



CITY OF PALO ALTO
2008-09

Adopted
Operating Budget



CITY OF PALO ALTO

2008-09

City Council

Larry Klein, *Mayor*

Peter Drekmeier, *Vice Mayor*

John Barton Patrick Burt

Sid Espinosa Yoriko Kishimoto

Jack Morton Greg Schmid

Yiaway Yeh



Frank Benest
City Manager

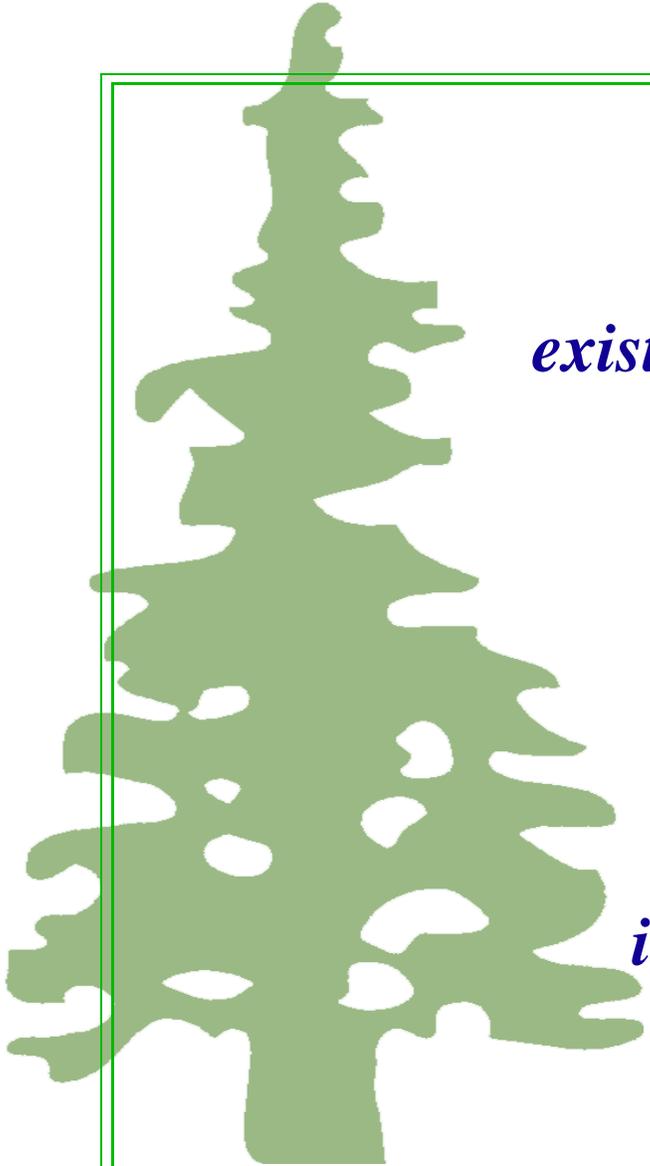
Steve Emslie/Kelly Morariu
Deputy City Managers

Lalo Perez
Director of Administrative Services

David Ramberg
Assistant Director of Administrative Services

Joe Saccio
Deputy Director of Administrative Services

Jack Morton
Finance Committee Chair



*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.

*It's
a Matter
of Pride!*

CITY OF PALO ALTO

2008-09

Budget Acknowledgements

Department Budget Coordinators

Administrative Services Department

Libby Dame

City Attorney's Office

Stacy Lavelle

City Auditor's Office

Patricia Hilaire

City Clerk's Office

Beth Minor

City Manager's Office

Consie Fair, Katie Whitley

Community Services Department

Lam Do

Fire Department

Melinda Cook

Human Resources Department

Elizabeth Egli

Library Department

Susan Bodenlos

Planning & Community Environment Department

Jon Abendschein

Police Department

Pete Hazarian

Public Works Department

Sharon Macway

Utilities Department

Rosemary Ralston

Budget Document Producers

Budget Staff

Sharon Bozman, Manager

Mary Figone

Amy Javelosa-Rio

Cherie McFadden

Dale Wong

Trudy Eikenberry

Technical Advisors

Myrna McCaleb

Dave Yuan

Special Contributors

Nancy Nagel

Graphic Design, Cover, & Photos

Cherie McFadden

Printing

Ty Campbell

Rui Pereira

John Sanchez

COVER PHOTO: The Color of Palo Alto shows the entire city on City Hall...

"The Color of Palo Alto" project by artist Samuel Yates, sponsored by the City of Palo Alto Public Art Commission and substantially funded by the Hewlett-Packard Company, included wrapping the front of City Hall with 22,339 photographs of all 17,729 ground parcels in Palo Alto. The photographs show the entire city of Palo Alto alphabetically by street from A to Z and also show all four seasons from top to bottom. The photographs are printed on a perforated material through which employees inside the building can see out. Additionally, the project was powered with solar and wind energy from the "portable solar garage" installation in front of City Hall, turning the final colors from the project into symbols of sustainability.

Budget Awards

California Society of Municipal Finance Officers

Certificate of Award
For
Excellence in Operating Budgeting

Fiscal Year 2007-2009

The California Society of Municipal Finance Officers (CSMFO) proudly presents this certificate to

City of Palo Alto

For meeting the criteria established to achieve the Excellence Award in the OPERATING BUDGET CATEGORY.

March 5, 2008



Bradley Robert

Brad Grant
CSMFO President

Cindy Guziak

Cindy Guziak, Chair
Budgeting & Financial Reporting

California Society of Municipal Finance Officers

Certificate of Award
For
Excellence in Public Communications

Fiscal Year 2007-2008

The California Society of Municipal Finance Officers (CSMFO) proudly presents this certificate to

City of Palo Alto

For meeting the criteria established to achieve the EXCELLENCE AWARD in the PUBLIC COMMUNICATIONS CATEGORY.

March 6, 2008



Bradley Robert

Brad Grant
CSMFO President

Cindy Guziak

Cindy Guziak, Chair
Budgeting & Financial Reporting



The Government Finance Officers Association
of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to
**Budget Division
Administrative Services Department
City of Palo Alto, California**

The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.

Executive Director

Jeffrey R. Emer

Date

November 19, 2007

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Message



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Transmittal Letter

May 6, 2008

Honorable City Council
Palo Alto, California

Attention:
Finance Committee

Dear Mayor and Council Members:

I am pleased to present for City Council's consideration a balanced budget proposal for the 2008-09 fiscal year. This document presents the changes to the 2008-09 "in-concept" spending plan that Council approved last year as part of the 2007-09 Adopted Budget.

With the 2007-09 Adopted Budget, Council approved a spending plan that identified the City's retiree medical liability and infrastructure as key financial priorities. As a result, the City's position on retiree medical is secure as both current and future costs are now built into the operating budget. In addressing the other key priority, the Council approved an increase in General Fund infrastructure spending by \$3 million. This funding is also part of the ongoing operating budget presented in this 2008-09 Proposed Budget. In addition, the \$3 million is increased by 7 percent in 2008-09 to take into account the expected inflation in project construction costs, which has been a normal occurrence in recent years.

Remaining a top Council priority this year is the proposed construction of a new Public Safety Building. In 2008-09, the City will finalize a plan to finance the Public Safety Building. As an early step in this process, the Finance Committee will review the options for funding the debt service related to its construction. These options were originally reviewed by the City Council on April 7. With Finance Committee direction, staff will incorporate options into the proposed budget as part of the package that is reviewed by the full Council during the public hearing to adopt the budget.

Overall, the 2008-09 Proposed Budget reflects a modest \$0.4 million surplus after minimal increases to expenditures. A summary of the revenue and expense changes is provided below.

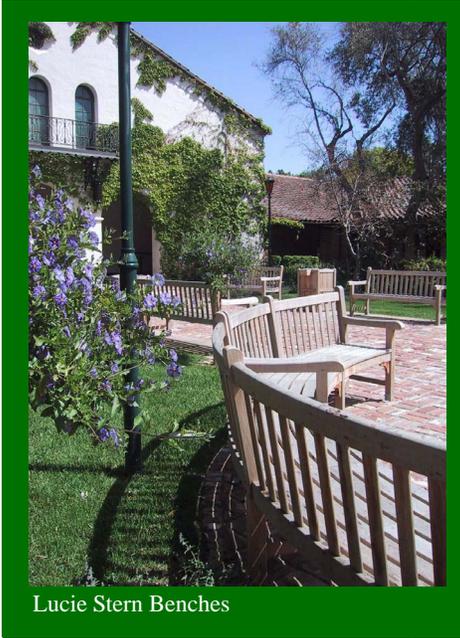
Economic Overview and Long Range Financial Forecast

The Long Range Financial Forecast (LRFF) presented to Council in January 2008, offers a mixed economic view of the national, state, and

Introduction



Frank Benest, City Manager



Lucie Stern Benches

local economies. While the housing market, credit concerns, and higher energy costs are projected to slow economic growth nationally and across the state, the Silicon Valley economy remains steady with increases in exports, corporate profits, and employment. In 2007-08, sales tax revenues for the City show a slight decrease from 2006-07; however, the Transit Occupancy Tax (TOT) has added additional revenue from the voter-approved 2 percent increase from 10 percent to 12 percent that became effective January 2008.

