



The City of Palo Alto, California

A Report to Our Citizens



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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**—

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 about 65,400 residents and the daytime population is estimated at 110,000. 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 provides a full range of municipal services, in addition to owning and operating its own utility system, including electricity, gas, water, wastewater treatment, refuse, storm drain, and fiber optics. The City also 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.

City residents elect nine members to the City Council to serve staggered four-year terms. Each January, Council members elect a Mayor and Vice-Mayor. Since 1950, the City has operated under a Council-manager form of government.

Demographics Information	2009	2010
Population	64,480	65,408
Average travel time to work *	21 minutes	21 minutes
Median household income*	\$126,740	\$126,740
Average price of single family home	\$1,759,870	\$1,514,900
Number of authorized City staff	1,150	1,151

* Figures reflect 2008 American Community Survey data



How We Have Progressed

Progress in Fiscal Year 2010



City Council Top Priority Areas for 2010

- ▶ City Finances
- ▶ Land Use and Transportation
- ▶ Emergency Preparedness
- ▶ Environmental Sustainability
- ▶ Community Collaboration for Youth Well Being

What would you like to see reported on in this page? Please let us know by contacting the Office of the City Auditor at City.Auditor@Cityofpaloalto.org or 650-329-2667.

Key Measures

Community Indicators

	2009	2010	Met Budget Benchmark Target in FY 2010	Comparison to Survey Benchmark
Public Safety				
Average response to fire calls within 8 minutes	78%	90%	Yes	
Residents feeling "very" or "somewhat" safe from violent crime	82%	85%		Much above
Police response to emergency calls within 6 minutes	81%	78%	No	
Number of crimes reported per 1,000 population	64	59		
Quality of Life				
Residents rating Palo Alto's overall quality of life as "good" or "excellent"	93%	94%		Much above
Residents rating Palo Alto as a place to raise children as "good" or "excellent"	91%	93%		Much above

Top Priority Areas

	2009	2010	Met Budget Benchmark Target in FY 2010	Comparison to Survey Benchmark
City Finances				
Net general fund cost per resident	\$1,597	\$1,645		
Percent of reserves maintained (Budget stabilization reserve)	17.4%	19.7%	Yes	
Percent rating economic development services "good" or "excellent"	54%	49%		Above
Land Use and Transportation				
Percent rating overall quality of new development in Palo Alto "good" or "excellent"	55%	53%		Below
Percent rating overall appearance of Palo Alto "good" or "excellent"	83%	83%		Much above
Emergency Preparedness				
Percent rating emergency preparedness services "good" or "excellent"	62%	59%		Similar
Environmental Sustainability				
Residents rating quality of Palo Alto's overall natural environment as "good" or "excellent"	84%	84%		Much above
Percent rating preservation of natural areas "good" or "excellent"	82%	78%		Much above
Community Collaboration for Youth Well Being				
Percent rating services to youth "good" or "excellent"	75%	70%		Much above

Fiscal Year 2010 Accomplishments

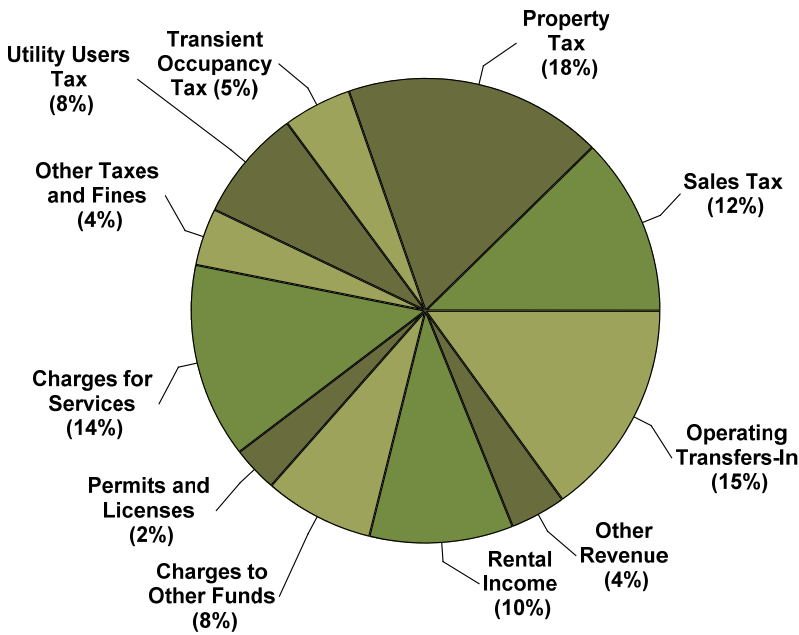
- ◆ The City maintained its AAA credit rating, the highest credit rating possible. In addition, Standard & Poor's assigned the City's 2010 General Obligation Bonds a AAA rating.
- ◆ High Speed Rail emerged as a major issue in FY 2010, and the City assumed a leadership position within the region and the State, in representing and advocating on behalf of residents.
- ◆ The City made significant progress toward a development agreement with Stanford University for the Stanford Medical Center renovations.
- ◆ The Metropolitan Transportation Commission for the first time reported on the condition of Palo Alto's streets and roads and rated the City's roads "good," scoring Palo Alto higher than several local jurisdictions.



