



The government of the City of Palo Alto exists to promote and sustain a superior quality of life in Palo Alto.

In partnership with the community, our goal is to deliver cost-effective services, in a personal, responsive and innovative manner.

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 relations.
- Innovation** - Excellence in creative thought and implementation.



COUNCIL MEMBERS

MAYOR,
LARRY KLEIN
VICE MAYOR,
PETER DREKMEIER

JOHN BARTON
PATRICK BURT
SID ESPINOSA
YORIKO KISHIMOTO
JACK MORTON
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Photos by C. McFadden

**2008 – 2009
BUDGET-IN-BRIEF**

BIRTHPLACE OF SILICON VALLEY



**CITY OF PALO ALTO
CALIFORNIA**



2008-09 BUDGET-IN-BRIEF



BUDGET ACHIEVEMENTS

\$145.3 million General Fund 2008-09 Adopted Budget achieves a balanced budget, while maintaining commitments to essential services, adequate reserve levels, infrastructure rehabilitation, and its financial support to the school district. Overall, the City revenues have increased by \$3.2 million since the 2007-08 adjusted budget. Additionally the 2008-09 Adopted Budget adds \$1.2 million to General Fund reserves.

OVERVIEW

The budget is a spending and management plan for the City's financial resources. Through the use of these resources, services are provided to meet the needs of Palo Alto's residents and businesses. The budget is key to the political process, in which resources are allocated based on City Council priorities. The Top Four City Council priorities are:

- Libraries/ Community Center and Public Safety Building
- Environmental Protection
- Civic Engagement
- Economic Health

The review of the proposed budget is structured around public hearings by the Finance Committee and full Council, which further incorporates public opinion into the process. Therefore, the budget is a vehicle for responding to the community's needs, as well as an instrument for balancing revenues and expenditures.

BUDGET CLIMATE

The City of Palo Alto's 2008-09 Adopted Budget addresses several financial challenges outlined in the Long Range Financial Forecast (LRF). The forecast assumes continued low, but steady economic growth over the next few years based on both the economy's recent performance and outside expert forecasts. In addition to the softening economy, the City's financial challenges that lie ahead include:

- Debt service funding for the Public Safety Building Certificates of Participation
- Rising employee related benefit costs, particularly in health care and pension obligations
- The need to enhance funding for infrastructure due to increases in construction costs and a consequent backlog in projects

OPERATING BUDGET

The operating and capital budgets are developed by the City Manager, in consultation with senior management and the Director of Administrative Services, utilizing four main sources of information:

- Community input
- City Council's Top Four Priorities
- Findings from the City's Long Range Financial Forecast, which is updated annually and presented to the Finance Committee prior to the budget process
- Comprehensive Plan which contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services

This information, along with other economic data is used to develop the budget guidelines, which provide direction to City departments as they prepare their budget requests.

CAPITAL BUDGET

The City's commitment to the infrastructure program remains strong. The Adopted Budget includes capital expenditures totaling \$85.6 million in 2008-09. Expenditures include \$18.3 million for the General Fund, \$62.4 million for the Enterprise Funds, and \$4.9 million for the Internal Service Funds. The General Fund program primarily addresses the City's infrastructure capital projects.

| OPERATING BUDGET CALENDAR | |
|---------------------------|---|
| November | The budget process starts with the development of the Long Range Financial Forecast, which forecasts the City's financial condition. |
| December | Departments' base budgets are established. |
| January | Changes to the base budget are submitted to the Budget Division for analysis, and may include requests for additional funding. |
| February | The Budget Division reviews requests in terms of their conformance to Council Priorities and |
| March - April | Final decisions are made by the City Manager on the proposed operating budget requests. |
| May - June | The City Manager formally presents the proposed budget to the Finance Committee in a series of public hearings. The Finance Committee then recommends the budget to the full City Council. Adoption occurs at a final public Council hearing in June. |

2008-09 BUDGET HEARINGS SCHEDULE

Each fiscal year the Finance Committee and Council meet with each department to discuss Council priorities and the resources departments need to achieve those priorities. These meetings are attended by the public where their input is provided. The public hearings for the 2008-09 budget were held on:

