure

POLICE STAFFING, EQUIPMENT, AND TRAINING

Authorized departmental staffing decreased from 177 to 169 full time equivalents over the last five years, or 5%. The number of police officers has remained unchanged at 93. As of calendar year 2007, however, the department was down 10 police officers due to vacancies, injuries, training, and other leave situations. An average of 8 officers is on patrol at all times.

With 2.66 sworn and civilian FTE per 1,000 residents, Palo Alto's total staffing is higher than other local jurisdictions, but it includes full dispatch services and animal services provided to other jurisdictions. The ratio of police officers declined 4% over the last 5 years to 1.47 officers per 1,000 residents. According to the department, training hours per officer also decreased 8% over the last 5 years due in part to disabilities and vacancies in the sworn staffing.

The department reports it received 141 commendations and 20 complaints during FY 2007-08; one of the complaints was sustained.



Source: FBI Uniform Crime Reporting Program (www.fbi.gov/ucr/ucr.htm)

	Authorized staffing (FTE)	Authorized staffing per 1,000 residents	Number of police officers	Police officers per 1,000 residents	Average number of officers on patrol ¹	Number of patrol vehicles	Number of motor-cycles	Training hours per officer ²	Overtime as a percent of regular salaries	Number of citizen commendations received	Number of citizen complaints filed
FY 2003-04	177	2.92	93	1.53	8	30	10	146	13%	-	-
FY 2004-05	173	2.82	93	1.51	8	30	10	137	12%	-	-
FY 2005-06	169	2.72	93	1.49	8	30	9	153	13%	144	(0 sustained)
FY 2006-07	168	2.68	93	1.49	8	30	9	142	16%	121	11 (1 sustained)
FY 2007-08	169	2.66	93	1.47	8	30	9	135	17%	141	20 (1 sustained)

Change over last 5 years

-5% -9% 0% -4% 0% 0% -10% -8% 4% - -

¹ Does not include traffic motor officers.

² Does not include academy.

TRAFFIC AND PARKING CONTROL

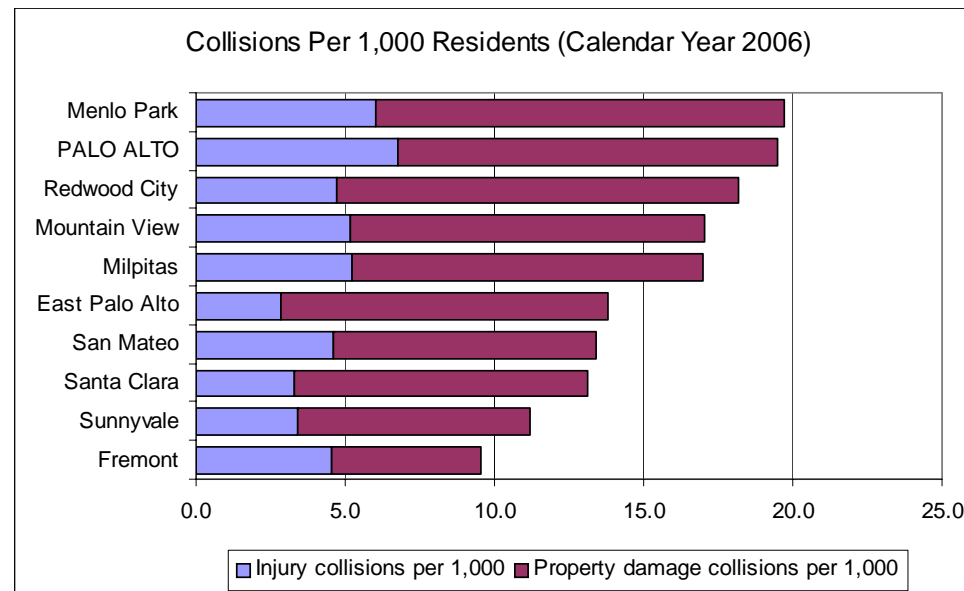
Over the past five years, the total number of:

- traffic collisions decreased by 21%, the total number of bicycle/pedestrian collisions decreased by 8%
- alcohol related collisions increased by 24%, and the number of DUI arrests increased by 99%.

In FY 2007-08, police personnel made more than 19,100 traffic stops, and issued more than 6,300 traffic citations and more than 50,700 parking citations. The percent of residents rating traffic enforcement good or excellent remained at 64% from five years ago. The rating places Palo Alto in the 50th percentile compared to other jurisdictions.

The number of traffic collisions per 1,000 residents decreased 25% over the past 5 years (from 24 to 18 per 1,000 residents), and the percent of traffic collisions with injuries increased 1% (from 28% to 29%) over the 5 year period.

Comparison data for calendar year 2006 shows that Palo Alto had more collisions per 1,000 residents than other local jurisdictions. Palo Alto has a large non-resident daytime population. In addition, Palo Alto documents minor damage collisions to a much larger extent than other jurisdictions.



Source: California Highway Patrol 2006 Annual Report of Fatal and Injury Motor Vehicle Traffic Collisions, and California Department of Finance

	Traffic collisions	Bicycle/pedestrian collisions	Alcohol related collisions	Total injury collisions	Traffic collisions per 1000 residents	Percent of traffic collisions with injury	Number of DUI arrests	Number of traffic stops	Traffic citations issued ¹	Parking citations	Citizen Survey Percent rating traffic enforcement good or excellent [⊙]
FY 2003-04	1,429	91	34	400	24	28%	172	9,731	7,301	47,860	64%
FY 2004-05	1,419	97	32	407	23	29%	111	8,822	5,671	52,235	63%
FY 2005-06	1,287	113	43	396	21	31%	247	11,827	7,687	56,502	63%
FY 2006-07	1,257	103	31	390	20	23%	257	15,563	6,232	57,222	71%
FY 2007-08	1,122	84	42	324	18	29%	343	19,177	6,326	50,706	64%
Change over last 5 years	-21%	-8%	+24%	-19%	-25%	+1%	+99%	+97%	-13%	+6%	0%

⊙ Budget benchmarking measure

¹ Does not include warnings.

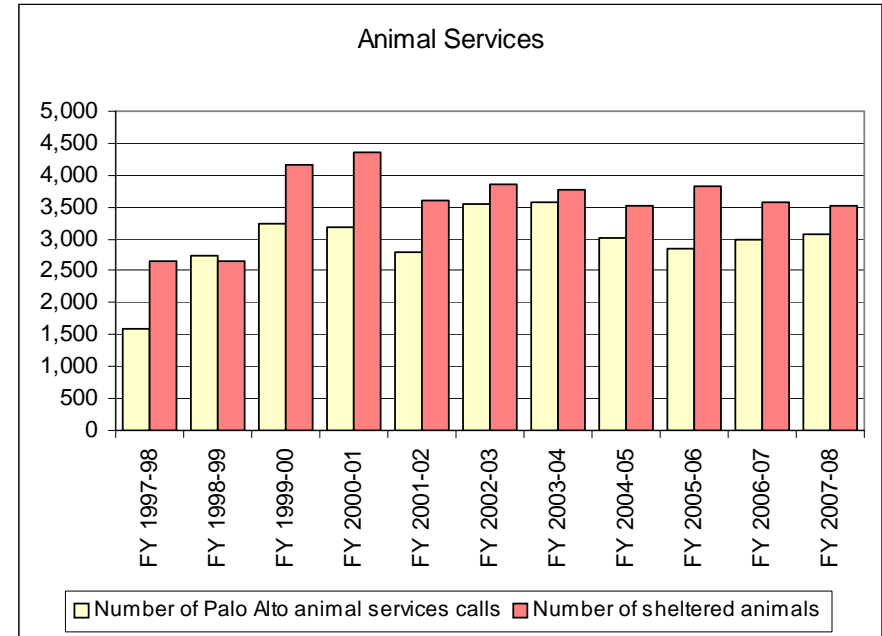
ANIMAL SERVICES

Palo Alto provides regional animal control services to the cities of Palo Alto, Los Altos, Los Altos Hills, and Mountain View. The Palo Alto Police Department reports it is the only agency in Santa Clara County with an animal shelter and spay and neuter clinic.

Animal Services provides pet recovery and adoption services, animal care, animal health and welfare (including spay and neuter clinics and vaccinations), and other services at the Animal Shelter on East Bayshore Road.

In FY 2007-08, Animal Services responded to 91% of Palo Alto live animal calls within 45 minutes. The department successfully returned to their owners 75% of dogs and 17% of cats received by the shelter during FY 2007-08.

78% of survey respondents rated animal control services good or excellent. Palo Alto placed in the 97th percentile compared to other jurisdictions surveyed.



Source: Police Department

	Animal Services expenditures	Animal Services revenue	Number of Palo Alto animal services calls	Number of regional animal services calls	Percent Palo Alto live animal calls for service responded to within 45 minutes	Number of sheltered animals	Percent dogs received by shelter returned to owner	Percent cats received by shelter returned to owner	Citizen Survey Percent rating animal control services good or excellent [Ⓞ]
FY 2003-04	\$1.4	\$0.9	3,575	1,766	98%	3,780	80%	11%	79%
FY 2004-05	\$1.4	\$0.9	4,994	1,604	91%	3,514	77%	12%	79%
FY 2005-06	\$1.5	\$0.9	2,861	1,944	89%	3,839	78%	9%	78%
FY 2006-07	\$1.5	\$1.0	2,990	1,773	88%	3,578	82%	18%	78%
FY 2007-08	\$1.7	\$1.2	3,059	1,666	91%	3,532	75%	17%	78%
Change over last 5 years	25%	29%	-14%	-6%	-7%	-7%	-5%	6%	-1%

Ⓞ Budget benchmarking measure

CHAPTER 7 – PUBLIC WORKS

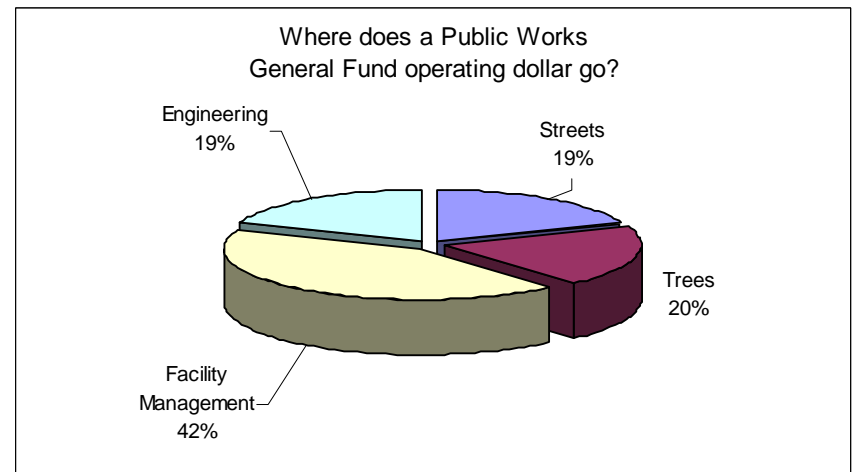
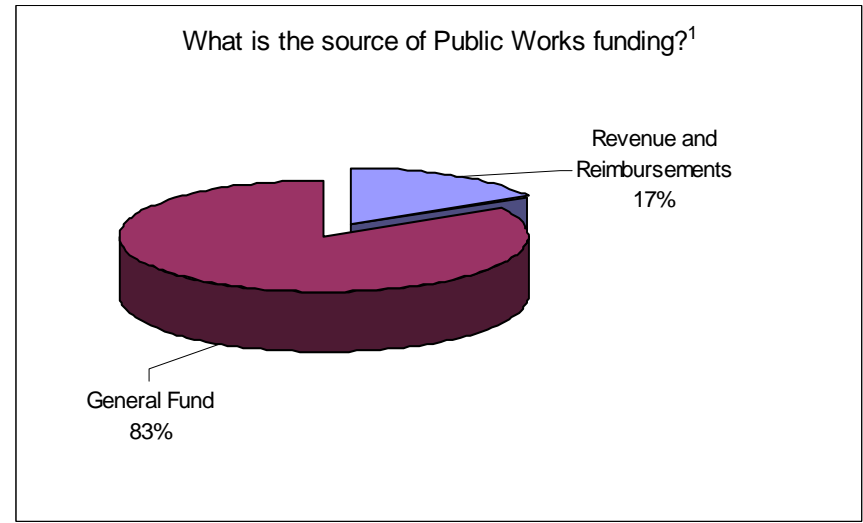
The mission of the Department of Public Works is to provide efficient, cost effective and environmentally sensitive construction, maintenance, and management of Palo Alto streets, sidewalks, parking lots, buildings and other public facilities; to provide appropriate maintenance, replacement and utility line clearing of City trees; and to ensure timely support to other City departments in the area of engineering services.