The \$0.4 million surplus presented in the 2008-09 Proposed Budget is in line with the \$0.1 million surplus projected in the 2008-18 LRFF. This surplus should accomplish Council's goal of transferring to the Infrastructure Reserve (IR) for the ongoing replacement and rehabilitation of facilities in the amount of \$9.8 million and provide \$2.3 million for the acquisition of the Los Altos Treatment Plant (LATP) site. Additionally, Council has directed staff to establish a reserve for the new Public Safety Building.

2008-09 Revenue and Expense Highlights

The following represent key differences between the 2007-08 Adjusted Budget and the 2008-09 Proposed Budget:

Revenue

- Overall General Fund revenue increases by \$2.2 million or 1.6 percent
- Property tax increases by \$0.8 million or 3.4 percent
- Utility Users Tax increases by \$1.0 million or 10.0 percent
- Transient Occupancy tax (TOT) increases by \$0.7 million or 9.4 percent
- Sales tax is not changing due to anticipated slower growth in this area

Expense

- Overall General Fund expense decreased by \$0.5 million or 0.3 percent
- Capital fund transfer of \$12.1 million includes \$6.6 for base transfers, \$2.3 for acquisition of LATP, and \$3.2 for 2007-09 additional \$3 million infrastructure commitment.

- Salary and Benefits expense increases by \$0.6 million. This is primarily due to negotiated salary increases for the Palo Alto Peace Officers Association (PAPOA) and Retiree Medical benefit expense.
- Operating Transfers-Out expense decreased \$2.6 million. 2007-08 included a short-term loan in the amount of \$1.7 million and expense for the General Fund's pre-payment obligation to the Storm Drainage Fund, which was completed in 2007-08.

As the above highlights indicate, the increases in expenses are offset by increases in revenue. This is consistent with our overall approach of a balanced budget.

As indicated in the LRFE, various fiscal challenges lie ahead. These include identifying funding for the infrastructure backlog, increasing medical insurance costs, the new Public Safety Building, and improvements in library service and facilities. On the revenue side, there are ongoing regulatory, legal, and economic threats to revenue sources such as the Utility Users Tax and the Sales Tax. These will place considerable pressure on future budgets. In the short term, if important revenue sources, such as Sales Tax, continue to soften during the first half of 2008-09, the City may have to consider mid-year adjustments to the expense base.

Council has captured several of the key City challenges in defining its Top 4 Priorities:

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

Revenue enhancements and expense reductions of \$1.0 million will be identified to provide funding for the debt service related to the Public Safety Building. It is anticipated that a General Obligation (GO) bond measure for the Libraries/Community Center will be placed on the November 2008 ballot for voter approval. The City's commitment to Environmental Protection is evidenced by the increased participation in Palo Alto Green Energy purchases, a Citywide carbon foot print reduction plan, and increased outreach for Earth Day events. Outreach and opportunities for increased Civic Engagement will occur at all levels of the organization. City staff maintains an eye towards a

Challenges

Enterprise Fund Overview

balanced budget and the City's ongoing economic health during review of all funding requests.

Funding for the Council's Top 4 Priorities: Libraries/Community Center and Public Safety Building, Environmental Protection, Civic Engagement and Economic Health, is included in individual departmental budgets. Department activities to support the Top 4 Priorities are described in detail in each department's section of the budget document.

The fundamental requirement in addressing the fiscal challenges is resources. The City must either identify new revenue sources, alternative ways to provide services or reallocate existing resources (with a reduction in current services) to address new funding needs and the potential loss of revenues.

Difficult choices lie ahead, but staff is committed to finding efficiencies and cost controls to make those choices less severe.

To manage commodity and distribution pressures, the following utility rate changes are proposed for 2008-09:

- Gas service rate increase of 7.1 percent due to increased commodity costs
- Electric service rate increase of 14 percent due to increasing supply and transmission costs
- Water service rate increase of 8 percent due to infrastructure needs and wholesale water rate increases
- Wastewater collection service rate has no proposed rate changes
- Refuse service rate increase of 10 percent due to increasing operating costs
- Storm Drainage rates are increasing based on the consumer price index as prescribed in the voter-approved fee increase

Although rates are moving higher, principally due to outside cost pressures, the Palo Alto Utilities continue to provide good value and reliable service delivery for residents and businesses. The cited rate changes will increase the overall average residential utility bill by 8.7 percent.

Acknowledgments

A special thank you goes to the entire City staff team involved in preparing the 2008-09 Proposed Budget. Lalo Perez, Director of Administrative Services; David Ramberg, Assistant Director of Administrative Services; and Joe Saccio, Deputy Director of Administrative Services have coordinated a wonderful team through an especially challenging task. Special acknowledgement goes to the Budget Team and their countless hours of analysis and creative thought. They include Sharon Bozman, Budget Manager, and her staff: Mary Figone, Amy Javelosa-Rio, Dale Wong, Trudy Eikenberry, and Cherie McFadden. Staff throughout the city, in particular Department Budget Coordinators (see acknowledgment page for names) are recognized for their hard work in developing the 2008-09 Proposed Budget.

This is the last annual budget that I prepare for the City of Palo Alto. During my eight plus years with the City, we have experienced some very distressful financial times. Yet with a wonderful team effort between staff, the Council, and business and community partners, we have been able to maintain our superb portfolio of city services, commit additional resources to infrastructure demands, and even fund some of our dreams. It has been a privilege to lead our financial team.



Frank Benest

City Manager





This page is intentionally left blank.

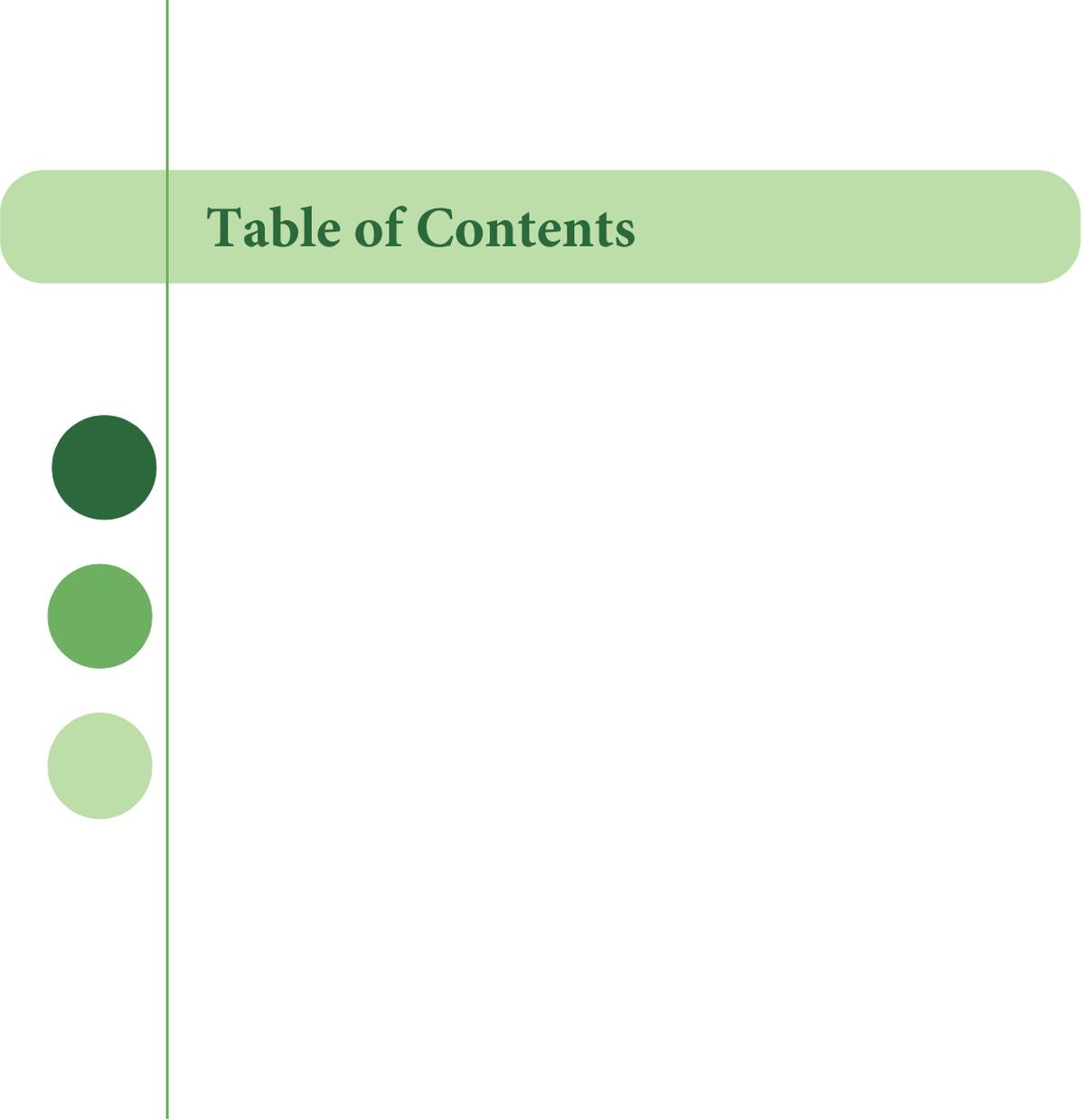
A vertical green line runs down the page. A horizontal green rounded rectangle is positioned across the line, containing the text 'Table of Contents'.

