



The City of Palo Alto, California

A Report to Our Residents



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The City of Palo Alto's Values

- **Quality**— Superior delivery of service
- **Courtesy**— Providing service with respect and concern
- **Efficiency**— Productive, effective use of resources
- **Integrity**— Straight-forward, honest and fair
- **Innovation**— Excellence in creative thought and implementation

City Organization and Information

Incorporated in 1894, the City of Palo Alto covers 26 square miles and is located in the heart of Silicon Valley. Palo Alto has over 64,000 residents and our daytime population can expand to 98,000. 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.

The City of Palo Alto offers expanded service delivery including fire protection service for Stanford and Los Altos Hills. The Regional Water Quality Control Plant serves the cities of Palo Alto, Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto. Palo Alto owns and operates its own utility system, including electricity, gas, water, wastewater treatment, refuse, storm drain, and fiber optics.

City residents elect 9 members to the City Council to serve staggered four-year terms. Each January, Council members select a Mayor and Vice-Mayor. The City operates under a Council-manager form of government.

Demographics Information	FY 2008	FY 2009
Population	63,098	64,484
Average travel time to work*	21 minutes	21 minutes
Median household income*	\$119,000	\$126,740
Average single-family home price*	\$1,872,855	\$1,759,870
Number of authorized City staff	1,168	1,150

Palo Alto means "tall tree." The City's name is derived from a large Redwood tree standing in the City. According to historical accounts, Spanish explorers used the tree as a landmark and called it Palo Alto.

* Figures based on prior calendar year data



How We Have Progressed

Progress in Fiscal Year 2009



City Council Top Priority Areas for 2009

- ▶ Environmental Protection
- ▶ Civic Engagement for the Common Good
- ▶ Economic Health of the City

Key Measures

Community Indicators

	FY 2008	FY 2009	Met Target or Exceeded Survey Benchmark in FY 2009
Public Safety			
Average response to fire calls within 8 minutes	79%	91%	✓
Residents rating emergency preparedness good or excellent	71%	62%	✓
Police response to emergency calls within 6 minutes	81%	81%	
Number of crimes committed per 1,000 population	72	64	N/A
Quality of Life			
Residents rating Palo Alto's overall quality of life as good or excellent	91%	93%	✓
Residents rating Palo Alto as a place to raise children as good or excellent	94%	91%	✓
Residents rating quality of services to seniors as good or excellent	81%	82%	✓
Total enrollment in Community Services classes and camps	19,018	17,608	N/A

Top Priority Areas

Environmental Protection			
Residents rating quality of Palo Alto's overall natural environment as good or excellent	85%	84%	✓
Estimated CO2 metric ton emissions from electricity, gas, and fuels from City operations	23,866	21,489	N/A
Residents reporting that they recycled used paper, cans or bottles from their home	99%	99%	✓
Civic Engagement for the Common Good			
Residents rating Palo Alto's job at welcoming citizen involvement as good or excellent	57%	56%	✓
Economic Health of the City			
Net General Fund Cost per Resident	\$1,616	\$1,597	N/A
Percent of reserves maintained (Budget Stabilization Reserve)	18.5%	18.5%	✓
Residents rating overall quality of business establishments as good or excellent	77%	73%	✓