The department is responsible for the following services that are provided through the General Fund:

- Streets – to develop and maintain the structural integrity and ride quality of streets to maximize the effective life of the pavement and traffic control clarity of streets and to facilitate the safe and orderly flow of vehicles, bicycles, and pedestrians
- Trees – to manage a sustainable urban forest by selecting appropriate species and providing timely maintenance and replacement of City trees as well as providing utility line clearing for front and rear easements
- Structures and Grounds – to build, maintain, renovate, and operate City-owned and leased structures, parking lots, grounds, parks and open space to achieve maximum life expectancy of the facilities
- Engineering – to construct, renovate, and maintain City-owned infrastructure through the City's Capital Improvement Program; to ensure safety, comfort, and maximum life expectancy and value of City structures, facilities, and streets; to provide engineering support to City Departments and private development through the expeditious review and inspection of projects to ensure compliance with applicable regulations and conformance with approved plans and specifications

The department is responsible for the following services that are provided through Enterprise and Internal Service Funds (non-General Fund):

- Refuse collection and disposal/Zero Waste
- Storm drainage
- Wastewater treatment including the Regional Water Quality Control Plant
- Vehicle replacement and maintenance (includes equipment)



Source: FY 2007-08 revenue and expenditure data

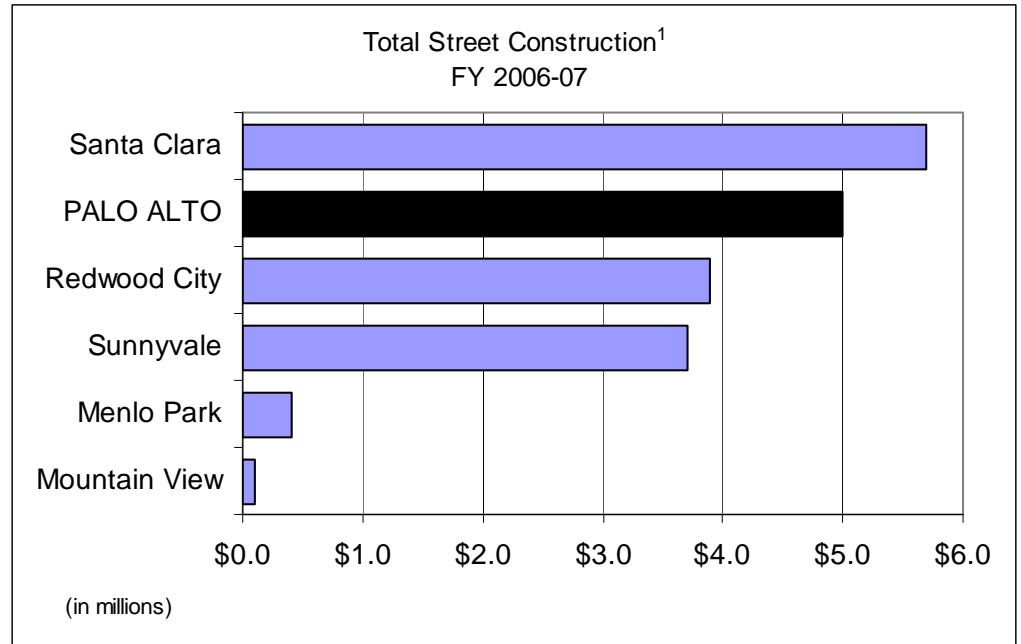
¹ Excludes Public Works Enterprise funds

STREETS

The City is responsible for maintaining 463 lane miles of streets. In addition, Santa Clara County is responsible for 26 lane miles, and the State of California is responsible for maintaining 24 lane miles within Palo Alto's borders.

47% of survey respondents rate street repair good or excellent. This places Palo Alto in the 48th percentile and gives it a ranking similar to other surveyed jurisdictions. In FY 2007-08, 1,977 potholes were repaired, with 78% of those repairs within 15 days of notification.

Costs for the annual maintenance project fluctuate based upon the type of process used. Public Works uses three techniques (crack seal, slurry seal, and cape seal) to maintain streets. Crack, slurry, and cape seal use asphalt or other materials to fill cracks and seal street surfaces to prevent further deterioration. Public Works uses three techniques for re-surfacing streets (asphalt overlay, repair and replace concrete, and reconstruction of concrete streets). Crack sealing is the least costly and total reconstruction of a concrete street is the most costly. These resurfacing techniques use multiple stages to remove, repair, and replace sections of the street pavement, especially concrete streets.



Source: California State Controller's Office, State of California Streets and Roads Annual Report Fiscal Year 2006-07

	Operating expenditures (in millions)	Capital projects spending (in millions)	Authorized Staffing (FTE)		Total lane miles maintained	Lane miles resurfaced	Percent of lane miles resurfaced	Number of potholes repaired [Ⓞ]	Percent of potholes repaired within 15 days of notification [Ⓞ]	Number of signs repaired or replaced [Ⓞ]	Citizen Survey
			General fund	Capital projects fund							Percent rating street repair good or excellent
FY 2003-04	\$1.9	\$3.8	15	3	463	17	4%	2,907	80%	1,602	46%
FY 2004-05	\$2.2	\$3.3	15	2	463	20	4%	3,221	76%	1,620 ²	48%
FY 2005-06	\$2.1	\$2.4	13	2	463	20	4%	2,311	95%	1,754	47%
FY 2006-07	\$2.0	\$5.2	13	2	463	32	7%	1,188	82%	1,475	47%
FY 2007-08	\$2.5	\$3.8	13	2	463	27	6%	1,977	78%	1,289	47%
Change over last 5 years	+27%	+1%	-13%	-33%	0%	+59%	+2%	-32%	-2%	-20%	1%

¹ Includes street reconstruction; signals, safety devices and street lights; pedestrian ways and bikepaths

² Estimated.

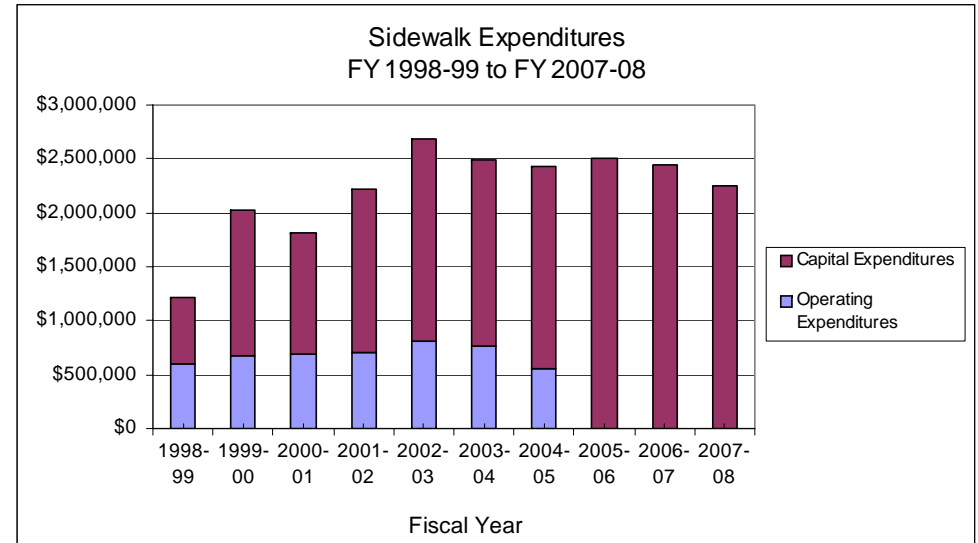
Ⓞ Budget benchmarking measure data shown here may differ from budget document due to timing differences.

SIDEWALKS

In FY 2007-08, about 84,000 square feet of sidewalks were replaced or permanently repaired, and 27 new ADA ramps were completed. In the past five years, this totaled more than 550,000 square feet of sidewalk replaced or permanently repaired and 276 ADA ramps completed.

The department reports that 88% of temporary repairs were completed within 15 days of initial inspection. 53% of survey respondents rate sidewalk maintenance good or excellent. This places Palo Alto in the 58th percentile when compared with other jurisdictions.

Historically, the City covered all costs related to sidewalk replacement, regardless of the cause. The City's 2007-09 Adopted Capital Budget revised the policy. Property owners will now be responsible for the cost of sidewalk replacement if the damage to the sidewalk was not caused by tree roots.



Source: Public Works Department

	Operating expenditures (in millions) ¹	Capital projects spending (in millions)	Authorized Staffing (FTE)		Number of square feet of sidewalks	Square feet of sidewalk replaced or permanently repaired ³	Number ADA ramps completed	Percent of temporary repairs completed within 15 days of initial inspection	Citizen Survey
			General fund ²	Capital projects fund					Percent rating sidewalk maintenance good or excellent
FY 2003-04	\$0.8	\$1.7	6	0	6,679,200	115,352	67	70%	50%
FY 2004-05	\$0.6	\$1.9	4	2	6,679,200	132,430	46	76%	51%
FY 2005-06	-	\$2.5	0	8	6,679,200	126,574	66	87%	52%
FY 2006-07	-	\$2.5	0	7	6,679,200	94,620	70	98%	56%
FY 2007-08	-	\$2.2	0	7	6,679,200	83,827	27	88%	53%
Change over last 5 years	-	+30%	-	+100%	0%	-27%	-60%	+18%	+3%

¹ Excludes costs in Engineering Division.

² In FY 2005-06, operating expenditures for sidewalks and associated staff were transferred to the Capital Projects Fund

³ Includes both in-house and contracted work.

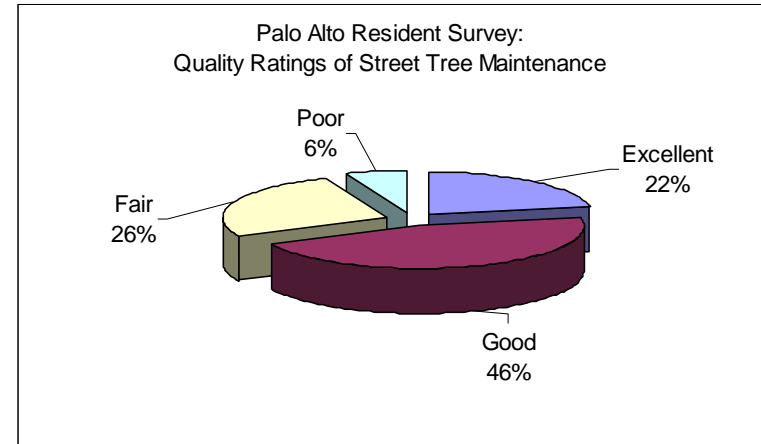
TREES

Public Works maintains all City-owned trees, including street trees, all trees in the parks, and trees in City facilities. This includes planting new trees, trimming/ pruning existing trees, removing dead/diseased trees, fertilizing and pest control, line clearing around electrical wires, 24/7 emergency response, and providing Certified Arborist advice to residents regarding care of City trees. Managers in the tree group also oversee several tree-related contracts including stump removal, electrical line clearing, and annual tree maintenance contracts.

In FY 2007-08, the City maintained 35,322 trees. In FY 2007-08, a total of 188 trees were planted by the City and Canopy (a non-profit organization).

The number of trees trimmed (excluding trees trimmed for utility line clearing) or removed in FY 2007-08 was 6,579, or 26% higher than it was in FY 2003-04.

68% of survey respondents rated street tree maintenance good or excellent, down 2% from 70% in FY 2003-04.