Table of Contents



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Table of Contents



PAGE	ITEM DESCRIPTION
iii	Budget Acknowledgements
iv	Budget Awards
ix	Transmittal Letter
1	City of Palo Alto Organization Chart
3	The Budget Process and Document
GENERAL FUND	
15	General Fund Revenues
19	General Fund Expenditures
23	General Fund Summary
26	General Fund — Revenues by Type
27	General Fund — Expenditures by Category
28	Long Range Financial Forecast
29	Projected Operating Fund Balances
30	Total Citywide Revenues by Category
31	Total Citywide Expenditures by Category
35	City Attorney
41	City Auditor
47	City Clerk
53	City Council
57	City Manager
63	Administrative Services
71	Community Services
87	Fire
95	Human Resources
103	Library
111	Planning and Community Environment
121	Police
131	Public Works

Table of Contents



PAGE	ITEM DESCRIPTION	
		ENTERPRISE FUNDS
141	Enterprise Funds Overview	
147	Enterprise Fund Summary	
148	Enterprise Fund Reserves	
150	Enterprise Revenues by Fund	
151	Enterprise Expenditures by Category	
152	Average Residential Monthly Utility Bill	
155	Electric Fund	
167	Fiber Optics Fund	
173	Gas Fund	
183	Wastewater Collection Fund	
191	Water Fund	
201	Refuse Fund	
209	Storm Drainage Fund	
217	Wastewater Treatment Fund	
		OTHER FUNDS
		Special Revenue Funds
227	Special Revenue Funds Overview	
229	Special Revenue by Fund	
230	Consolidated Special Revenue Funds	
231	Community Development Block Grant	
		Debt Service Funds
235	Debt Service Funds Overview	
239	Debt Service Funds	
240	Special Assessment Debt Service	
		Internal Service Funds
243	Internal Service Funds Overview	
245	Internal Service Funds	
246	Internal Service Funds Unrestricted Assets	
247	Vehicle Replacement Fund	
250	Technology Fund	
254	Printing and Mailing Fund	
257	General Benefits and Insurance Fund	
258	Retiree Health Benefit Fund	
259	Average Salary & Benefits	

Table of Contents



PAGE	ITEM DESCRIPTION	
		STAFFING
265	Summary of Position Changes	
268	Table of Organization	
		MISCELLANEOUS
291	Palo Alto: The City	
292	Reserve Policies	
295	Demographic Statistics	
296	Estimated Appropriations Limitation	
298	Glossary	
301	Americans with Disabilities Act	

THIS PAGE IS INTENTIONALLY LEFT BLANK.

City of Palo Alto Organization Chart



Palo Alto Residents

City Council

CITY ATTORNEY
Gary Baum

CITY MANAGER
Frank Benest

CITY AUDITOR
Vacant

CITY CLERK
Donna Grider

Deputy City Managers
Steve Emslie/Kelly Morariu

Community Services Department
Richard James, Director

Fire Department
Nick Marinaro, Chief

Library Department
Diane Jennings, Director

Police Department
Lynne Johnson, Chief

Administrative Services Department
Lalo Perez, Director

Human Resources Department
Russ Carlsen, Director

Planning & Community Environment
Steve Emslie, Director

Public Works Department
Glenn Roberts, Director

Utilities Department
Valerie Fong, Director

THIS PAGE IS INTENTIONALLY LEFT BLANK.

The Budget Process and Document

An Overview

The budget is a spending management plan for the City's financial resources. Through the use of these resources, services are provided to meet the needs and desires of Palo Alto's residents and businesses. The budget is also at the heart of the political process, in which resources are allocated based on City Council priorities. The review of the proposed budget is structured around public hearings by the Finance Committee, which further incorporates public opinion into the process. The budget is therefore the vehicle for responding to the community's wishes, as well as an instrument for balancing inflows and outflows (revenues and expenditures) of funds.

City Council Top Four Priorities



Top Four Priorities

At the start of the City's budget process, the City Council determines its main focus for the following one-year period. Through an open Council dialogue, the priorities guide both budget development and department priority-setting. The public has the opportunity to provide input into this process as well as during the budget review by the Finance Committee. The following are the Top Four City Council priorities for 2008-09:

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

Operating Budget Process

Budget Preparation

The City's annual budget process begins in November and concludes in June. The operating and capital budgets are developed by the City Manager, in consultation with senior management and the Director of Administrative Services, utilizing the following main sources of information:

- Community input
- City Council 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 containing the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services

This information is used to develop the budget request guidelines, which provide direction to City departments as they prepare their budget requests.

The Budget Process and Document

Operating Budget Calendar

November: Operating budget preparation begins with determination of the base budget for the following year, which excludes one-time revenue and expenses from the prior year. Input from the Long Range Financial Forecast (LRFF) determines the broad financial picture facing City operations in the upcoming period. Budget guidelines and instructions are finalized and distributed. Municipal Fee Schedule change parameters are also provided.

December: Critical to their planning process for the upcoming year, departments are allowed to reallocate staffing and non-salary resources to meet the changing demands placed on service delivery. This step results in no net change to the amount of resources allocated to the department overall.

January: Changes to the base budget are submitted to the Budget Division for analysis and may include requests for additional funding to meet program needs for the upcoming year. Textual elements of the budget document, including benchmarking measures are also finalized.

February: Recommendations on the base budget requests are made by Budget Division staff to the Director of Administrative Services, both in terms of their conformance to budget guidelines as well as their individual merits. Internal budget hearings are held to discuss Budget Division analysis of department funding requests, along with alternative funding options to meet the department's needs. Cost-benefit analysis is performed on both base operations as well as new funding requests.

March/April: Final decisions are made by the City Manager, on the proposed operating budget requests, along with the general message to the City Council. The proposed budget document is compiled, edited, and forwarded to the Council members. Proposed changes to the Municipal Fee Schedule are finalized and reviewed by the Office of the City Attorney

May/June: The City Manager formally presents the proposed budget to the Finance Committee in a series of public hearings. The Finance Committee prepares its recommendation to the City Council. Final adoption occurs at a final public hearing in June. All changes made during the public process are incorporated into the adopted budget document which is distributed to City libraries as well as posted on the City's website.

The Budget Process and Document

<i>City of Palo Alto</i> BUDGET HEARINGS SCHEDULE with Finance Committee For 2008-09 Budget			
DATE	DESCRIPTION	TIME/ LOCATION	DEPARTMENTS ATTENDING
Tuesday, March 18	Finance Committee	7pm Council Chambers	Water, Gas, Electric, Refuse Storm Drain Rates – Noticing for Prop. 218 Process
Tuesday, April 1	Finance Committee	7pm Council Chambers	HSRAP / CDBG
Tuesday, May 6	Finance Committee	7pm	Transmittal of 2008-09 General Fund interim proposed budget (all departments), Internal Service Funds, External Services
	BUDGET KICK-OFF	Council Chambers	
Thursday, May 8	Finance Committee	7pm	CIP Budget Review: GF and Enterprise Funds
	Special Meeting	Council Chambers	
Tuesday, May 13	Finance Committee	7pm	Utility Department Budget, Connection Fee Increases and Public Works Enterprise
	Special Meeting	Council Chambers	
Thursday, May 15	Finance Committee	7pm	Municipal Fee Schedule, Contracts Greater than \$85K; Wrap-up
	Special Meeting	Council Chambers	
Tuesday, May 20	Finance Committee	7pm Council Chambers	Backup Night
Monday, June 9	City Council	7pm	BUDGET ADOPTION
	BUDGET ADOPTION	Council Chambers	

Changing the Budget

Level of Control and Changes to the Adopted Budget

Budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is implemented at each expense item at the cost center level, the department level, the fund level, and the capital project level.

Administrative policies provide guidelines on budget transfers; the authorization necessary to implement transfers and appropriations after the budget is adopted. Generally there are two types of budget transfers:

Budget Adjustment: Budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is exercised at the fund level, the department level, and the capital project level.

Budget Amendment: This is an adjustment to the total appropriated amount within a fund or department which was not included in the original adopted budget. These supplemental appropriations are presented to City Council in an

The Budget Process and Document

agenda report and require for approval, the passage by a two-thirds vote of the City Council. Unexpended appropriations automatically lapse at the end of the fiscal year and are included in the ending fund balance calculations within each fund.

Reasons for initiating a Budget Amendment Ordinance (BAO) include:

- Recognizing unanticipated revenue, which was not projected in the budget, and to appropriate associated expenditures in the year received
- Appropriating additional funds from reserves
- Transferring dollars from the operating budget to the capital budget or vice versa
- Transferring between funds, departments, or projects
- Amending the official "Table of Organization" (staffing changes) during the year
- Amending the Municipal Fee Schedule during the year

Understanding the Document Layout

Document Organization

The budget document contains the General Fund, Enterprise Funds, Internal Service Funds, Debt Service Funds, and Special Revenue Funds.