Fiscal Year 2009 Accomplishments

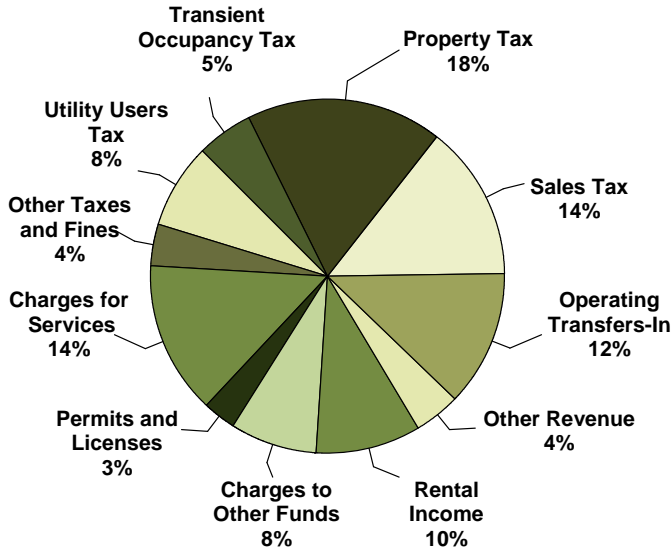
- ◆ PaloAltoGreen, a utilities program offering customers the option to purchase 100% renewable energy, had the highest participation rate in the nation with [approximately 20%](#) of customers participating.
- ◆ The City Council adopted a Plastic Bag Ordinance designed to increase use of reusable bags and decrease impact to our creeks, streams, and the bay. From Fall 2008 to Fall 2009, [reusable bag usage increased from 9% to 18%](#).
- ◆ Effective July 1, 2009 the City implemented a [new contract for garbage collection and recycling](#).
- ◆ The City's General Fund maintained its [AAA rating](#), the highest credit rating possible. Standard & Poor's also upgraded the City's 2002 Utility Revenue bonds from AA- to AAA and granted the City's 2009 Water Revenue Bonds a AAA rating. These ratings allow the City to borrow at a lower rate and reduce interest rate costs.



The City's Finances

Revenues and Expenses

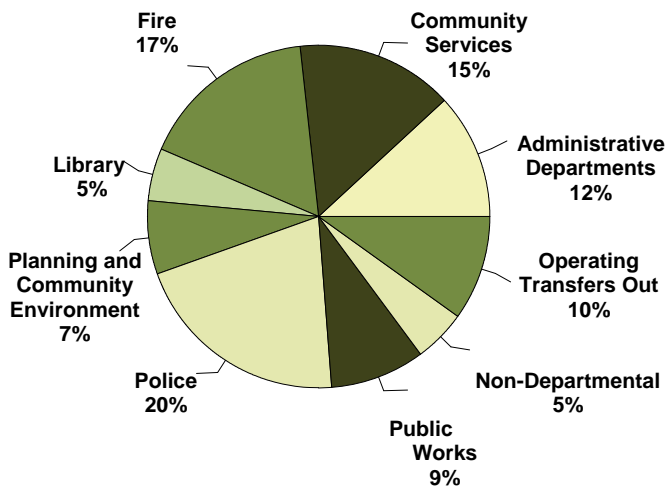
Primary Sources of General Fund Revenue



Revenue By Source	FY 2008 Actual Revenue	FY 2009 Actual Revenue
Sales Tax	\$22.6 million	\$20.1 million
Property Tax	\$23.1 million	\$25.4 million
Transient Occupancy Tax	\$8.0 million	\$7.1 million
Utility Users Tax	\$10.3 million	\$11.0 million
Other Taxes and Fines	\$7.8 million	\$5.4 million
Charges for Services	\$19.3 million	\$19.8 million
Permits and Licenses	\$4.8 million	\$4.3 million
Charges to Other Funds	\$10.9 million	\$11.2 million
Rental Income	\$13.6 million	\$13.7 million
Other Revenue	\$7.9 million	\$6.0 million
Operating Transfers-In	\$17.1 million	\$17.6 million
Encumbrance/Reappropriation ¹	\$3.6 million	\$4.5 million
Total Revenue:	149.0 million	146.1 million

Total revenues decreased by nearly \$3 million from FY 2008 to FY 2009. This is partially due to decreases in sales taxes and transient occupancy taxes.

Primary General Fund Expenses



Expenses By Use	FY 2008 Expenses	FY 2009 Expenses
Administrative Departments	\$17.4 million	\$16.4 million
Community Services	\$21.2 million	\$21.1 million
Fire	\$24.0 million	\$23.4 million
Library	\$6.8 million	\$6.2 million
Planning and Community Environment	\$9.7 million	\$9.9 million
Police	\$29.4 million	\$28.3 million
Public Works	\$12.9 million	\$12.9 million
Non-Departmental	\$7.4 million	\$6.8 million
Operating transfers for Capital Projects and Debt Service	\$13.6 million	\$15.8 million
Encumbrance ¹	\$4.5 million	\$5.9 million
Total Expenses:	\$146.9 million	146.7 million

Source: Revenue based on Comprehensive Annual Financial Reports, Expenses based on operating financial data, numbers are rounded.
¹ Encumbrances added to reconcile to Comprehensive Annual Financial Reports.