Source: National Citizen Survey™ 2008

Citizen Survey

	Operating expenditures (in millions)	Authorized staffing (FTE) (general fund)	Total number of City-maintained trees ¹	Number of trees planted ¹	Number of trees trimmed or removed ² ☉	Percent of urban forest pruned ☉	Percent of total tree lines cleared ☉	Number of tree-related electrical service disruptions ☉	Average cost per tree maintained	Percent rating street tree maintenance good or excellent
FY 2003-04	\$1.9	14	35,440	242	5,222	-	-	-	\$53.52	70%
FY 2004-05	\$1.9	14	35,096	164	4,775	14%	26%	5	\$54.42	82%
FY 2005-06	\$2.2	14	34,841	263	3,422 ³	10%	21%	13	\$63.28	72%
FY 2006-07	\$2.3	14	34,556	164	3,409	10%	30%	15	\$67.90	67%
FY 2007-08	\$2.5	14	35,322	188	6,579	18%	27%	9	\$71.52	68%
Change over last 5 years	+33%	0%	0%	-22%	+26%	-	-	-	+34%	-2%

¹ Includes trees planted by Canopy; data source is Department of Public Works' workload statistics.

² Excludes trees trimmed to clear power lines.

³ Estimated

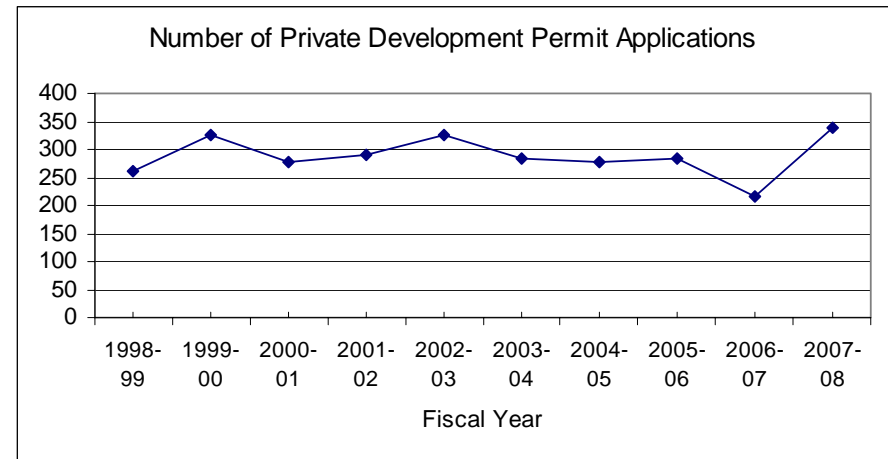
☉ Budget benchmarking measure; data shown here may differ from budget document due to timing differences.

CITY FACILITIES, ENGINEERING & PRIVATE DEVELOPMENT

Public Works builds, renovates and maintains City-owned and leased structures, parking lots, grounds, parks and open space. The department also provides citywide capital improvement program (CIP) support including design, engineering, contract management, and project management.

The Facilities Management Division staff handled an estimated 3,044 service calls in FY 2007-08 related to building mechanics, carpentry, electrical, locks and painting. This figure does not include preventive maintenance.

Maintaining and improving infrastructure continues to be a challenge. In response to the City Auditor's infrastructure report issued in March 2008, the City is developing a comprehensive plan for addressing the infrastructure backlog estimated at \$307 million in the FY2008-09 Adopted Capital Budget.



Source: Public Works Department

	City Facilities				Engineering			Private Development			
	City facilities operating expenditures (in millions)	City facilities authorized staffing (FTE)	City facilities capital expenditures (in millions)	Capital projects authorized staffing (FTE)	Total square feet of facilities maintained ¹ ⊙	Maintenance cost per square foot ⊙	Custodial cost per square foot	Engineering operating expenditures (in millions)	Engineering authorized staffing (FTE)	Number of private development permits issued ² ⊙	Number of permits per FTE ⊙
FY 2003-04	\$4.2	25	\$13.8 ³	7	1,461,468	\$1.32	\$1.12	\$1.8	-	285	95
FY 2004-05	\$4.5	24	\$7.0	8	1,402,225	\$1.38	\$1.12	\$1.9	14	276	92
FY 2005-06	\$4.9	23	\$6.1	8	1,402,225	\$1.52	\$1.18	\$2.1	15	284	95
FY 2006-07	\$5.3	23	\$7.2	8	1,613,392	\$1.38	\$1.04	\$2.3	14	215	72
FY 2007-08	\$5.5	23	\$7.4	8	1,616,171	\$1.52	\$1.12	\$2.5	15	338	112⁴
Change over last 5 years	+31%	-7%	-46%	+19%	+11%	+15%	0%	+39%	-	+19%	18%

¹ The increase in square footage was due to the addition of the following sites during FY 2006-07: Arastradero Gateway Facility, Stanford Playing Fields, Hoover Park Restroom, Homer Tunnel, and Lot J (Cowper/Webster Garage). The increase in FY 2007-08 was primarily due to an addition at the Children's Library.

² Includes permits for: street work, encroachment, and certificate of compliance.

³ Includes some costs of the downtown parking structures.

⁴ The department advises that prior year numbers were estimates. FY2007-08 numbers are actuals.

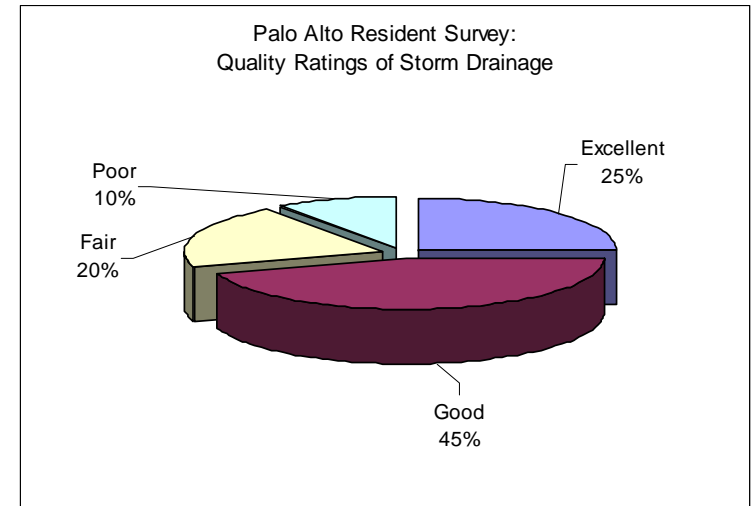
⊙ Budget benchmarking measure; data shown here may differ from budget document due to timing differences.

STORM DRAINS

The purpose of the City’s storm drain system is to provide adequate drainage, reduce the risk of flooding, and enhance water quality. Storm drain expenses are paid from the Storm Drain Enterprise Fund. The average monthly residential bill is \$10.55 to operate and maintain the storm drainage system. The Storm Drain Fund did not receive a transfer from the General Fund in FY 2006-07 or FY 2007-08. However, the budget states that the Storm Drain Oversight Committee “has noted that the Fund will likely experience capital project funding shortfalls in the coming years.”

The department reported capital expenditures increased in FY07-08 as the \$7 million San Francisquito Creek storm water pump station project started. The project is expected to improve drainage in the northeast section of Palo Alto. Industrial site compliance with storm water regulations has decreased. According to the department, this decrease is attributable to an increase in restaurant inspections. The department states inspectors are finding, addressing, and correcting situations which, if left uncorrected, could lead to storm water contamination.

In FY 2007-08, the department reported it cleaned and inspected 100% of catch basins and cleaned 157,337 feet of storm drain pipelines. In FY 2007-08, 71% of residents surveyed rated storm drainage good or excellent. Palo Alto is in the 89th percentile compared with other jurisdictions.



Source: National Citizen Survey™ 2008

Revenues, expenses, transfers and reserves (in millions)

	Total operating revenue	Total operating expense	Capital expense ¹	Transfer from General Fund to Storm Drain Fund	Reserve balance	Average monthly residential bill	Authorized staffing (FTE)	Feet of storm drain pipelines cleaned [ⓐ]	Calls for assistance with storm drains ² [ⓐ]	Percent of industrial sites in compliance with storm water regulations ³ [ⓐ]	Citizen Survey Percent rating the quality of storm drainage good or excellent
FY 2003-04	\$2.2	\$2.3	\$0.1	\$0.3	\$0.6	\$4.25	10	219,106	126	87%	57%
FY 2004-05	\$2.5	\$2.5	\$0.1	\$0.5	\$0.6	\$4.25	10	316,024	50	89%	60%
FY 2005-06	\$5.2	\$2.1	\$0.3	\$0.5	\$3.1	\$10.00	10	128,643	24	83% ³	60%
FY 2006-07	\$5.2	\$2.0	\$1.5	\$0.0	\$4.5	\$10.20	10	287,957	4	71%	60%
FY 2007-08	\$5.5	\$2.5	\$3.6	\$0.0	\$3.3	\$10.55	10	157,337	80	65%	71%
Change over last 5 years	+151%	+12%	+4815%	-100%	+435%	+148%	-3%	-28%	-37%	-22%	+14%

¹ Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

² Estimated

³ Environmental Compliance staff advises that the decrease since FY 2005-06 was due to a revised State definition of “compliance.” Staff also advises that food service facilities account for a larger share of the total inspections than in the past and they tend to have lower compliance rates.

[ⓐ] Budget benchmarking measure; data shown here may differ from budget document due to timing differences.

[ⓐ] Comprehensive Plan item

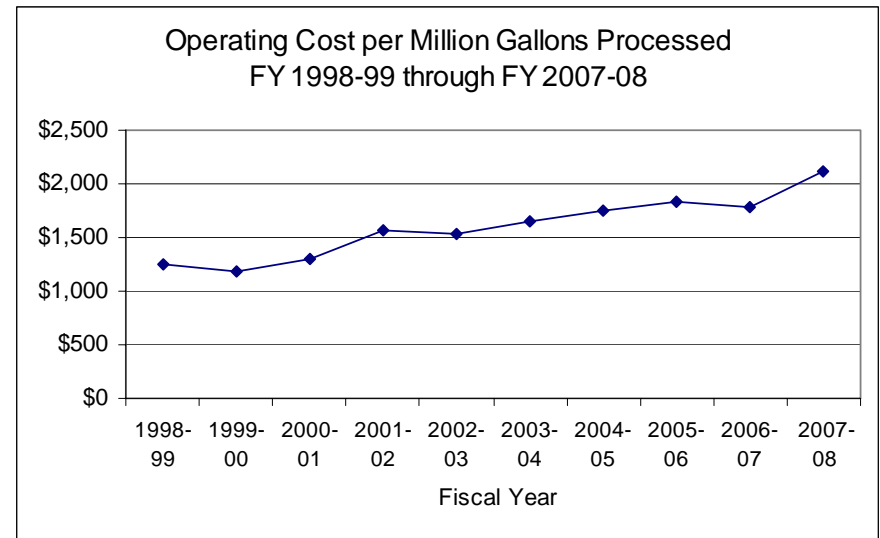
[ⓐ] Sustainability indicator

WASTEWATER TREATMENT & WASTEWATER ENVIRONMENTAL COMPLIANCE

The Wastewater Treatment Fund is an enterprise fund operated by the Public Works Department. Its purpose is two-fold: to maintain and monitor the Regional Water Quality Control Plant (RWQCP) and to ensure compliance with regulations protecting the San Francisco Bay and environment.

In addition to treating Palo Alto’s wastewater, the RWQCP treats wastewater from five other areas: Mountain View, Los Altos, Los Altos Hills, Stanford and East Palo Alto.

In FY 2007-08, capital expenses increased as Public Works began construction of the \$16 million recycled water pipeline project. The pipeline delivers recycled water to the nearby jurisdiction of Mountain View.