Funds: Local government budgets are made up of funds which help to organize and account for restricted resources. Each fund is considered a separate accounting entity. Enterprise Funds are set up as self-supporting units similar to those in a business. They account for the operation and maintenance of facilities and services that are entirely paid for by rates charged to residents or, in the case of Internal Service Funds, to City departments. The City of Palo Alto owns and operates its own utilities, with the exception of refuse hauling and collection, which is contracted with an outside firm. The budget document is divided into fund and department sections, each containing the following components:

- Fund/Department Overview - identifies key goals to be achieved during period
- Program Update - reports on accomplishments in any new program/activity undertaken during the past two years
- Financial Summaries - revenues and expenditures by functional area and expense category
- Council Priority Implementation - specifically cites activities related to City Council's top four priorities

The Budget Process and Document

- Resource Level Changes - identifies major resource changes from the base budget
- Service Level Changes - describes changes to service delivery in the upcoming period

Financial and narrative information is provided in each of these areas. This format allows the reader to review a fund budget at different levels of detail ranging from an overview of the fund as a whole, to specific department program funding requests.

Positions: Specific information related to the number of positions within a particular department or fund, can be found on the Full Time Equivalent (FTE) line of each financial summary. Historical information on how these numbers have changed is detailed under the Staffing tab and within the Table of Organization. At the fund and department levels, the number of personnel in each functional area is shown. A detailed listing of regular, permanent positions and total cost is shown at the beginning of each department/fund, with the specific classifications noted in the Table of Organization at the end of this document.

Understanding the Details

Financial Summaries

Reflected in this document are actual revenues and expenditures for 2006-07; the 2007-08 Adjusted Budget; the 2008-09 Adopted-in-Concept Budget; and the 2008-09 Adopted Budget. The main focus of this discussion along with the dollar amounts in the "Budget Change" column is to compare the 2007-08 Adjusted Budget with the 2008-09 Adopted Budget. This describes the changes from the prior year's numbers and is the recommended method of showing budgetary change by the Government Accounting Standards Board (GASB).

Revenues: Total revenues are displayed for each department and fund. In each department, revenues are shown as either internal or external depending on their source. Revenues include fees collected for cost-recovery purposes by the department or fund for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues). An example of internal revenue includes the Electric Fund reimbursing the Attorney's Office for legal services. The principal sources of external revenues are described in the Resource Level narratives within each department.

Expenditures: Expenditures are displayed at the fund summary as well as the department summary level. For example, the budget shows funding dedicated to the Building Division in the Planning and Community Environment Department.

The Budget Process and Document

Basis of Accounting: The City's Governmental Fund (General Fund, Special Revenue Fund, and Capital Project Fund) and Proprietary Fund Budgets (Enterprise Fund and Internal Service Fund) are developed using a modified accrual basis of accounting. While the Governmental Fund is accounted for using the modified accrual basis, the Proprietary Fund is accounted for using the full accrual basis of accounting. Both of these bases are generally accepted accounting principles (GAAP).

Modified accrual basis of accounting recognizes revenues when measurable and available and records expenses when incurred, while the full accrual basis of accounting, records revenues when earned and recognizes expenses when incurred, regardless of when the related cash flows take place.

Fund/Department Administration: The budget document includes an administration function within each department-level financial summary. Typical administrative expense includes core staff that work on department-wide priorities, as well as allocated costs from internal service funds.

Rates and Reserves

The General Fund (GF) has one main reserve - the Budget Stabilization Reserve (BSR). City Reserve Policy has placed a cap of 18.5 percent of GF Expenditures on the BSR, with any excess going to the Infrastructure Reserve (IR). Financial Policy allows flexibility in determining the BSR cap amount within a range of between 15 and 18.5 percent of expense.

In the Enterprise Funds, rates are the charges to customers for services provided, such as electric and gas services. The total revenue generated by the rates covers expenditures on an ongoing basis. Utility rate increases or decreases are typically staggered to minimize volatility from one year to the next. When budgeted revenues are not sufficient to cover budgeted expenditures in years between planned rate increases, or in the case of emergencies or unforeseen changes in either revenues or expenses, reserves are used to cover the difference. Council has adopted a policy specifying the appropriate levels of reserves in each Enterprise Fund. Typically, the budget will reflect either increasing or decreasing the reserves to within Council-approved ranges. A reserves summary table is located at the beginning of the Enterprise Funds section and within each individual fund summary.

Special Revenue Funds

Special Revenue Funds account for revenues with certain restrictions on their usage. These funds include gas tax funds from the state, in-lieu housing fees assessed for the City's Below Market Rate housing projects, and transportation mitigation fees paid by developers. Other funds in this category include: assessments for parking lot bond payments, parking permit revenues, and

The Budget Process and Document

Community Development Block Grants (CDBG) from the federal government. Also included are development impact fees related to libraries, parks, and community centers.

Internal Service Funds

Internal Service Funds provide printing and mailing, vehicle replacement and maintenance, technology, and general benefits administration services to City departments. These services are rendered on a cost recovery basis through user charges. The Vehicle Replacement and Maintenance Fund manages citywide maintenance and replacement of vehicles and equipment. The Printing and Mailing Services fund accounts for central duplicating and printing/ mailing services, while the General Benefits and Insurance Fund accounts for the administration of employee benefits, the City's self-insured workers' compensation, payroll, and general liability programs. The Technology Fund includes activities such as personal computer desktop, software application, and technology infrastructure replacement and maintenance.

Key Budget Terms

Adjusted Budget: Represents the adopted budget as modified by changes made during the fiscal year.

Adopted Budget: Annual City budget approved by the City Council on or before June 30.

Benchmarking Measures: Benchmarks are included in the budget document and replace the former impact measures. Benchmarks are shown for each department and, where available, at the division level in each department. The benchmarks show input, output, efficiency, and effectiveness measures. Where possible they are related to the City Auditor's Service Efforts and Accomplishments report.

Capital Improvement Program (CIP): Accounts for projects related to the acquisition, expansion, or rehabilitation of the City's buildings, equipment, parks, streets, and other public infrastructure.

Funds: Used by local government budgets to organize and account for restricted resources. Each fund is considered a separate accounting entity.

Infrastructure Management Plan (IMP): Subset of the capital improvement program with the focus of rehabilitating the City's infrastructure on a continuing basis.

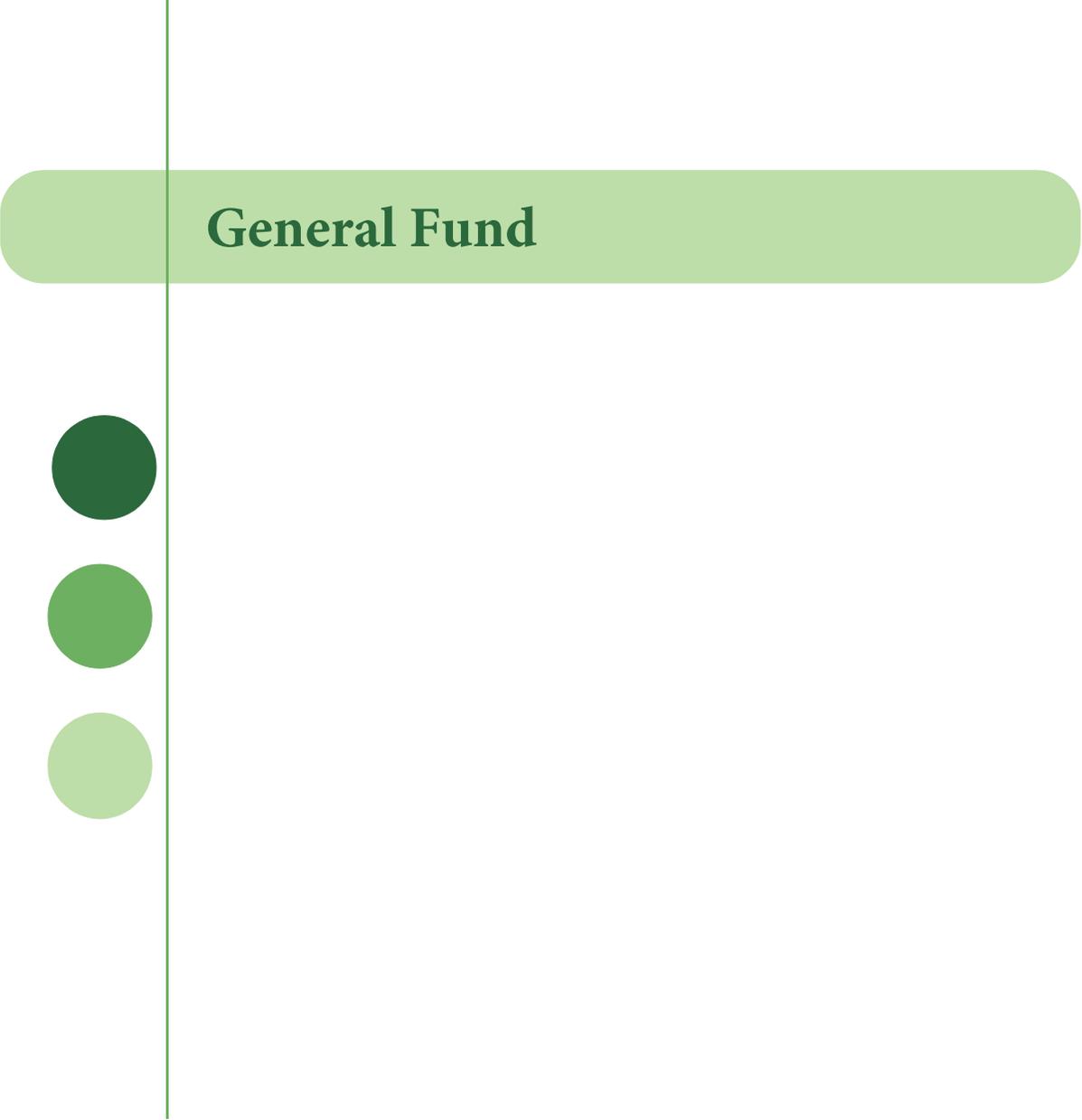
Proposed Budget: The budget that is sent to the Finance Committee by the City Manager. The proposed budget as modified by changes made by the Finance Committee during their review is approved by the Council and then becomes the adopted budget.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

GENERAL FUND



THIS PAGE IS INTENTIONALLY LEFT BLANK.



General Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.



General Fund Revenues

An Overview

The City's "2008-18 Long Range Financial Forecast" (LRFF) was presented to the Finance Committee in December 2007 (CMR: 425:07). The LRFF, with its ten-year revenue and expense forecast, is the foundation upon which this budget is constructed.

As stated in the LRFF, the forecast assumes slow economic growth on the Peninsula over the next few years, based on both the economy's recent performance and outside expert forecasts. While the City of Palo Alto's economy has not been as dramatically affected by the housing market and credit concerns as other parts of the country and state, recent sales tax reports for 2007-08 indicate a slight decrease in local tax revenue as compared to 2006-07. Increases to General Fund revenues include a 2 percent voter-approved increase from 10 percent to 12 percent to the Transient Occupancy Tax (TOT) rate, reimbursements from Stanford and cost recovery increases for fees, licenses and permits. Continuing risks to the City's financial health include state takeaways of revenue due to its budget crisis; a likely recession with accompanying loss of jobs and consumer spending; the loss of key revenue generators; and strong competition for sales tax revenue from neighboring city retail outlets.

Overall, City revenues are expected to be \$146.6 million, an increase of \$3.2 million (2.2 percent) in 2008-09 compared to the 2007-08 adjusted budget. The following sections discuss the City's major revenue sources and their projected levels for 2008-09.

Sales Tax

Sales tax revenues are expected to remain at \$22.4 million in 2008-09, the same as in the 2007-08 adjusted budget.

Heavily dependent on Bay Area job and income growth as well as consumer spending, sales tax performance is closely tied to the health of the local economy. Although a reasonable growth rate for 2007-08 is anticipated, the 2008-09 revenues are expected to be flat. The declines in consumer confidence and home values, unemployment and inflationary fears, and tighter lending standards combined with a potential recession on the horizon, are expected to dampen sales tax revenue growth

Property Tax

For 2008-09, property tax revenues are anticipated to reach \$23.5 million, a \$0.8 million or 3.4 percent increase over the 2007-08 adjusted budget. Over the past several years this revenue source has realized growth due to a healthy commercial and stable residential real estate market. With the

General Fund Revenues

current downturn in the housing market and a decline in the rate of increase in assessed values seen in 2007-08, staff anticipates property tax revenue growth to moderate over the next few years.

Transient Occupancy Tax (TOT)

The TOT is projected to grow by \$0.7 million or 9.4 percent in 2008-09 for a total of \$8.4 million in revenue. This growth is principally attributed to the voter-approved 2 percent TOT increase from 10 percent to 12 percent in the second half of 2007-08. During the first two quarters of fiscal year 2007-08, the average citywide occupancy rate exceeded 74 percent, and average daily room rates rose by 6.1 percent.

Utility Users Tax (UUT)

UUT revenues are anticipated to increase by \$1.0 million in 2008-09, a 10 percent increase over the 2008-09 adjusted budget. Most of the increase is attributable to higher utility rates due to higher electric and gas commodity costs. Of the \$10.8 million, \$2.9 million is derived from the tax on telephone use. Between changes in communication technology such as, Voice Over Internet Protocol (VOIP) and potential legal and regulatory challenges, this revenue source is at risk.

Other Taxes and Fines

This revenue category is comprised of motor vehicle in-lieu fees, documentary transfer taxes, and fines and penalties. Except for documentary transfer taxes as noted below, all revenues remained in line with the 2007-08 adjusted budget.

Documentary Transfer taxes are anticipated to rise from \$5.4 million in 2007-08 to \$5.5 million in 2008-09. Projecting transfer taxes is somewhat difficult in that the mix, volume and size of transactions that drive revenues can change from year to year. Based on historical performance and the steady flow of property transactions to date, the \$5.5 million target in 2008-09 appears achievable.

Charges for Services

This revenue category is mainly comprised of external reimbursements and fee-for-service payments generated by General Fund departments such as Stanford University's payment for fire protection services (\$7.4 million), paramedic fees (\$1.7 million), and plan checking fees (\$2.3 million). As compared to the 2007-08 adjusted budget, this category increased \$0.5 million or 2.2 percent.

General Fund Revenues

Fees, Permits and Licenses

Revenue in this category is primarily derived from construction-related activity. In 2008-09, revenue in this area is decreasing \$0.4 million due to a reduction in construction activity.

Return on Investment

During 2008-09, the City's portfolio yield is estimated to be 4.3 percent. Staff projects interest income of around \$2.3 million in 2008-09, a \$0.1 million or 4.8 percent decrease from the 2007-08 adjusted budget. Yields on new investments have fallen in the past year due to the Federal Reserve Board's rate decreases and revenue could fall below estimates if rates continue to decrease. These actions, combined with the maturing of the City's older and higher yielding investments, will eventually result in lower yields. This is an expected result from maintaining a "laddered" portfolio.

Rental Income

Primarily comprised of rent charged to Enterprise Funds for use of City land, this revenue category is increasing \$0.4 million in 2008-09 as compared to the 2007-08 adjusted budget. This is due to revised rental values as updated annually.

Charges to Other Funds

This revenue category is the reimbursement received by the General Fund for the provision of administrative services to Enterprise and Internal Services Funds. The General Fund charges these funds for legal, human resources, finance, and general administration services. This revenue is increasing \$0.3 million in 2008-09 compared to the 2007-08 adjusted budget due to expense increases.

Operating Transfers-In

The equity transfer from the Enterprise Funds is the largest component of this revenue category, totaling \$17.7 million. The equity transfer represents the return on the initial investment the City made when the Utility Department, and its utility business, was created more than 100 years ago. This transfer increases 3 percent annually, representing a \$0.4 million increase in 2008-09 over 2007-08. Offsetting this increase is a \$0.6 million decrease in operating transfers-in from the Storm Drainage Fund. The 2007-08 adjusted budget included a partial repayment of a short-term loan from the General Fund. The next repayment is scheduled for 2009-10.

General Fund Revenues

Other Revenue

This revenue category is mainly comprised of Animal Services revenue from neighboring cities, Palo Alto Unified School District's (PAUSD) share of maintenance for athletic fields, and one-time revenue sources. This revenue is decreasing \$0.3 million in 2008-09 compared to the 2007-08 adjusted budget due to one-time revenues included in 2007-08.

General Fund Expenditures

An Overview

Total General Fund expense is projected to be \$145.3 million in 2008-09, a \$0.4 million decrease from 2007-08 adjusted budget figures. The main elements of this change include:

- Salary and Benefits expense increase of \$0.6 million. This is primarily due to negotiated salary increases for the Palo Alto Peace Officers Association (PAPOA) and Retiree Medical benefit expense.
- Allocated charges increase of \$1.7 million in 2008-09 as compared to the adjusted budget for 2007-08. This is primarily attributed to an increase in allocated charges from the Vehicle Replacement/Maintenance Fund and from utility charges due to rate increases.
- Operating Transfers-Out decreased by \$2.6 million in 2008-09 as compared to the 2007-08 adjusted budget. 2007-08 included a short-term loan in the amount of \$1.7 million and expense for the General Fund's pre-payment obligation to the Storm Drainage Fund, which was completed in 2007-08.
- The Capital Fund transfer from the General Fund is \$12.1 million for 2008-09, a 2.7 percent increase from the 2007-08 adjusted budget of \$11.8 million. Included in the 2008-09 is a \$7.9 million transfer for Infrastructure CIP, \$1.9 million for other capital projects and \$2.3 million for the purchase of the LATP site. The transfer amount for Infrastructure CIP includes the \$1 million year-end transfer to the Infrastructure Reserve that is now built into the budget rather than making it contingent on year-end surpluses and the \$3 million Council Top Priority from prior years. This approach is consistent with the 2008-18 Long Range Financial Forecast.

Departments were given the opportunity to reallocate resources within department budgets; which addressed the need to adjust spending in certain areas as a result of shifting operational needs.