- March 18, 2008:** Water, Gas, Electric, Refuse, Storm Drain Rates - Noticing for Prop. 218 process
- April 1, 2008:** Human Services Resource Allocation Process (HSRAP); Community Development Block Grant (CDBG)
- May 6, 2008:** General Fund, Internal Services Funds and External Service Fund Operating Budget
- May 8, 2008:** General Fund, Internal Service Funds and Enterprise Funds Capital Budget
- May 13, 2008:** Enterprise Funds (Utilities and Public Works), Connection Fee Increases
- May 15, 2008:** Municipal Fee Schedule, Contracts greater than \$85k
- June 9, 2008:** Budget Adopted by Council

GENERAL FUND SUMMARY (Thousands of Dollars)

| REVENUES | |
|------------------------------|------------------|
| Sales Tax | \$22,402 |
| Property Tax | 23,510 |
| Transient Occupancy Tax | 8,424 |
| Utility User's Tax | 10,783 |
| Other Taxes & Fines | 8,816 |
| Charges for Services | 20,849 |
| Permits & Licenses | 5,767 |
| Return on Investment | 2,348 |
| Rental Income | 13,426 |
| From Other Agencies | 86 |
| Charges to Other Funds | 10,952 |
| Other Revenue | 1,531 |
| TOTAL REVENUES | \$128,894 |
| Operating Transfers In | 17,677 |
| TOTAL SOURCE OF FUNDS | \$146,571 |
| EXPENDITURES | |
| City Attorney | \$2,778 |
| City Auditor | 931 |
| City Clerk | 1,260 |
| City Council | 315 |
| City Manager | 2,231 |
| Administrative Services | 7,153 |
| Community Services | 21,600 |
| Fire | 24,260 |
| Human Resources | 2,822 |
| Library | 6,570 |
| Planning & Community Env. | 10,419 |
| Police | 29,831 |
| Public Works | 13,859 |
| Non-Departmental | 7,980 |
| TOTAL EXPENDITURES | \$132,009 |
| Operating Transfers Out | 1,169 |
| Transfers to Infrastructure | 12,131 |
| Total Transfers | 13,299 |
| TOTAL USE OF FUNDS | \$145,308 |
| Net Surplus | 1,263 |



Palo Alto Post Office

GENERAL FUND

GENERAL FUND—REVENUE \$146 MILLION / ADOPTED 2008-09

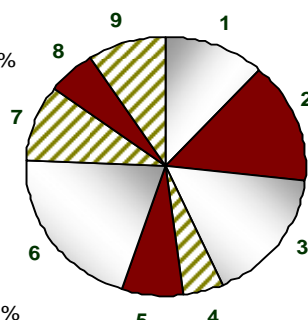
- Sales tax revenue is one of the larger revenue sources and is heavily dependent on Bay Area job growth and consumer spending.
- Property tax revenue has increased in the past several years due to a healthy commercial and stable residential real estate market.
- Charges for Services is mainly comprised of external reimbursements and fee-for-service payments generated by General Fund service departments such as fire protection services paid for by Stanford University, paramedic fees, and plan checking fees. Funds collected help to support the provision of services to the community.
- Rental income is primarily derived from rent charged to the Enterprise Funds for use of City land.
- Charges to Other Funds consist of reimbursements for General Fund services, such as legal, human resources, public works, general administrative and financial services. This revenue is derived mainly from the Enterprise and other City funds.

RESERVES

- The General Fund Budget Stabilization Reserve (BSR), the City's "rainy day" fund for one-time unexpected needs, is projected to be \$25 million as of June 30, 2009.
- A BSR level of no less than 15 percent of General Fund operating expenditures, with a target of 18.5 percent, shall be maintained. This fund provides the city and its residents with a safety net for one-time unforeseen expenses.
- The Infrastructure Reserve, used to pay for capital projects, is projected to be \$11.6 million as of June 30, 2009. These funds are used to repair or renovate existing buildings and facilities, streets and sidewalks, parks and open space, and transportation systems.