Source: Public Works Department

	Wastewater Treatment Fund					Regional Water Quality Control Plant				Wastewater Environmental Compliance		
	Total operating revenue (in millions)	Total operating expense (in millions)	Percent of operating expenses reimbursed by other jurisdictions	Capital expense (in millions) ²	Reserve balance (in millions)	Authorized Staffing (FTE)	Millions of gallons processed ³ ☉	Operating cost per million gallons processed [☉]	Fish toxicity test (percent survival) ⁵ ☉	Authorized staffing FTE ¹	Number of inspections performed	Percent of industrial discharge tests in compliance ⁵ ☉
FY 2003-04	\$14.7	\$14.3	64%	\$1.2	\$11.6	56	8,238	\$1,647	100.00%	14	182	98.95%
FY 2004-05	\$15.9	\$16.1	63%	\$1.5	\$12.6	54	8,497	\$1,755	100.00%	14	191	99.38%
FY 2005-06	\$18.8	\$16.9	63%	\$2.2	\$13.6	55	8,972	\$1,839	100.00%	14	192	99.40%
FY 2006-07	\$17.0	\$16.3	64%	\$1.8	\$13.8	55	8,853	\$1,784	100.00%	14	114	99.40%
FY 2007-08	\$22.9	\$18.1	64%	\$10.9	\$11.1	55	8,510	\$2,123	100.00%	14	111	99.25%
Change over last 5 years ¹	+55%	+27%	0%	+788%	-4%	-1%	+3%	+29%	0%	-3%	-39%	+0.30%

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

³ Includes gallons processed for all cities served by Palo Alto’s Wastewater Treatment Plant.

☉ Budget benchmarking measure; data shown here may differ from budget document due to timing differences.

⁵ Sustainability indicator

Service Efforts and Accomplishments 2007-08

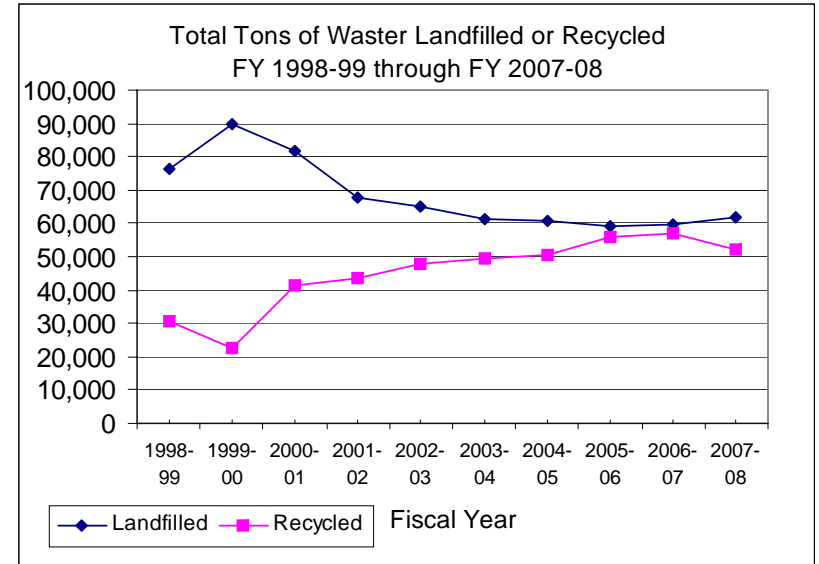
REFUSE

The City coordinates refuse services for Palo Alto residents and businesses. This includes the collection, hauling, processing, recycling and disposal of waste materials. The City funds these activities through the Refuse Enterprise Fund.

Operating expenses for refuse services have increased from \$21.9 to \$28.8 million, or approximately 31% over the last five years. According to the department, expenses have increased because of garbage hauler contract adjustments, wage increases, equipment upgrades, medical liability, and other costs. As a result, reserve balances have declined over the last 5 years. According to the department, the Refuse Fund balance is still above the City Council approved reserve guideline of \$2.5 to \$5.0 million.

Compared to FY 2003-04, the total tons of waste landfilled in FY 2007-08 was slightly higher, although it did decrease in the intervening years. Tons of materials recycled increased by 2,928 tons, or 6%. Tons of household hazardous waste collected increased by 12%.

Palo Alto ranked 1st (99th percentile) among surveyed jurisdictions for recycling used paper, cans, or bottles from the home. The City ranked in the 97th percentile for overall recycling and 90th percentile for garbage collection.



Source: Public Works Department

Refuse Fund (in millions)

Citizen Survey

	Operating revenue	Operating expense	Capital expense ^{1,6}	Reserve balance	Authorized staffing (FTE)	Total tons of waste landfilled ⁴	Tons of materials recycled ^{4, 5}	State-approved diversion percentage ^{2, 5} ☉	Tons of household hazardous materials collected ⁵	Average monthly residential bill	Number of curb miles swept ³	Percent rating garbage collection good or excellent ☉	Percent rating recycling services good or excellent	Percent of residents who recycled more than 12 times during the year
FY 2003-04	\$21.9	\$24.1	\$0.0	\$8.5	34	61,266	49,268	57%	281	\$18.00	21,227	92%	90%	87%
FY 2004-05	\$23.4	\$24.5	\$0.3	\$7.2	35	60,777	50,311	62%	324	\$19.80	21,697	92%	92%	92%
FY 2005-06	\$24.8	\$26.4	\$0.1	\$4.7	35	59,276	56,013	63%	309	\$21.38	22,340	92%	91%	90%
FY 2006-07	\$25.6	\$25.1	\$0.0	\$5.9	35	59,938	56,837	63%	320	\$21.38	22,718	91%	93%	92%
FY 2007-08	\$28.8	\$28.6	\$0.0	\$6.3	35	61,866	52,196	n/a⁵	315	\$24.16	22,006	92%	90%	94%
Change over last 5 years	+31%	+19%	+123%	-25%	+4%	+1%	+6%	-	+12%	+34%	+4%	0%	0%	7%

¹ Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

² Diversion data is calculated on a calendar year basis and reported as the subsequent year (e.g. calendar year 2005 is shown as FY 2005-06).

³ Most streets are swept weekly; business districts are swept three times a week

⁴ Does not include materials disposed of by self-haul customers, going to other landfills.

⁵ Data not yet available from the State.

⁶ In FY 2003-04, capital expense was \$4,091; in FY 2007-08, it was \$9,103.

☉ Budget benchmarking measure; data shown here may differ from budget document due to timing differences.

⁵ Sustainability indicator

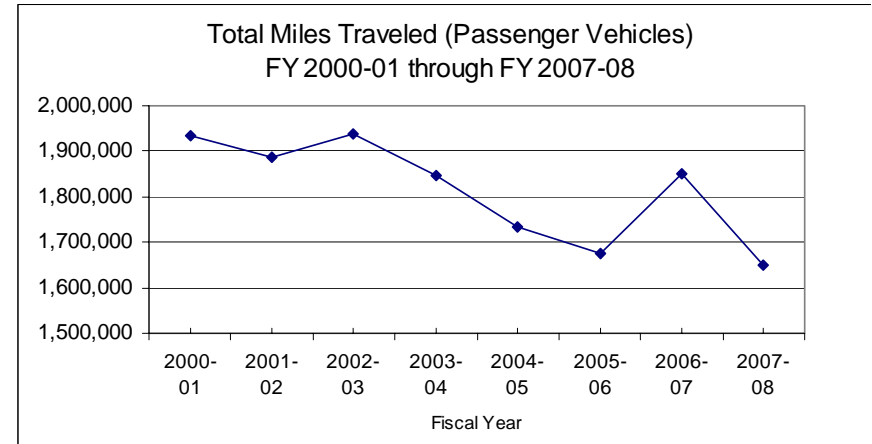
CITY FLEET & EQUIPMENT

The City accounts for its fleet and equipment in the Vehicle Replacement and Maintenance Fund. The Fund provides for the maintenance and replacement of vehicles and equipment.

The department reports that the City's fleet includes 315 light duty vehicles (including police patrol cars and fire response vehicles), 125 heavy equipment items (self-propelled construction equipment such as loaders, backhoes, and motor graders), and 251 other pieces of other equipment (turf equipment, trailers, asphalt rollers, etc.). This includes 62 emergency response vehicles and light duty fire response vehicles.

Vehicle operations and maintenance costs totaled about \$3.7 million in FY 2007-08. The median age of light duty vehicles has increased to 7.4 years. The maintenance cost per light-duty vehicle decreased to \$1,620.

The City Auditor's Office plans to issue a report on the results of its audit of the City fleet in FY2008-09.



Source: Public Works Department

	Operating and maintenance expenditures for vehicles and equipment (in millions)	Authorized staffing (FTE)	Current value of fleet and equipment (in millions)	Number of alternative fuel vehicles ^S	Percent of fleet fuel consumption that is alternative fuels ^S	Total miles traveled (light duty vehicles) ¹	Median mileage of light duty vehicles ¹	Median age of light duty vehicles ¹	Maintenance cost per light duty vehicle ²	Percent of scheduled preventive maintenance performed within five business days of original schedule
FY 2003-04	\$2.7	16	\$11.5	73	-	1,845,362	37,700	5.9	\$1,869	95%
FY 2004-05	\$3.0	16	\$10.9	73	16%	1,731,910	38,897	6.5	\$1,790	96%
FY 2005-06	\$3.2	16	\$11.9	74	19%	1,674,427	41,153	6.8	\$1,781	95%
FY 2006-07	\$3.3	16	\$11.9	79	20%	1,849,600	41,920	6.8	\$1,886	86%
FY 2007-08	\$3.7	16	\$10.8	80	25%	1,650,743	42,573	7.4	\$1,620	74%
Change over last 5 years	+36%	+2%	-6%	+10%	-	-11%	+13%	+25%	-13%	-21%

¹ The Public Works Department defines "light duty vehicles" as automobiles and light trucks (less than 10,000 pounds gross vehicle weight).

² Includes all maintenance costs except for fuel and accident repairs. Includes 30 police patrol cars.

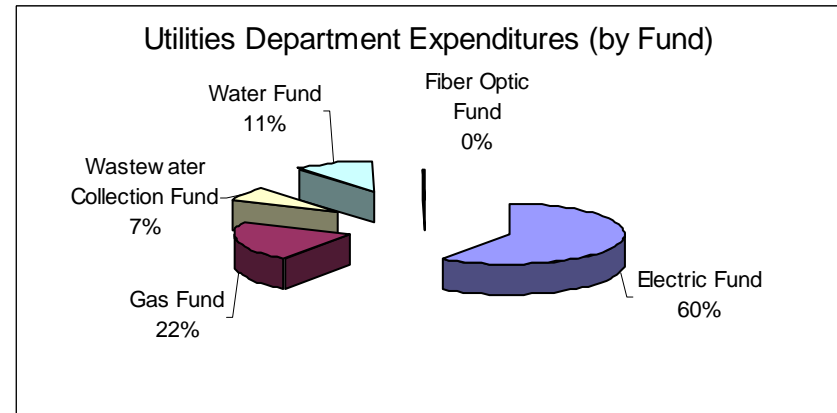
^S Sustainability indicator

CHAPTER 8 – UTILITIES

The mission of the Utilities department is to provide valued utility services to customers and dependable returns to the City.

The department is responsible for the following utility services:¹

- Electric – Founded in 1900, the electric utility purchases and delivers over 975,000 megawatt hours per year to more than 29,000 customers.
- Gas – Founded in 1917, the gas utility purchases and delivers over 32 million therms to over 23,000 customers.
- Water – Founded in 1896, the water system purchases and distributes more than 5 million cubic feet per year to over 19,900 customers.
- Wastewater collection – Founded in 1898, the wastewater collection utility maintains more than 200 miles of sanitary sewer lines, annually transporting over 8 billion gallons of sewage and wastewater to the Regional Water Quality Control Plant.
- Fiber optic services – Launched in 1996, the fiber utility offers “dark” fiber optic network service to Palo Alto businesses and institutions through 40.6 miles of “dark” fiber.