Increasing Employee Benefit Expense - Retiree Medical

The 2008-09 Adopted Budget continues funding both the current and future liability for retiree medical costs, which began in the 2007-08 budget. In 2008-09, General Fund expense is increased by \$0.5 million for the retiree medical liability (\$1.0 million citywide) as compared to the 2007-08 adjusted budget. The funds will contribute to the City's reserve for retiree medical and will satisfy the Governmental Accounting Standards Board's requirement for realizing the expense, known as GASB 45.

General Fund Expenditures

Increasing Salary Expense - Negotiated Contract Increases

The 2008-09 Adopted Budget contains funding for previously negotiated salary increases for the following labor groups:

- International Association of Fire Fighters (IAFF) negotiated salary increase - \$0.3 million, 3 percent. The four year contract, renewed with an effective date of July 2006, will expire in 2010. Future year increases include 4 percent in 2009-10.
- Service Employees International Union (SEIU) negotiated salary increase - \$1.4 million, 3 percent. The thirty-eight month contract, renewed with an effective date of May 2006, will expire June 2009. Future year increases include 3 percent in 2009-10. A portion of the salary increase goes towards paying for the increased pension benefit of 2.7 percent at 55.
- The Palo Alto Peace Officer's Association (PAPOA) completed salary negotiations in 2007-08. The three year contract, renewed with an effective date of July 2007, will expire in 2010. Negotiated cost of living increases include 3.5 percent for 2007-08, 3.5 percent in 2008-09 and 3.5 percent in 2009-10. Also included are market adjustments for Police Officers/Agents and Sergeants of 4 percent and 6 percent respectively in 2007-08, 5 percent in 2008-09 and 2.5 percent in 2009-10. Beginning in 2008-09 the City will pay the employee's 9 percent PERS contribution with a simultaneous offsetting wage reduction.

Non-Departmental Expenditures

This involves costs not associated with a particular department such as the direct support of the Palo Alto Unified School District (PAUSD) of \$6.7 million as part of the lease and covenant not to develop the Cubberley Community Center.

Contingency Spending

Contingencies are budget dollars eventually transferred to another department in order to fund unexpected expense. This includes City Manager and City Council contingency spending as well as compensation adjustments to be allocated to department budgets later in the year.

Operating Transfers-Out

The General Fund maintains obligations to other funds such as the Storm Drainage Fund, Capital Project Fund and Debt Service Funds. Operating transfers are a means of moving resources between funds. General Fund operating transfers out are projected to be \$13.2 million in 2008-09. Some of

General Fund Expenditures

the larger transfers include \$12.1 million to the Capital Project Fund for infrastructure and \$1.1 million to the Debt Service Fund for debt financing expense.

Reserves

The Budget Stabilization Reserve (BSR) is projected to remain at stable levels near its target of 18.5 percent of expenditures, approximately \$25.4 million in 2008-09. This is within the 15 to 18.5 percent reserve policy guideline range. However, this level may be reduced to 15 percent pending Council approval to transfer of approximately \$3.4 million to fund the design phase of the Public Safety Building.

Long Range Financial Forecast (LRFF)

As presented to the Finance Committee in December 2007, the LRFF plays a critical role in the development of much of the fundamental analysis in this budget presentation. The model is included in this document with the 2006-07 year updated with actual expenditures. While continuing a careful balance between projected revenues and expenditures, the model continues to indicate General Fund stability for the next several years.

Citywide Operating Fund Balances Statement

An organization-wide operating fund statement is included in the financial summaries that follow this discussion. Internal Service Fund activities are not listed separately, as the expenses surrounding these activities have been allocated to all funds receiving the service and included as expense within those funds. Capital Project Fund activities are captured as a net transfer of fund balance and also are not included in this operating statement. Here are the highlights from the 2008-09 summary:

Total City revenues are projected to be \$477.4 million in 2008-09

Total City expenditures are projected to be \$474.0 million in 2008-09

Total fund balances are projected to be \$241.8 million in 2008-09

THIS PAGE IS INTENTIONALLY LEFT BLANK.

General Fund Summary

FUND SUMMARY

(\$000)	2006-07 Actual	2007-08 Adopted Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Revenues						
Sales Tax	22,195	22,045	22,400	22,789	22,402	2
Property Tax	21,489	22,034	22,735	23,014	23,510	775
Transient Occupancy Tax	6,708	6,985	7,700	7,272	8,424	724
Utility Users Tax	9,356	9,402	9,793	10,110	10,783	990
Other Taxes and Fines	8,734	8,181	8,437	8,480	8,816	380
Charges for Services	19,484	20,383	20,383	20,229	20,849	466
Permits and Licenses	5,320	6,044	6,074	5,449	5,767	(307)
Return on Investment	3,132	2,191	2,466	2,191	2,348	(118)
Rental Income	13,105	13,037	13,037	13,037	13,426	389
From other agencies	752	118	167	81	86	(82)
Charges to Other Funds	9,800	10,650	10,650	10,647	10,952	302
Other Revenue	1,775	1,432	1,772	1,432	1,531	(241)
TOTAL REVENUES	\$121,850	\$122,503	\$125,615	\$124,731	\$128,894	\$3,279
Operating Transfers-In	15,644	17,207	17,786	17,537	17,677	(109)
TOTAL SOURCE OF FUNDS	\$137,494	\$139,710	\$143,401	\$142,268	\$146,571	\$3,170

General Fund Summary

FUND SUMMARY

(\$000)	2006-07 Actual	2007-08 Adopted Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Expenses						
City Attorney	2,456	2,746	2,834	2,746	2,778	(56)
City Auditor	893	887	918	887	931	14
City Clerk	949	1,440	1,477	1,032	1,260	(217)
City Council	169	190	299	190	315	16
City Manager	1,727	2,002	2,500	2,006	2,231	(269)
Administrative Services	7,021	7,374	7,669	7,181	7,153	(516)
Community Services	20,137	21,212	21,537	21,023	21,600	63
Fire	21,559	22,868	23,120	23,515	24,260	1,140
Human Resources	2,577	2,703	2,821	2,706	2,822	0
Library	5,852	6,484	6,578	6,545	6,570	(8)
Planning and Community Environment	9,492	10,137	10,606	10,191	10,419	(187)
Police	25,900	27,981	28,886	28,179	29,831	946
Public Works	12,433	13,225	13,436	13,407	13,859	423
Non-Departmental	8,494	9,229	7,455	10,915	7,980	525
TOTAL EXPENSES	\$119,658	\$128,478	\$130,135	\$130,524	\$132,009	\$1,874
Operating Transfers Out	4,011	2,030	3,763	1,094	1,169	(2,594)
Transfer to Infrastructure	8,736	8,677	11,807	9,247	12,131	324
TOTAL USE OF FUNDS	\$132,405	\$139,185	\$145,705	\$140,865	\$145,308	\$(397)
NET SURPLUS (DEFICIT)	\$5,089	\$525	\$(2,304)	\$1,403	\$1,263	\$3,567

General Fund Summary

EXPENDITURES BY CATEGORY	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Salaries and Benefits	84,042,795	90,650,678	92,107,693	91,263,053	612,375
Contract Services	9,142,453	11,623,073	10,307,818	11,184,314	(438,759)
Supplies and Materials	2,656,031	3,629,125	3,536,127	3,609,309	(19,816)
General Expense	8,731,670	9,537,511	9,576,647	9,564,744	27,233
Rents and Leases	683,089	737,230	725,058	728,211	(9,019)
Facilities and Equipment Purchases	375,963	464,264	501,977	503,004	38,740
Allocated Charges	14,026,416	13,493,060	13,768,838	15,155,942	1,662,882
Operating Transfers Out	4,010,921	3,763,376	1,094,086	1,168,991	(2,594,385)
Transfer to Infrastructure	8,735,562	11,806,905	9,247,023	12,130,596	323,691
TOTAL EXPENDITURES	\$132,404,900	\$145,705,222	\$140,865,267	\$145,308,164	\$(397,058)