GENERAL FUND—USE OF FUNDS \$145.3 MILLION / ADOPTED 2008-09

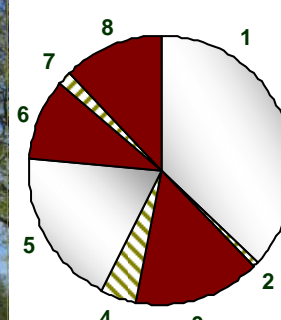
- 1 - Administration - 13%
- 2 - Community Serv - 15%
- 3 - Fire - 16%
- 4 - Library - 5%
- 5 - Planning - 7%
- 6 - Police - 20%
- 7 - Public Works - 9%
- 8 - Non-Departmental - 5%
- 9 - Operating Transfers-Out - 10%



University Ave

ENTERPRISE FUNDS—REVENUE BY FUND \$338.0 MILLION / ADOPTED 2008-09

- 1 - Electric - 41.5%
- 2 - Fiber Optic - 1.0%
- 3 - Gas - 18.3%
- 4 - Wastewater Collect - 6.1%
- 5 - Water - 10.3%
- 6 - Refuse - 11.5%
- 7 - Storm Drainage - 3.2%
- 8 - Wastewater Treat - 8.1%



Ramble Garden

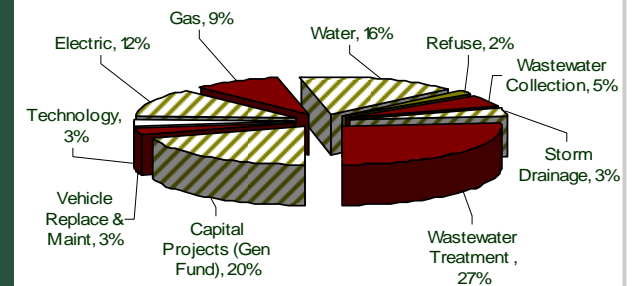
ENTERPRISE FUNDS

ENTERPRISE FUNDS SUMMARY (Thousands of Dollars)

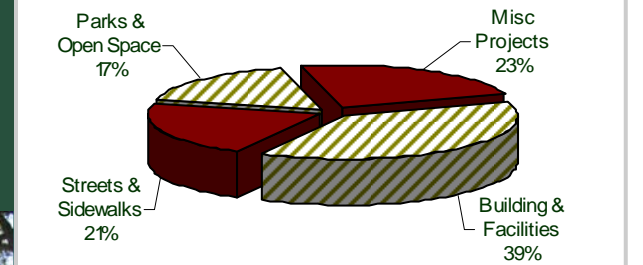
| REVENUES | |
|------------------------------|------------------|
| Net Sales | \$251,150 |
| Interest Income | 9,873 |
| Other Income | 42,012 |
| Bond Proceeds | 35,000 |
| TOTAL SOURCE OF FUNDS | \$338,035 |
| EXPENDITURES | |
| Utility Purchases & Charges | \$135,730 |
| Other Operating Expenses | 110,059 |
| Equity Transfer to Gen Fund | 15,070 |
| Operating Transfers Out | 6,199 |
| Capital Improvement Prgm | 62,709 |
| TOTAL USE OF FUNDS | \$329,767 |
| Net from Reserves | \$8,268 |

CAPITAL FUNDS

CAPITAL FUNDS—CITYWIDE \$85.6 MILLION / ADOPTED 2008-09



CAPITAL FUNDS—GENERAL FUND \$18.3 MILLION / ADOPTED 2008-09



2008-09 MAJOR GENERAL FUND CAPITAL IMPROVEMENT PROJECTS

- Annual Street Maintenance
- Annual Sidewalk Repairs Project
- Acquisition of Los Altos Treatment Plant Site
- Art Center Electrical & Mechanical Upgrades
- Public Safety Building – design phase
- College Terrace Library & Child Care Improvements
- Civic Center Infrastructure Improvements
- Greer Park Phase IV