Source: 2007-08 Comprehensive Annual Financial Report

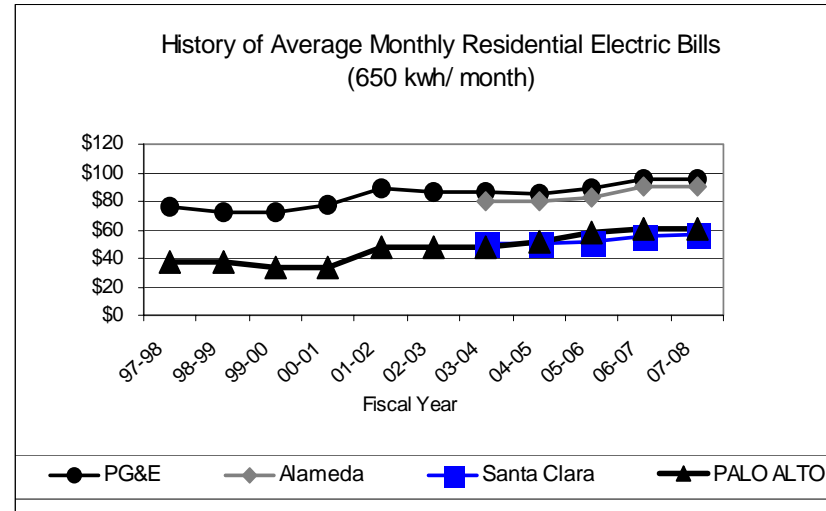
¹ The Public Works Department (see Chapter 7) is responsible for refuse, storm drainage, and wastewater treatment.

ELECTRICITY

Electric utility operating expense totaled \$99.0 million in FY 2007-08, or 44% more than 5 years ago, including electricity purchases of \$71.1 million, or 72% more than 5 years ago.

Although Palo Alto's average residential electric bill has increased by 27% over five years (from \$47.94 to \$60.83 per month), it is far lower than comparable Pacific Gas & Electric (PG&E) rates as shown in the graph on the right.

In 2008, 85% of residents responding to the annual Citizen Survey rated electric utility services good or excellent.



Source: Utilities Department

	Revenues, expenses, and unrestricted reserves (in millions)					Electricity purchases (in millions)	Average purchase cost per MWH ☉	Energy conservation/ efficiency program expense (in millions)	Average monthly residential bill (650 KWH/month)	Authorized staffing (FTE)	Citizen Survey	
	Operating revenue	Operating expense	Capital expense ¹	Equity transfers	Electric Fund reserves						Percent rating electric utility good or excellent ☉	Percent rating street lighting good or excellent
FY 2003-04	\$92.6	\$68.7	\$10.2	\$8.0	\$158.0	\$41.3	\$38.81	\$1.4	\$47.94	124	88% ²	65%
FY 2004-05	\$88.7	\$68.1	\$7.3	\$8.2	\$148.0	\$41.0	\$41.25	\$1.5	\$51.98	117	68% ^{2,3}	63%
FY 2005-06	\$119.4	\$83.1	\$7.2	\$8.5	\$161.3	\$55.6	\$48.62	\$1.2	\$57.93	119	88%	66%
FY 2006-07	\$102.5	\$89.6	\$10.5	\$8.7	\$156.4	\$62.5	\$64.97	\$1.3	\$57.93	114	86%	61%
FY 2007-08	\$103.8	\$99.0	\$10.2	\$9.0	\$145.3	\$71.1	\$76.84	\$1.3	\$60.83	111	85%	64%
Change over last 5 years	12%	44%	0%	13%	-8%	72%	98%	-6%	27%	-10%	-3%	-1%

¹ Includes direct labor, materials, supplies, and contractual services; does not include overhead.

² Prior to FY 2005-06, ratings were based on electric and gas services together.

³ In FY 2004-05, satisfaction with electric and gas services dropped dramatically. In our opinion, three major events may have contributed to the 20-point decline in ratings: (1) gas rates increased 15 percent and electric rates increased 11.5 percent, (2) it was revealed that several employees in the Utilities Department were disciplined due to irregularities, and (3) the City agreed to a settlement with Enron Corporation. Satisfaction rates recovered in FY 2005-06.

MWH megawatt hours

KWH kilowatt hours

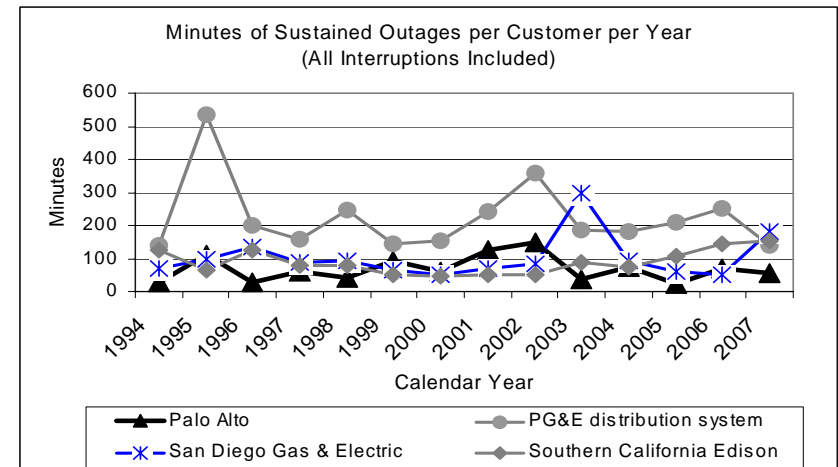
☉ Budget benchmarking measure

ELECTRICITY (cont.)

Residential electricity consumption increased by 3% over the last 5 years (adjusted for population growth, per capita residential electricity usage decreased by 2%), while commercial consumption increased by 2% over the same period. In FY 2007-08, Palo Alto obtained power from several renewable resources, including 53% in the large hydro category, 14% in the qualifying renewable category, and 5% through voluntary subscriptions to the Palo Alto Green program.

By the end of FY 2007-08, 19.7% of customers were enrolled in the PaloAltoGreen program. PaloAltoGreen is a voluntary program available to resident and business customers that offers the option of supporting 100% renewable energy from the wind at some of the lowest rates in the nation.

The number of electric service interruptions and the average minutes per customer affected are highly variable from year to year. Including storm related outages, electric service interruptions over 1 minute in duration were up 36.6% over 5 years ago, and the average minutes per customer affected was up 23% over 5 years ago.



Source: California Public Utilities Commission and Utilities department data

	Number of accounts	Residential MWH consumed ^S	Commercial MWH consumed ^S	Average residential electric usage per capita (MWH/person) ^S	Percent power content ¹			Percent customers enrolled in Palo Alto Green ^{S,⊙}	Electric service interruptions over 1 minute in duration	Average minutes per customer affected [⊙]	Circuit miles undergrounded during the year
					Renewable large hydro facilities ^S	Qualifying renewables ^{S,2}	Voluntary Palo Alto Green program ^{S,⊙}				
FY 2003-04	28,482	158,099	799,927	2.61	60%	7%	0.5%	5.1%	30	43 minutes	0.0
FY 2004-05	28,556	161,440	797,132	2.62	58%	5%	2.1%	12.6%	28	65 minutes	2.0
FY 2005-06	28,653	161,202	804,908	2.58	61%	8%	3.2%	14.6%	39	63 minutes	1.0
FY 2006-07	28,684	162,405	815,721	2.59	84%	10%	4.0%	18.5%	48	48 minutes	1.0
FY 2007-08	29,024	162,680	814,695	2.57	53%	14%	5.0%	19.7%	41	53 minutes	1.2
Change over last 5 years	2%	3%	2%	-2%	-7%	7%	4.5%	14.6%	37%	22%	-

¹ Combined CPAU and Palo Alto Green mix for the calendar year. Calendar year data is reported in the subsequent fiscal year (e.g. calendar year 2005 data is shown in FY 2005-06).

² Qualifying renewable electricity include bio mass, biogas, geothermal, small hydro facilities (not large hydro), solar, and wind. In the 2008-09 Adopted Budget, the City Council established targets of 10% by 2010 and 20% renewable power by 2015.

⊙ Budget benchmarking measure

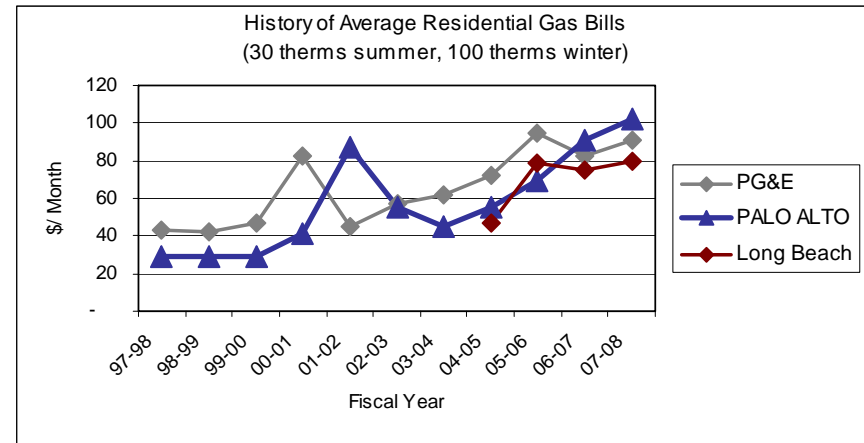
^S Sustainability indicator

GAS

Gas enterprise operating expense totaled \$36.6 million in FY 2007-08, including \$27.2 million in gas purchases (compared to \$15.9 million in gas purchases 5 years ago). Capital spending of \$4.4 million in FY 2007-08 was 20% less than five years ago.

The average monthly residential gas bill increased to \$102.03 last year. This was 125% more than five years ago, and is more than a comparable PG&E bill as shown on the graph on the right.

In 2008, 84% of residents responding to the survey rated gas utility services good or excellent.



Source: Utilities Department data (weighted average of rate changes during year)

	Revenues, expenses, and unrestricted reserves (in millions)					Gas purchases (in millions)	Average purchase cost (per therm)⊙	Average monthly residential bill (30/100 therms per month)	Authorized staffing (FTE)	Citizen Survey
	Operating revenue	Operating expense	Capital expense ¹	Equity transfers	Gas Fund reserves					Percent rating gas utility good or excellent⊙
FY 2003-04	\$24.8	\$23.0	\$5.5	\$2.7	\$20.5	\$15.9	\$0.49	\$45.44	48	88% ²
FY 2004-05	\$31.2	\$26.7	\$5.3	\$2.8	\$12.8	\$18.8	\$0.58	\$59.24	47	68% ^{2,3}
FY 2005-06	\$37.0	\$28.3	\$3.3	\$2.9	\$13.2	\$21.4	\$0.65	\$69.76	47	88%
FY 2006-07	\$42.2	\$30.1	\$3.6	\$3.0	\$16.9	\$22.3	\$0.69	\$90.97	48	85%
FY 2007-08	\$49.0	\$36.6	\$4.4	\$3.0	\$21.8	\$27.2	\$0.82	\$102.03	46	84%
Change over last 5 years	97%	59%	-20%	13%	7%	71%	68%	125%	-4%	-4%

¹ Includes direct labor, materials, supplies, and contractual services; does not include overhead.

² Prior to FY 2005-06, ratings were based on electric and gas services together.

³ In FY 2004-05, satisfaction with gas and electric services dropped dramatically. In our opinion, three major events may have contributed to the 20-point decline in ratings: (1) gas rates increased 15 percent and electric rates increased 11.5 percent, (2) it was revealed that several employees in the Utilities Department were disciplined due to irregularities, and (3) the City agreed to a settlement with Enron Corporation.