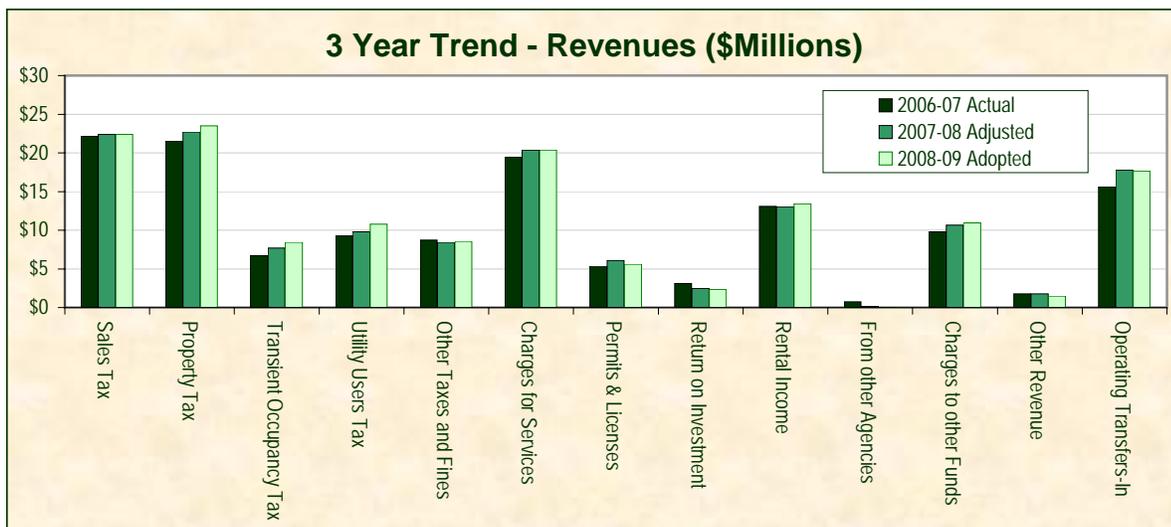
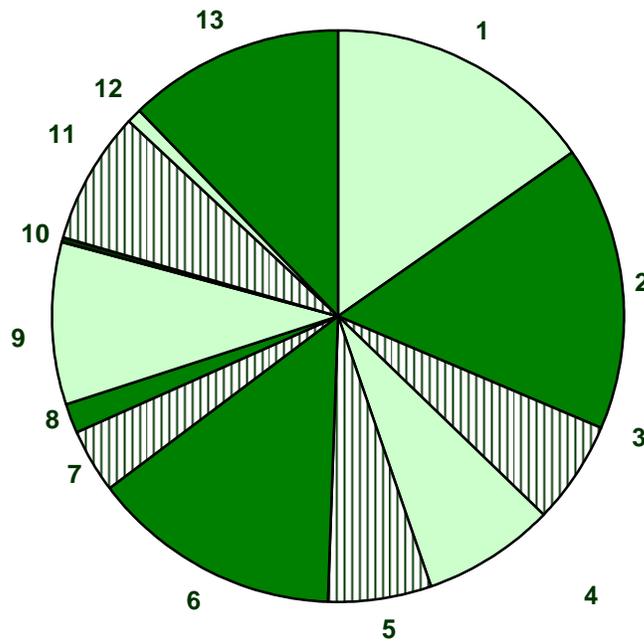
RESERVES

(\$000)	2006-07 Actual	2007-08 Adopted Changes	2007-08 BAO's	Projected 06/30/08	2008-09 Projected Changes	Projected 06/30/09
Reserves						
<i>Budget Stabilization Reserve (BSR) Activity:</i>						
BSR	27,480	525	(2,829)	25,176	263	25,439
<i>Other Reserve Activity:</i>						
Public Safety Building				3,000	1,000	4,000
Encumbrance & Reappropriation	3,461			3,461		3,461
Equity Transfer Stabilization	3,465			3,465		3,465
Inventory of Materials & Supplies	2,567			2,567		2,567
Notes Receivable & Prepaid Items	2,435			2,435		2,435
TOTAL RESERVES	\$39,408	\$525	\$(2,829)	\$40,104	\$1,263	\$41,367

General Fund — Revenues by Type

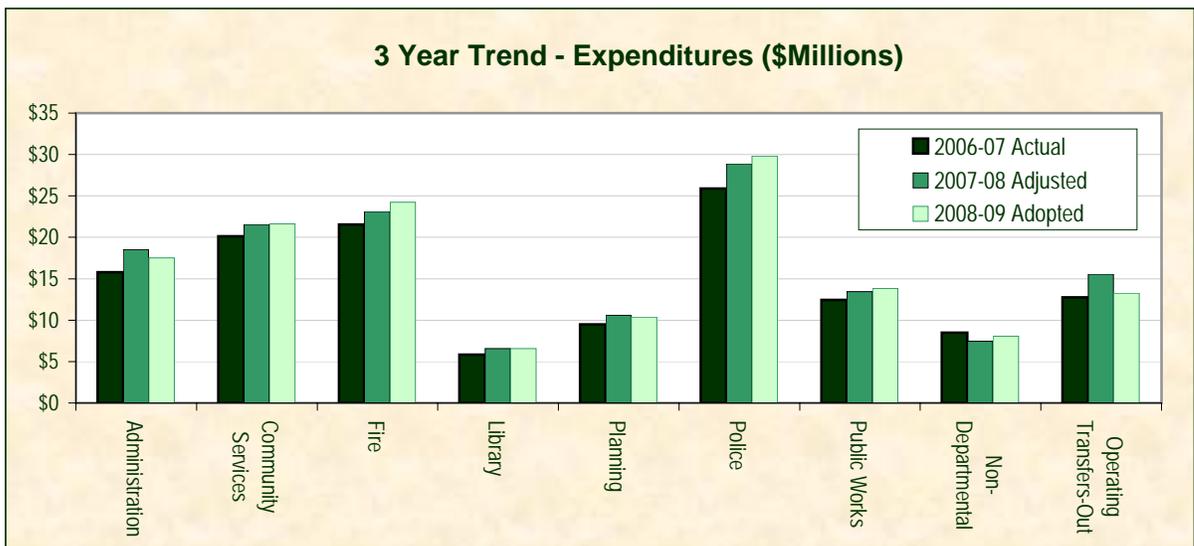
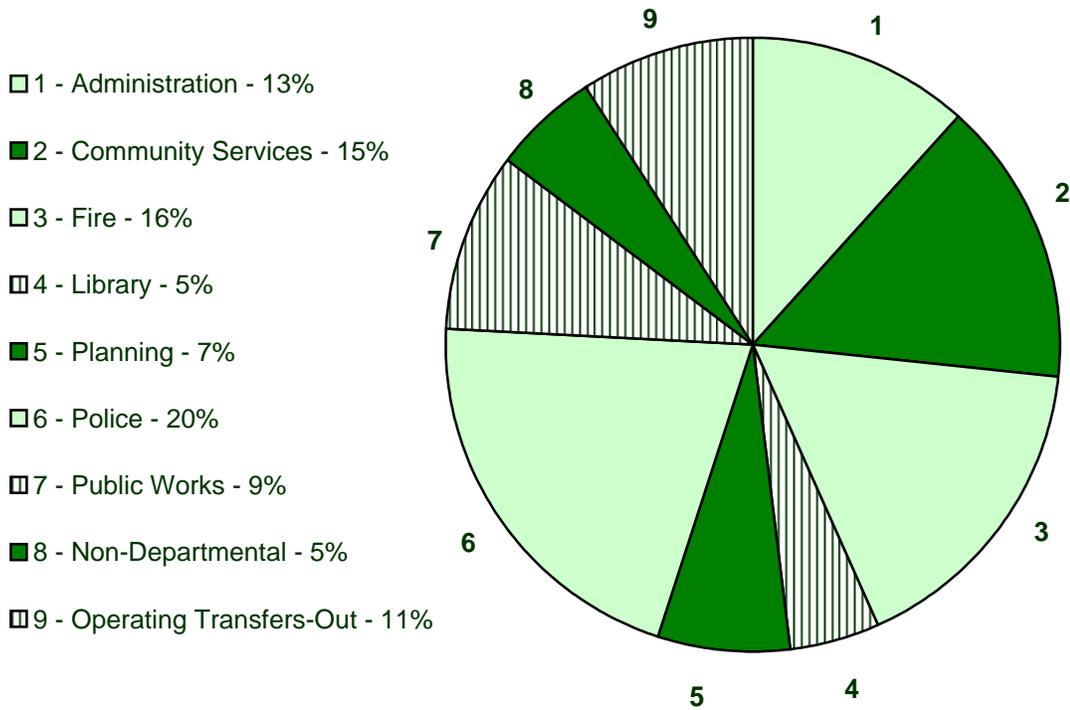
\$146.6 Million / Adopted 2008-09

- 1 - Sales Tax - 16%
- 2 - Property Tax - 16%
- 3 - Transient Occupancy Tax - 5%
- 4 - Utility Users Tax - 7%
- 5 - Other Taxes and Fines 6%
- 6 - Charges for Services - 14%
- 7 - Permits & Licenses - 4%
- 8 - Return on Investment - 2%
- 9 - Rental Income - 9%
- 10 - From other Agencies - < 1%
- 11 - Charges to other Funds - 7%
- 12 - Other Revenue - 1%
- 13 - Operating Transfers-In - 12%