Independent Audit

An [independent audit](#) of the City's financial statements resulted in a clean audit opinion.



What's Next?

Economic Outlook and Moving Forward

City's Economic Outlook

- ◆ In FY 2009, the City experienced a General Fund shortfall totaling \$8 million, which it ultimately balanced through one-time cuts. As of December 2009, the estimated FY 2010 General Fund budget deficit totaled \$15.4 million. The City already closed \$10 million of this gap through a three-pronged approach consisting of one-time reductions, program cuts, and reductions in employee compensation, and is in the process of identifying steps to resolve the remaining deficit. The City's long range financial forecast projects budget deficits in future years.
- ◆ In addition, the City identified a \$153 million backlog in FY 2009 for needed improvements and repairs to streets, sidewalks, facilities, and parks. Total infrastructure needs through FY 2028 are estimated at \$302 million. To fully address infrastructure, staff estimates the City will need to identify about \$6 million more each year to augment the current \$9 million in annual infrastructure funding.
- ◆ Despite fiscal constraints, a majority of surveyed residents (64%) feel the City will continue to provide valuable services. According to the City Manager:

"The economic downturn is a significant challenge for Palo Alto and will demand that the City explore new and more creative ways of doing business and partnering with our community. The City maintains strong baseline relationships with a variety of non-profit organizations that support City programs and services. However, the City needs to add to such partnerships and find new ways of creating synergies between the City and these groups. The economic challenges will also force the organization to become more nimble and agile in the ways in which it provides services to the community. Staff will need to constantly evaluate the provision of services to ensure efficiency and effectiveness."

Moving Forward: Library Capital Improvements

- ◆ In November 2008, Palo Alto [voters approved a \\$76 million bond measure \(Measure N\)](#) to fund improvements for the Mitchell Park, Downtown, and Main libraries and the Mitchell Park Community Center. In addition, the City allocated \$4 million in infrastructure funds to renovate the College Terrace Library.
- ◆ Designs for these major capital improvements are underway. The new joint library and community center facility is expected to open in 2012.



Approved design for the new Mitchell Park Library and Community Center by Group 4 Architecture

Continuing to Provide Valuable Services

For several years, surveyed residents have given the City of Palo Alto high ratings in a variety of areas. The 2009 survey results continue to show Palo Alto residents value the City's services and community amenities. The City is in the top 10% of surveyed jurisdictions nationally in 23 areas, including the following:

	National Ranking
Overall image and reputation	99th Percentile
Educational Opportunities	98th Percentile
Place to work	98th Percentile
Services to low income residents	97th Percentile
Animal Control	97th Percentile
Ease of bicycle travel in Palo Alto	97th Percentile
Services to seniors	95th Percentile
Opportunities to participate in community matters	94th Percentile
City parks	94th Percentile
Recreation programs and classes	90th Percentile

About Citizen Centric Reporting

The Association of Government Accountants (AGA) developed guidance on producing Citizen Centric Reporting as a method to demonstrate accountability to residents and answer the question, "Are we better off today than we were last year?" Additional details can be found at the AGA website: www.agacgfm.org/citizen/.

We want to hear from you

Do you like this report? Do you believe it should include any other information?

Please let us know by contacting the Office of the City Auditor at City.Auditor@Cityofpaloalto.org or 650-329-2667.

The Office of the City Auditor is responsible for independently evaluating the City's programs, services, and departments. For eight years our office has issued the City's annual performance report to supplement the City's financial reports and statements. If you are interested in viewing the City's complete annual performance report, please view the Service Efforts and Accomplishments Report for FY 2009 at: http://www.cityofpaloalto.org/depts/aud/service_efforts_and_accomplishments.asp.