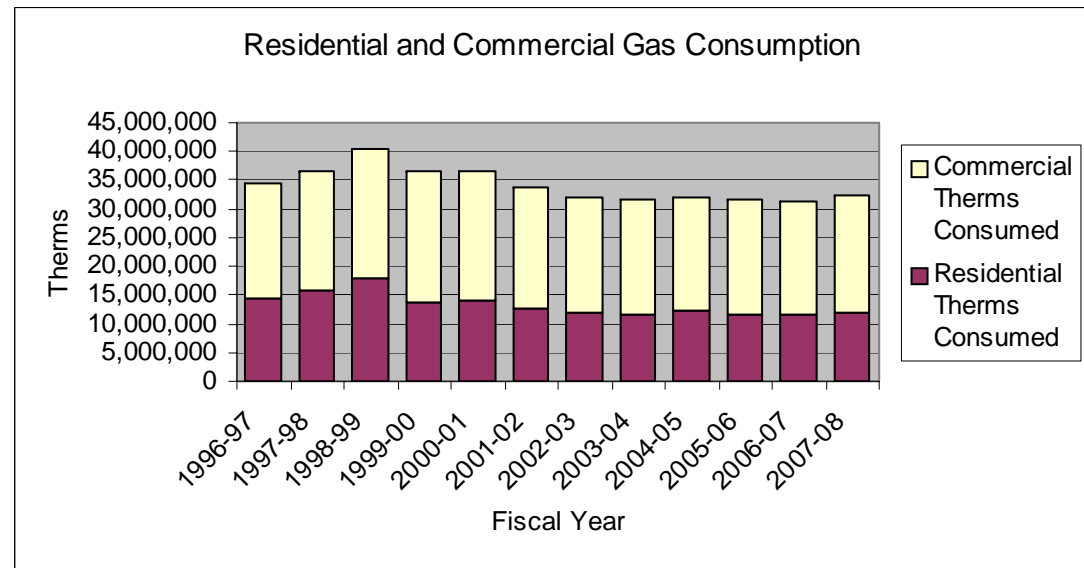
⊙ Budget benchmarking measure

GAS (cont.)

Residents consumed 2% more natural gas in FY 2007-08 than 5 years ago, and businesses consumed 2% more. According to staff, gas usage is weather dependent.

During FY 2007-08, 207 miles of pipeline were surveyed for leaks, and 5.7 miles of gas mains were replaced.

The number of service disruptions and customers affected has decreased since FY 2003-04. In FY 2007-08, there were 18 service disruptions affecting 105 customers. In FY 2007-08, the department responded to 95% of gas leaks within 30 minutes, and completed 95% of mainline repairs within 4 hours.



Source: Utilities Department data

	Customer accounts	Residential therms consumed ^s	Commercial/ industrial therms consumed ^s	Average residential natural gas usage per capita (therms/person) ^s	Number of service disruptions	Total customers affected	Percent gas mainline repairs within 4 hours ¹	Percent response to gas leaks within 30 minutes	Miles of gas main	Miles of pipeline surveyed for leaks	Miles of gas main replaced during year [Ⓞ]
FY 2003-04	23,216	11,700,335	19,806,752	193	37	850	100%	100%	207	207	5.7
FY 2004-05	23,301	12,299,158	19,765,077	200	31	639	97%	98%	207	207	2.8
FY 2005-06	23,353	11,745,883	19,766,876	188	19	211	100%	90%	207	207	2.8
FY 2006-07	23,357	11,759,842	19,581,761	188	18	307	90%	95%	207	207	2.3
FY 2007-08	23,502	11,969,151	20,216,975	189	18	105	95%	95%	207	207	5.7
Change over last 5 years	1%	2%	2%	-2%	-51%	-88%	-5%	-5%	0%	0%	0%

¹ Utilities Strategic Plan performance objective

^s Sustainability indicator

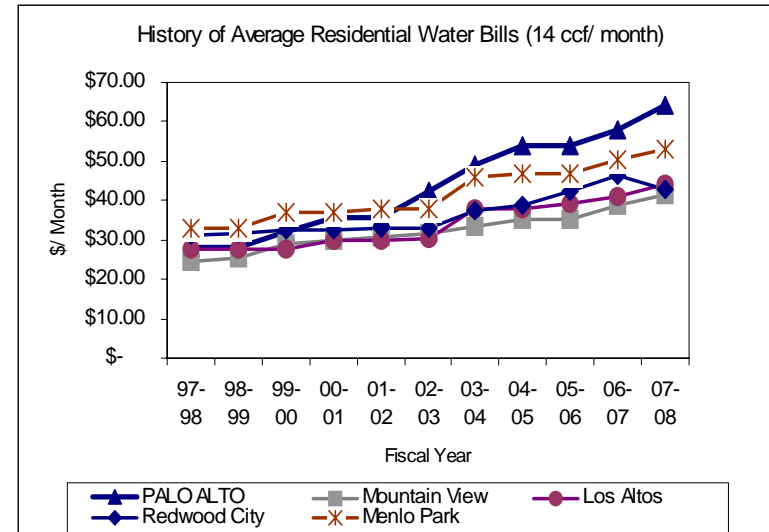
[Ⓞ] Budget benchmarking measure

WATER

The City of Palo Alto Utilities Department constructs, maintains, and operates the water delivery system. About 85% of the water Palo Alto purchases from the San Francisco Public Utilities Commission (SFPUC) originates from high Sierra snowmelt. This water, stored in Hetch Hetchy Reservoir in Yosemite National Park, is of such high quality that it is exempt from federal and state filtration requirements. The other 15% of SFPUC water comes from rainfall and runoff stored in the Calaveras and San Antonio Reservoirs located in Alameda and Santa Clara counties, and supplemented by groundwater in Sunol. The SFPUC treats and filters these local water sources prior to delivery to its consumers.

Over the last 5 years,

- Operating expense increased 14%, including a 12% increase in the cost of water purchases.
- Capital spending increased from \$3.0 million to \$3.4 million.
- The average residential water bill increased 31% to \$64.21 per month.
- As shown in the graph on the right, Palo Alto's average residential water bill has moved higher than the other jurisdictions surveyed.



Source: Utilities Department data

Note: Cities may allocate costs differently and may have different levels of capital investment.

Revenues, expenses, and unrestricted reserves (in millions)

	Operating revenue	Operating expense	Capital expense ¹	Equity transfers	Water Fund reserves	Water purchases (millions)	Average purchase cost (per CCF)⊙	Average residential water bill	Authorized staffing (FTE)	Total Water in CCF sold (millions)
FY 2003-04	\$22.0	\$16.0	\$3.0	\$2.3	\$23.9	\$7.5	\$1.16	\$49.07	41	6.0
FY 2004-05	\$21.0	\$15.0	\$4.6	\$2.4	\$22.2	\$6.7	\$1.17	\$54.12	41	5.3
FY 2005-06	\$20.8	\$15.3	\$4.7	\$2.4	\$19.2	\$6.5	\$1.13	\$54.12	41	5.2
FY 2006-07	\$23.5	\$16.3	\$3.9	\$2.5	\$21.3	\$7.8	\$1.32	\$58.17	45	5.5
FY 2007-08	\$26.5	\$18.3	\$3.4	\$2.6	\$26.4	\$8.4	\$1.41	\$64.21	46	5.5
Change over last 5 years	+21%	+14%	+12%	+13%	+11%	+12%	+21%	+31%	+13%	-7%

¹ Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

CCF hundred cubic feet

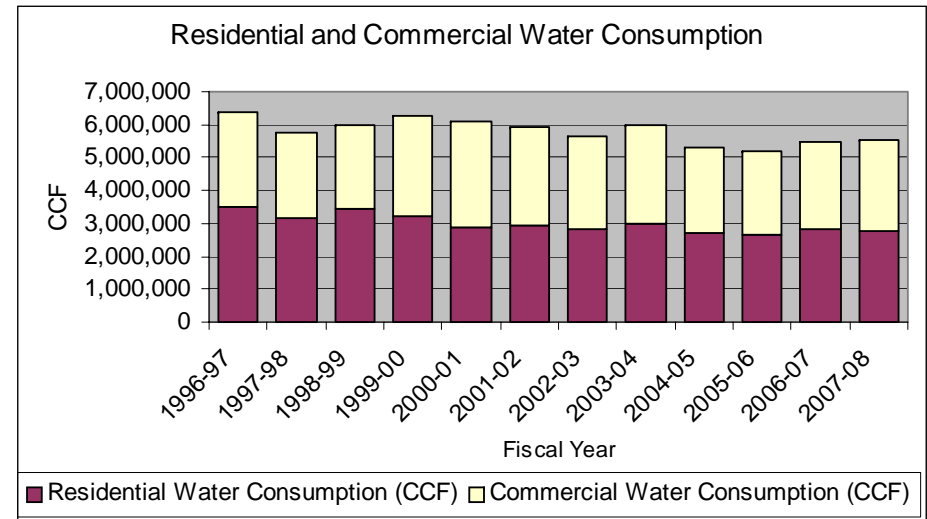
⊙ Budget benchmarking measure

WATER (cont.)

Residential water consumption is down 8% from five years ago. On a per capita basis, residents are using 12% less water than five years ago. Commercial water consumption is down 6% from five years ago. Water consumption, like that of natural gas, is highly weather dependent. Palo Alto's Water Utility revenues are based entirely on consumption (some water agencies bill on a combination of consumption and fixed monthly charges).

The number of service disruptions varies from year to year. Due to a problem with the outage notification system, the total number of customers affected by service disruptions was not tracked. Since July 2008, a different tracking system has been implemented.

In 2008, 87% of residents responding to the survey rated water utility services good or excellent. Palo Alto was in the 99th percentile compared to other jurisdictions. The water quality improved due to more frequent water main flushing.



Source: Utilities Department data

	Water consumption				Number of service disruptions	Total customers affected	Percent water main repairs responded to within 4 hours ^{⊙2}	Miles of water mains	Estimated miles of water mains replaced	Water quality compliance with all required Calif. Department of Health and EPA testing ^s	Citizen Survey
	Customer accounts	Residential water consumption (CCF) ^s	Commercial water consumption (CCF) ^{1,s}	Average residential water usage per capita (CCF) ^s							Percent rating water utility good or excellent [⊙]
FY 2003-04	19,557	3,000,645	2,962,121	50	16	303	95%	226	3	100%	75%
FY 2004-05	19,605	2,686,507	2,644,817	44	10	193	100%	226	3	100%	81%
FY 2005-06	19,645	2,647,758	2,561,145	42	11	160	100%	219	0	100%	85%
FY 2006-07	19,726	2,807,477	2,673,126	45	27	783	97%	219	3	100%	79%
FY 2007-08	19,942	2,746,980	2,779,664	43	17	-	97%	219	3	100%	87%
Change over last 5 years	+2%	-8%	-6%	-12%	+6%	-	+2%	-3%	0%	0%	+12%

¹ Includes commercial, public, and City facilities.

² Prior to FY 2007-08, the benchmarking measure was percent water main repairs within 4 hours. In FY 2007-08, the department had a goal of responding to 95% or more water breaks within 1 hour. The department continues to track responses within 4 hours.

[⊙] Budget benchmarking measure

^s Sustainability indicator

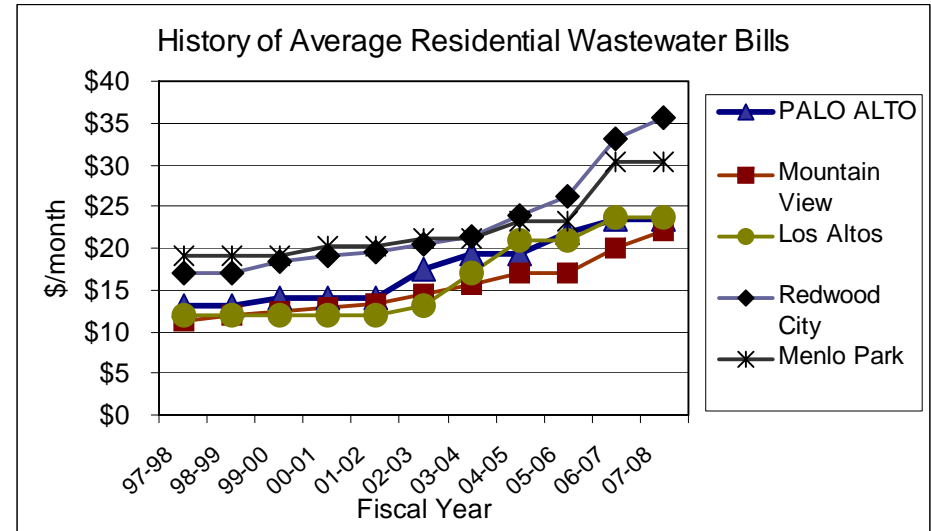
WASTEWATER COLLECTION

The department cleaned or treated 80 miles of the City's 202 miles of sewer lines in FY 2007-08. There were 174 sewage overflows in calendar year 2007. The department responded to 99% of sewage spills and line blockages within 2 hours.