The City's Finances

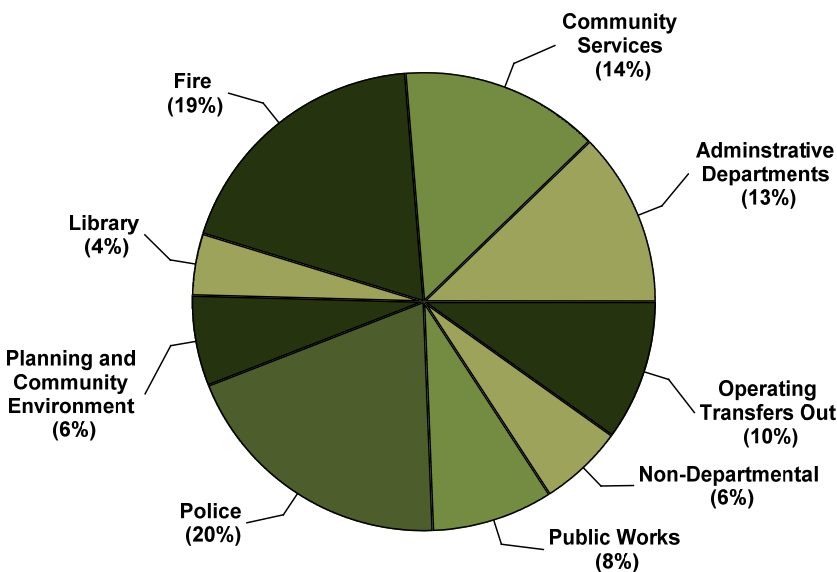
Revenues and Expenses

Primary Sources of General Fund Revenue



Revenues by Source	FY 2009 Actual Revenue	FY 2010 Actual Revenue
Sales Tax	\$20.1 million	\$18.0 million
Property Tax	\$25.4 million	\$26.0 million
Transient Occupancy Tax	\$7.1 million	\$6.9 million
Utility Users Tax	\$11.0 million	\$11.3 million
Other Taxes and Fines	\$ 5.4 million	\$5.8 million
Charges for Services	\$19.8 million	\$19.7million
Permits and Licenses	\$4.3 million	\$4.6 million
Charges to Other Funds	\$11.2 million	\$11.0 million
Rental Income	\$13.7 million	\$14.4 million
Other Revenue	\$6.0 million	\$5.6 million
Operating Transfers-in	\$17.6 million	\$21.9 million
Encumbrance/reappropriation	\$4.5 million	\$5.9 million
Total Revenues:	\$146.1 million	\$151.0 million

Primary General Fund Expenses



Expenses by Use	FY 2009 Expense	FY 2010 Expense
Administrative Departments	\$16.4 million	\$18.1 million
Community Services	\$21.1 million	\$20.5 million
Fire	\$23.4 million	\$27.7 million
Library	\$6.2 million	\$6.4 million
Planning and Community Environment	\$9.9 million	\$9.4 million
Police	\$28.3 million	\$28.8 million
Public Works	\$12.9 million	\$12.5 million
Non-departmental	\$6.8 million	\$8.7 million
Operating Transfers for Capital Projects and Debt Service	\$15.8 million	\$14.5 million
Encumbrance	\$5.9 million	\$4.0 million
Total General Fund Expenses:	\$146.7 million	\$150.6 million¹

¹ Operating expenditures were reported as \$150.9 million in the 2009-2010 Comprehensive Annual Financial Report; the difference is attributable to rounding.

Independent Audit

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



What's Next?

City's Economic Outlook and Moving Forward

City's Economic Outlook

According to the City Manager, City staff began the year in the midst of continuing financial challenges related to the national economic climate and the State's fiscal crisis, as well as having to navigate through Palo Alto's own issues of a shrinking budget, reduced staffing levels, labor tensions, unfunded infrastructure needs, and historically high commercial vacancies. The City closed a \$6.3 million General Fund budget gap at mid-year, essentially through temporary cost cutting measures, and balanced the FY 2011 General Fund Budget with reductions of \$7.3 million.

Despite the City's economic challenges, it has maintained a healthy budget stabilization reserve, 19.7% of budgeted expenditures and operating transfers for FY 2011.

Moving Forward

Adequate investment in infrastructure continues to be a challenge. The City's current infrastructure backlog totaled \$153 million in FY 2010. Total identified infrastructure needs through 2028 are estimated at \$302 million. The City has established a citizen's panel, the Infrastructure Blue Ribbon Committee, to review City needs and make funding recommendations to the City Council in the next year.

The City grappled with a number of ongoing issues that generated local concerns, such as the California Avenue trees, the Development Center, High Speed Rail, and Stanford Hospital's expansion plans.

The City also made significant progress on its library renovation projects. The historic renovation of the College Terrace Library and adjoining childcare center was completed, and the library reopened on November 9, 2010. Construction of the new 56,000 square foot Mitchell Park Library & Community Center began in September 2010 and is scheduled to be open in the summer of 2012. A temporary Mitchell Park Library opened to the public in June 2010. Work is underway on the renovation of the Downtown Library which is scheduled to reopen in the summer of 2011.



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

Continuing to Provide Valuable Services

Throughout several years of conducting surveys, residents have given the City of Palo Alto high ratings in a variety of areas. The 2010 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 the following areas:

	National Ranking
Palo Alto as a place to work	98th Percentile
Recycled used paper, cans or bottles from your home	98th Percentile
Educational opportunities	96th Percentile
Ease of walking in Palo Alto	96th Percentile
Overall image or reputation of Palo Alto	95th Percentile
Drinking water	95th Percentile
Overall quality of life in Palo Alto	93rd Percentile
Recycling collection	93rd Percentile
Visited neighborhood park or City park	92nd Percentile
Palo Alto as a place to live	91st 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.agacgm.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 nine 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 2010 at: http://www.cityofpaloalto.org/depts/aud/service_efforts_and_accomplishments.asp.