In the 2008 Citizen Survey, 81% of respondents rated sewer services good or excellent. This placed Palo Alto in the 92nd percentile compared to other jurisdictions.

Over the past 5 years,

- Operating expense increased 28%.
- Capital spending increased to \$3.6 million in FY 2007-08.
- The average residential bill increased from \$19.25 to \$23.48, or 22%. As shown on the right, Palo Alto's residential bill is mid-range of other cities.



Source: Utilities Department data

Note: Cities may allocate costs differently and may have different levels of capital investment.

Revenues, expenses, and unrestricted reserves (in millions)

	Revenues, expenses, and unrestricted reserves (in millions)				Average residential sewage bill	Authorized staffing (FTE)	Customer accounts	Miles of sewer lines	Miles of mains cleaned/treated [⊙]	Estimated miles of sewer lines replaced	Number of sewage overflows (calendar year) ²	Percent sewage spills and line blockage responses within 2 hours [⊙]	Citizen Survey
	Operating revenue	Operating expense	Capital expense ¹	Wastewater Collection Fund reserves									Percent rating quality of sewer services good or excellent [⊙]
FY 2003-04	\$12.6	\$9.1	\$2.8	\$13.6	\$19.25	23	21,830	202	79	3	-	99%	80%
FY 2004-05	\$12.0	\$8.9	\$3.8	\$13.5	\$19.25	24	21,763	202	115	5	-	99%	82%
FY 2005-06	\$13.8	\$10.8	\$2.4	\$14.5	\$21.85	23	21,784	202	89	0	310	99%	83%
FY 2006-07	\$14.8	\$10.0	\$7.7	\$12.4	\$23.48	25	21,789	202	140	7	152	99%	82%
FY 2007-08	\$15.1	\$11.7	\$3.6	\$13.8	\$23.48	28	21,970	202	80	2	174	99%	81%
Change over last 5 years	+19%	+28%	+29%	+1%	+22%	+23%	+1%	0%	+1%	-33%	-	0%	+1%

¹ Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

² In 2007, the State Water Resources Control Board changed the tracking and reporting requirements for sewer overflows. Under the new requirements, the department must report all sewage overflows.

⊙ Budget benchmarking measure

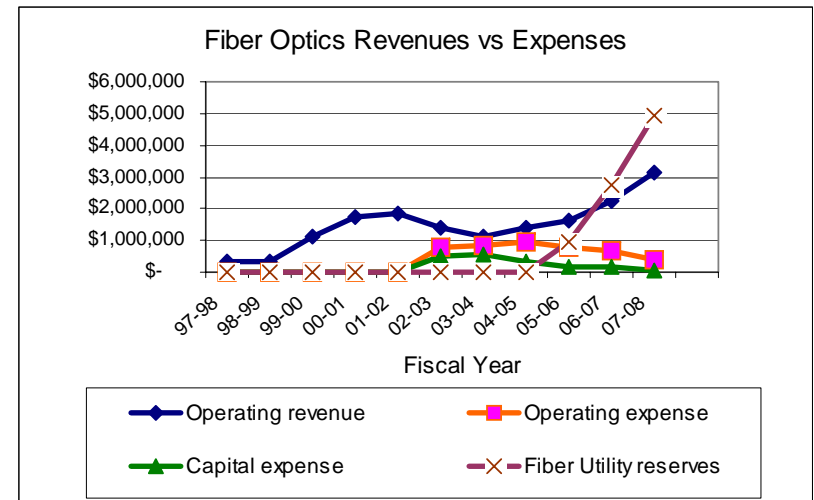
FIBER OPTIC UTILITY

Launched in 1996, the commercial fiber optics utility offers “dark”¹ fiber optic network service to the Palo Alto business community. The system is comprised of a 40.6-mile fiber optic “backbone ring”, with customers connected via fiber optic “service connections”. New customers pay the construction fees required to connect to the fiber optics backbone.

Over the past 5 years,

- Operating revenue increased by 173%, while operating expense declined by 51%.
- The number of service connections grew 132%.

Palo Alto currently provides service to 45 business customers (including resellers and home-based businesses) and several City departments (including Utilities, Libraries, the Wastewater Treatment Plant, Foothills Park Interpretive Center, and traffic signals). Fiber Optic staff has been marketing the fiber optic infrastructure system in order to attract new customers and retain existing customers. Per City Council direction, City staff is also exploring opportunities with a consortium of firms to build an ultra high-speed broadband network (also known as “fiber to the premises”).



Source: Utilities Department

Revenues, expenses, and unrestricted reserves
(in millions)

	Operating revenue	Operating expense ²	Capital expense ²	Fund balance ³	Number of customer accounts	Number of service connections	Service connection fiber miles	Backbone fiber miles	Authorized staffing (FTE)
FY 2003-04	\$1.1	\$0.8	\$0.6	-	34	99	25.4	-	7.0
FY 2004-05	\$1.4	\$1.0	\$0.3	-	39	116	30.6	-	5.4
FY 2005-06	\$1.6	\$0.8	\$0.2	\$1.0	42	139	34.8	-	4.9
FY 2006-07	\$2.2	\$0.7	\$0.1	\$2.7	49	161	39.5	40.6	3.1
FY 2007-08	\$3.1	\$0.4	\$0.1	\$5.0	41	173	59.0	40.6	0.7
Change over last 5 years	+173%	-51%	-86%	-	+21%	+75%	+132%	-	-90%

¹ Dark fiber is optical fiber that is laid in the ground, but not used. Customers connect to dark fiber to transmit data, creating “lit” fiber.

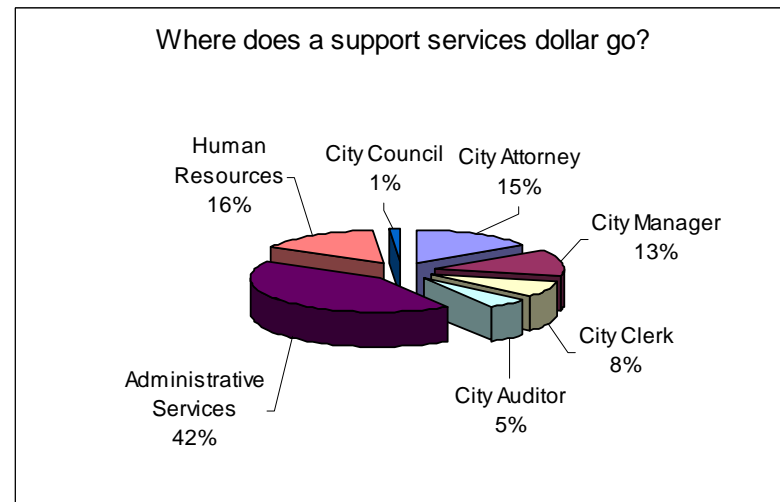
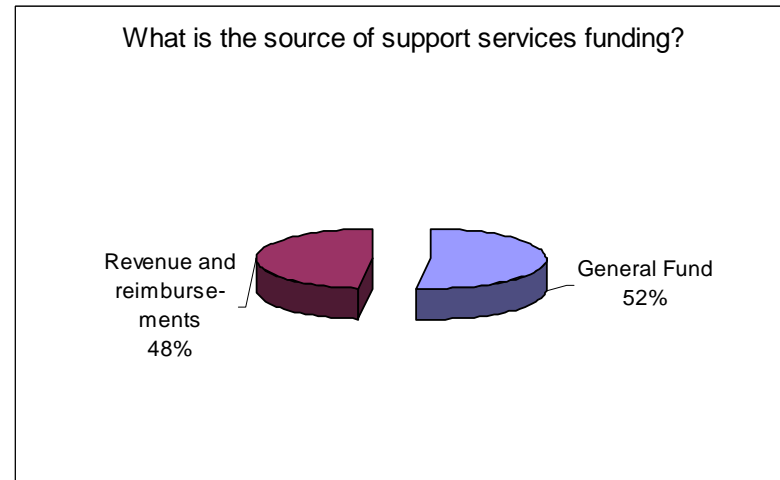
² Includes direct labor, materials, supplies, contract services, and allocated charges; does not include overhead.

³ The Fiber Utility was a sub-fund within the Electric Fund. The original fiber backbone was funded with a \$2 million loan from the Electric Fund; the current loan balance is \$1.9 million.

CHAPTER 9 – LEGISLATIVE AND SUPPORT SERVICES

Legislative and support services include:

- Administrative Services Department – provides financial support services, property management, money management, financial analysis and reporting, purchasing, and information technology services.
- Human Resources – provides employee compensation and benefits, recruitment, employee and labor relations, employee development, and risk management services.
- City Manager – provides leadership to the organization in the implementation of City Council policies and the provision of quality services to the community. The Office also coordinates City Council relations, community and intergovernmental relations, and economic resources planning.
- City Attorney – provides legal representation, consultation and advice, and litigation and dispute resolution services.
- City Clerk – provides public information, Council support, administers elections, preserves the legislative history of the City, and provides oversight of administrative citation hearings.
- City Auditor – coordinates performance audits and reviews of City departments, programs, and services; revenue audits; and the annual external financial audit.
- City Council

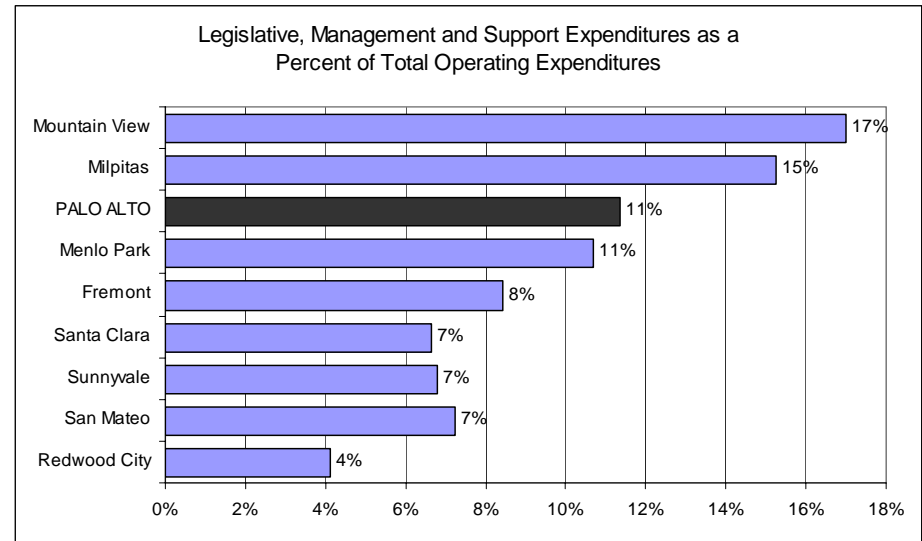


Source: FY 2007-08 revenue and expenditure data

SPENDING AND STAFFING

Palo Alto's legislative, management and support expenditures (about 11%) were 3rd highest of 9 local jurisdictions. It should be noted that jurisdictions offer different levels of service and classify expenditures in different ways.

- Administrative Services Department expenditures were about \$7.3 million in FY 2007-08. The department had a total of 101 authorized staff.²
- Human Resources expenditures were approximately \$2.7 million in FY 2007-08. The department had a total of 16 authorized FTE.
- Spending in the Office of the City Manager was about \$2.25 million in FY 2007-08. The Office had a total of 12 authorized FTE.
- Spending for the Office of the City Attorney, including outside legal fees, was about \$2.7 million in FY 2007-08. The Attorney's Office had 12 authorized FTE.
- Spending in the City Clerk's Office was about \$1.3 million in FY 2007-08. The Clerk's Office had 7 authorized FTE.
- The City Auditor's Office expenditures were about \$0.9 million in FY 2007-08. The Office had 4 authorized FTE.



Source: State of California Cities Annual Report FY 2005-06

	Operating expenditures (in millions)							Authorized staffing (FTE)					
	Administrative Services	Human Resources	City Manager	City Attorney	City Clerk ³	City Auditor	City Council	Administrative Services ²	Human Resources	City Manager	City Attorney	City Clerk	City Auditor
FY 2003-04	\$6.7 ¹	\$2.3	\$1.7	\$2.4	\$0.9	\$0.7	\$0.3	102	15	11	15	6	4
FY 2004-05	\$6.7	\$2.5	\$1.7	\$2.6	\$0.8	\$0.8	\$0.1	103	15	11	14	6	4
FY 2005-06	\$6.6	\$2.5	\$1.6	\$2.6	\$1.0	\$0.9	\$0.1	98	15	9	12	6	4
FY 2006-07	\$7.0	\$2.6	\$1.9	\$2.5	\$0.9	\$0.9	\$0.2	99	16	9	12	7 ³	4
FY 2007-08	\$7.3	\$2.7	\$2.25	\$2.7	\$1.3	\$0.9	\$0.2	101	16	12	12	7	4
Change over last 5 years	10%	18%	30%	12%	50%	24%	-13%	-1%	1%	6%	-23%	16%	10%

¹ In FY 2003-04, information technology expenditures moved to the Technology Fund (an internal service fund). Allocated IT costs are now shown in each department based on their use of IT services.

² Includes Administrative Services Department staff charged to other funds.

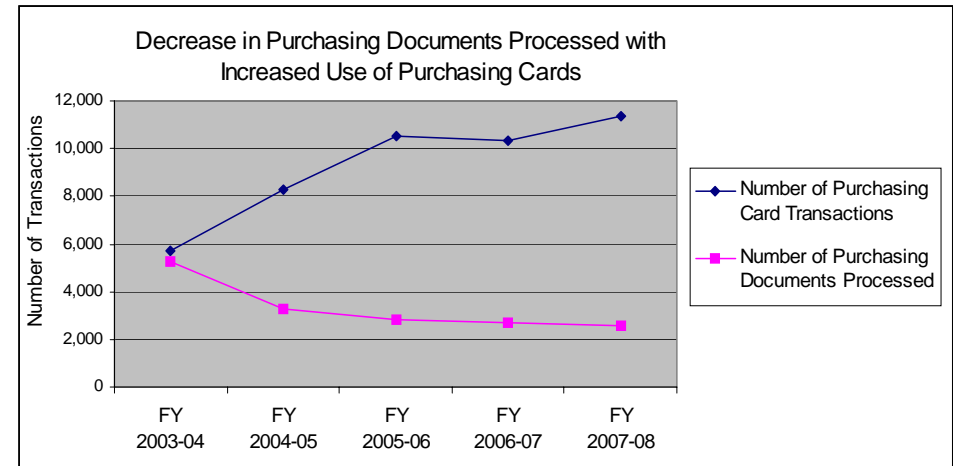
³ In FY 2006-07, the City Clerk's Office absorbed the Administrative Citation Hearings function from the Police Department. According to the department, FY 2007-08 operating expenditures increased due to increases in public hearing advertising, board and commission recruitment, election costs, and ethics training.

ADMINISTRATIVE SERVICES

The mission of the Administrative Services Department (ASD) is to provide proactive administrative and technical support to City departments and decision makers, and to safeguard and facilitate the optimal use of City resources. ASD encompasses a variety of services that might well be separate departments in a larger city.

The department monitors the City’s cash and investments. In FY 2007-08, the rate of return was 4.45%. The City’s overall AAA rating from Standard & Poor’s is the highest general city credit rating possible.

As shown in the chart on the right, the number of purchasing documents processed (through purchase orders and contracts) over the last 5 years is dropping with the increased use of purchasing cards for smaller transaction amounts. According to City staff, in FY 2007-08 the average dollar value for each purchasing document processed was \$46,000 (for a total amount of \$117.2 million) compared to the average dollar value for each purchasing card transaction of \$298 (for a total amount of \$3.4 million). According to staff, the increase in purchasing card transactions for lower-priced goods helps staff to focus more time on purchase orders and contracts involving higher dollar values and services.



Source: Administrative Services Department Purchasing Information

IT operating and maintenance expenditures as a percent of total operating expenditures increased 4.9% in FY 2007-08. According to the department, this increase is largely due to a portion of the SAP upgrade project cost.

	Cash and investments (in millions)⊙	Rate of return on investments ⊙	General Fund reserves (in millions) ¹	Number of accounts payable checks issued⊙	Percent invoices paid within 30 days⊙	Number of purchasing documents processed ⊙	Dollar value goods and services purchased (in millions)	Number computer work-stations	Requests for computer help desk services resolved within 5 days	IT operating and maintenance expenditures as a percent of total operating expenditures ²	Citizen Survey	
											Percent who visited the City's website <NEW>	Percent who watched a public meeting on cable TV
FY 2003-04	\$402.7	4.48%	\$60.1	17,763	80% est.	5,265	\$70.6	978	90%	2.4%	27%	
FY 2004-05	\$367.3	4.24%	\$24.5 ³	16,813	80% est.	3,268	\$70.2	1,000	89%	4.0%	29%	
FY 2005-06	\$376.2	4.21%	\$26.3	15,069	80% est.	2,847	\$61.3	1,000	87%	3.9%	31%	
FY 2006-07	\$402.6	4.35%	\$31.0	14,802	80% est.	2,692	\$107.5	1,000	87%	3.3%	26%	
FY 2007-08	\$375.7	4.45%	\$31.3	14,480	83% est.	2,549	\$117.2	1,000	88%	4.9%	78%	26%
Change over last 5 years	-7%	-0.03%	-48%	-18%	3%	-52%	66%	2%	-2%	3%	-	-1

¹ Total unreserved/designated fund balances

² Amounts are estimated and adjusted to exclude IT services provided to the Utilities Department.

³ In FY 2004-05, the Infrastructure Reserve balance of \$35.9 million was transferred from the General Fund to the Capital Projects Fund.

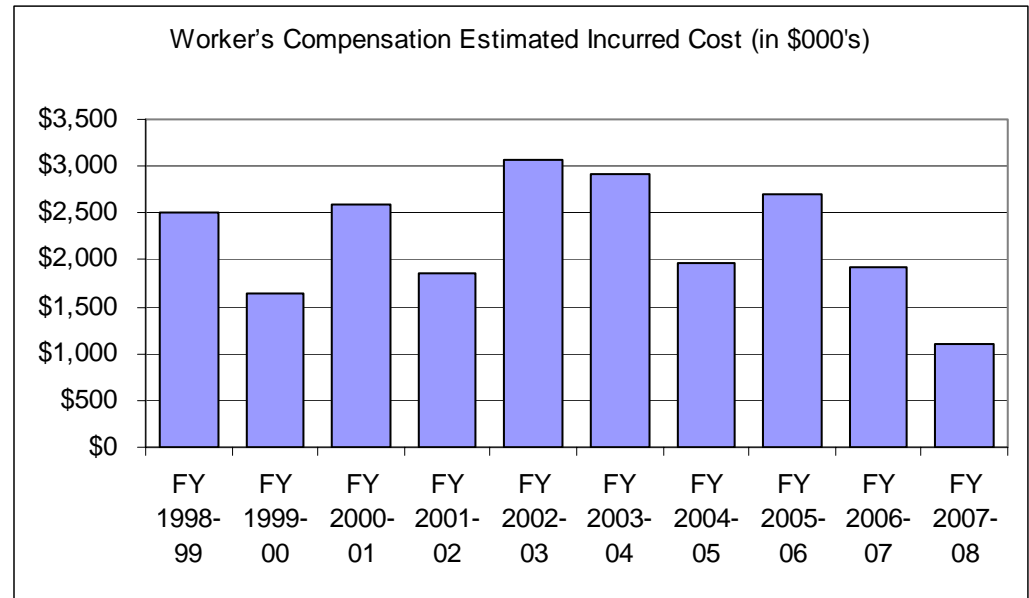
⊙ Budget benchmarking measure

HUMAN RESOURCES

The mission of the Human Resources (HR) department is to recruit, develop and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve and to provide a high level of support to City departments.³

The ratio of HR staff to total City staff is 1 to 73. The department coordinated more than 9,000 hours of employee training in FY 2007-08.⁴

The estimated incurred cost for workers' compensation claims has declined in each of the last 3 years, however it should be noted that early estimates of current claim costs often continue to grow as claims develop. In FY 2007-08, 1,458 calendar days were lost to work-related illness or injury.



Source: Human Resources Department

	Ratio HR staff to total authorized staffing (FTE)	Number of new hires processed ⁴ ⊙	Percent of first year turnover ⊙	Percent of grievances settled before arbitration	Citywide training hours provided ⊙	Worker's Compensation estimated incurred cost (in millions) ¹	Calendar days lost to work-related illness or injury ⁵
FY 2003-04	1 to 76	51	7%	100%	19,080 ²	\$2.8	-
FY 2004-05	1 to 79	128	0%	67%	9,537	\$1.9	2,836
FY 2005-06	1 to 75	125	3%	100%	8,052	\$1.7	2,592
FY 2006-07	1 to 74	138	7%	100%	7,121	\$1.4 ¹	1,676
FY 2007-08	1 to 73	157	9%	100%	9,054	\$1.1	1,458
Change over last 5 years	-4%	208%	2%	0%	-56%	-62%	-

¹ Early estimates of current claim costs grow as claims develop. Prior year estimates are revised to reflect current estimated costs for claims incurred during that fiscal year.

² Training hours were significantly higher than normal in FY 2003-04 due to citywide implementation of SAP computer system.

³ Information about citywide staffing levels is shown on page 20 of this report.

⁴ Includes transfers and internal promotions.

⁵ Due to a change in federal reporting requirements, the number of days lost to work-related illness or injury is now based on calendar days, not work days.

⊙ Budget benchmarking measure

CITY MANAGER, CITY ATTORNEY, CITY CLERK, CITY AUDITOR

The mission of the City Manager’s Office is to provide leadership to the organization in the implementation of City Council policies and the provision of quality services to the community. The City Manager’s Office coordinated preparation of 372 City Manager Reports (CMRs) during FY 2007-08. The City Manager’s Office also coordinates public information services.

The mission of the City Attorney’s Office is to serve Palo Alto and its policy makers by providing legal representation of the highest quality. The current ratio of staff attorneys to regular full-time equivalent employees is 1 to 195.

The mission of the City Clerk’s Office is to foster community awareness and civic involvement by providing timely and accurate records of the activities of City Policy makers. In FY 2007-08, the average time to finalize City Council minutes increased from 4 to 6 weeks. According to the department, staffing changes contributed to the increase.

The mission of the City Auditor’s Office is to promote honest, efficient, effective, and fully accountable City Government. The Office conducts performance audits, revenue audits, and coordinates the annual external audit of the financial statements. In FY 2007-08, revenue audit recoveries totaled \$149,810, and the office made 56 audit recommendations.

	City Manager			City Attorney			City Clerk	City Auditor	
	Number of City Manager Reports (CMRs) issued⊙	<u>Citizen Survey</u> Percent rating public information services good or excellent⊙	<u>Citizen Survey</u> Percent respondents read Palo Alto newsletter in last 12 months⊙	Number of claims handled⊙	work requests processed ⊙	Ratio staff attorneys to total employees (FTE)	Average time to finalize City Council minutes⊙	Number of audit recommendations⊙	Revenue audit recoveries⊙
FY 2003-04	381	76%	62%	130	1,284	1 to 176	4 weeks	85	\$140,461
FY 2004-05	369	74%	63%	144	1,635	1 to 170	4 weeks	49	\$232,895
FY 2005-06	336	72%	84%	107	2,123	1 to 172	4 weeks	53	\$917,597
FY 2006-07	341	73%	83%	149	2,511	1 to 193	4 weeks	27	\$78,770
FY 2007-08	372	76%	83%	160	2,957	1 to 195	6 weeks	56	\$149,810
Change over last 5 years	-2%	0%	21%	23%	130%	12%	50%	-34%	7%

⊙ Budget benchmarking measure