General Fund — Expenditures by Category

\$145.3 Million / Adopted 2008-09



Long Range Financial Forecast

(\$000)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues												
Sales Taxes	22,195	22,400	22,402	22,962	22,618	22,052	23,541	25,248	26,763	27,833	28,806	29,527
Property Taxes	21,467	22,735	23,510	24,227	24,365	24,506	26,124	27,850	29,764	31,813	33,848	36,101
Utility User Tax	9,356	9,793	10,783	11,399	12,033	12,678	13,496	14,377	15,200	16,077	16,997	18,004
Transient Occupancy Tax	6,708	7,700	8,424	8,748	8,625	8,418	8,846	9,430	10,193	10,917	11,473	12,058
Other Taxes, Fines & Penalties	8,757	8,437	8,816	9,107	9,225	9,210	9,782	10,417	11,061	11,658	12,214	12,758
Subtotal: Taxes	\$68,483	\$71,065	\$73,935	\$76,443	\$76,866	\$76,864	\$81,788	\$87,322	\$92,980	\$98,298	\$103,339	\$108,448
Service Fees & Permits	17,916	19,222	19,239	20,151	20,678	21,149	21,538	22,161	23,030	23,934	24,875	25,850
Joint Service Agreements (Stanford University)	6,822	7,235	7,377	7,611	8,060	8,408	8,789	9,169	9,592	10,038	10,507	11,001
Interest Earnings	2,365	2,466	2,348	2,435	2,519	2,614	2,718	2,841	2,988	3,134	3,284	3,423
Other revenues	16,368	14,977	15,043	15,283	15,531	15,812	14,011	14,365	14,730	15,105	15,492	15,891
Reimbursements from Other	9,896	10,650	10,952	11,324	11,765	12,075	12,400	12,799	13,287	13,815	14,355	14,917
TOTAL REVENUES	\$121,850	\$125,615	\$128,894	\$133,246	\$135,420	\$136,922	\$141,245	\$148,657	\$156,608	\$164,324	\$171,851	\$179,531
Transfers from Other Funds	15,644	17,786	17,677	18,792	19,505	19,492	20,015	20,659	21,447	22,299	23,170	24,079
TOTAL SOURCE OF FUNDS	\$137,494	\$143,401	\$146,571	\$152,038	\$154,925	\$156,413	\$161,260	\$169,316	\$178,055	\$186,623	\$195,022	\$203,612
Expenditures												
Salaries & Benefits	86,943	90,651	91,263	94,542	98,948	102,079	105,273	109,066	113,764	118,681	123,829	129,218
Contract Services	9,135	11,623	11,184	11,576	11,836	12,014	12,194	12,377	12,723	13,131	13,524	13,930
Supplies & Materials	2,656	3,629	3,609	3,735	3,819	3,877	3,935	3,994	4,106	4,237	4,364	4,495
General Expense	8,738	9,538	9,565	9,853	10,124	10,367	10,624	10,907	11,215	11,478	11,748	12,024
Rents, Leases, & Equipment	985	1,201	1,231	1,274	1,303	1,322	1,342	1,362	1,400	1,445	1,488	1,533
Allocated Expenses	14,101	13,495	15,155	15,685	16,038	16,279	16,523	16,936	17,444	17,968	18,507	19,062
TOTAL EXPENDITURES	\$122,558	\$130,137	\$132,007	\$136,666	\$142,069	\$145,938	\$149,891	\$154,642	\$160,652	\$166,940	\$173,460	\$180,262
Transfers to Other Funds												
GF transfer for Infrastructure CIP	6,987	6,751	7,880	8,180	8,501	8,844	9,211	9,604	10,024	10,474	10,955	11,470
GF transfer for other CIP	1,749	1,949	1,938	1,819	1,873	1,930	1,988	2,046	2,106	2,168	2,231	2,297
Debt Service	1,092	1,082	1,082	1,082	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other	19	979	87	87	1,177	1,173	929	752	749	649	763	763
TOTAL USE OF FUNDS	\$132,405	\$140,898	\$142,994	\$147,834	\$154,619	\$158,885	\$163,018	\$168,044	\$174,532	\$181,231	\$188,409	\$195,791
NET OPERATING SURPLUS/ (DEFICIT)	\$5,089	\$2,503	\$3,577	\$4,204	\$305	\$(2,471)	\$(1,759)	\$1,272	\$3,523	\$5,391	\$6,612	\$7,820
One-Time Increase/(Decrease)*		(4,807)	(2,313)	(1,916)	518							
To/(From) Reserves		(2,304)	1,263	2,288	823							

*The 2008-18 Long Range Financial Forecast includes one-time only draw downs and adds to the General Fund Budget Stabilization Reserve for the purchase of LATP and a short term loan to the Storm Drainage Fund

Projected Operating Fund Balances

(\$000)	Projected Ending Balance 06/30/08	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/09
GENERAL FUND	\$37,108	\$128,894	\$4,378	\$132,009	\$38,371
CAPITAL FUND	\$16,493	\$1,781	\$13,942	\$20,622	\$11,594
DEBT SERVICE					
Golf Course Debt	742	30	526	556	742
Civic Center Debt	373	12	412	424	373
Parking 2002 COPS (Taxable) Debt	251	10	225	235	251
Special Assessment Debt	118	0	0	0	118
Subtotal	\$1,484	\$52	\$1,162	\$1,215	\$1,484
ENTERPRISE					
Electric Fund	117,379	124,663	(11,547)	130,219	100,276
Fiber Optics Fund	2,738	2,909	(3)	1,547	4,098
Gas Fund	11,227	51,865	(4,415)	46,295	12,382
Wastewater Collection Fund	7,145	15,326	(517)	15,888	6,067
Water Fund	13,341	63,510	(3,798)	35,005	38,048
Refuse Fund	10,321	32,835	(702)	33,482	8,972
Storm Drain Fund	363	5,677	(155)	5,546	339
Wastewater Treatment Fund	(10,393)	41,250	(134)	40,516	(9,793)
Subtotal	\$152,121	\$338,035	\$(21,271)	\$308,497	\$160,389
INTERNAL SERVICE					
General Benefits and Insurance Fund	3,955	*	(2,511)	*	1,444
Retiree Health Benefit Fund	719	*	0	*	719
Printing and Mailing Fund	312	*	(77)	*	235
Technology Fund	4,336	*	1,923	*	6,259
Vehicle Replacement and Maintenance	(1,565)	*	1,640	*	75
Subtotal	\$7,757	\$0	\$975	\$0	\$8,732
SPECIAL REVENUE					
Community Development Fund	2,713	683	(402)	0	2,994
Street Improvement Fund	293	1,438	(1,463)	0	268
Federal and State Revenue Funds	5,585	1,370	(5)	1,860	5,090
Housing In-Lieu and Public Benefit Fund	12,390	3,255	(0)	5,775	9,870
Special Districts Fund	711	1,192	(1,250)	0	653
Traffic Mitigation & Parking In-Lieu Fund	1,777	546	(0)	0	2,323
Downtown Business Improvement District	80	161	(0)	160	81
Subtotal	\$23,549	\$8,645	\$(3,122)	\$7,795	\$21,277
TOTAL OPERATING FUNDS	\$238,512	\$477,408	\$(3,936)	\$470,137	\$241,847

* allocation to/from other funds

Total Citywide Revenues by Category

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Net Sales	211,218,731	223,279,965	240,696,412	247,661,714	24,381,749
Sales Taxes	22,194,818	22,400,000	22,789,000	22,402,000	2,000
Property Taxes	21,755,082	23,014,313	23,174,000	23,670,000	655,687
Transient Occupancy Tax	6,708,199	7,700,000	7,272,000	8,424,000	724,000
Utility Users Tax	9,355,556	9,793,000	10,110,000	10,783,000	990,000
Other Taxes and Fines	8,768,329	8,446,500	8,489,500	8,826,000	379,500
Charges for Services	21,749,042	21,819,220	23,070,220	22,939,836	1,120,616
Permits and Licenses	6,321,752	7,118,499	6,493,499	6,935,202	(183,297)
Return on Investments	16,339,938	14,157,700	13,882,600	13,636,200	(521,500)
Rental Income	13,171,654	13,045,861	13,045,861	13,434,420	388,559
From Other Agencies	3,263,363	4,022,924	1,927,632	3,193,181	(829,743)
Charges to Other Funds	22,947,502	25,465,439	25,718,230	26,530,852	1,065,413
Other Revenue	16,101,668	15,784,629	70,340,807	68,972,978	53,188,349
TOTAL REVENUES	\$379,895,634	\$396,048,050	\$467,009,761	\$477,409,383	\$81,361,333

The revenue table above shows total City revenues from all City funds as follows: general fund, enterprise funds, capital fund, internal service funds, debt service, and special revenue funds.

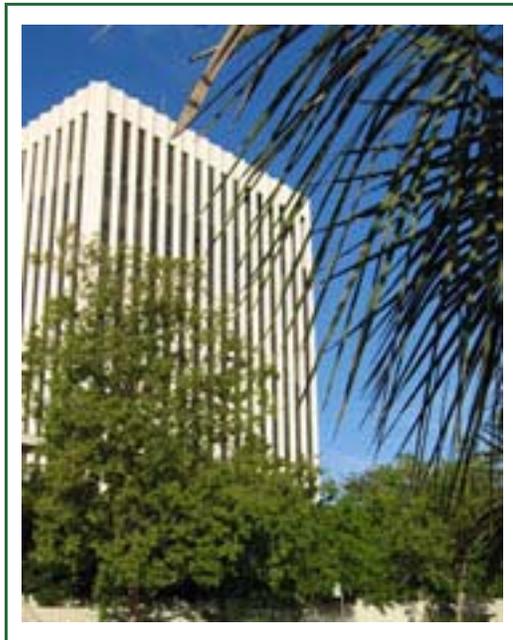
Total Citywide Expenditures by Category

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Utility Purchases and Charges	106,500,887	123,315,538	122,057,223	135,729,630	12,414,092
Salaries and Benefits	116,368,783	125,806,608	127,843,460	127,689,142	1,882,534
Contract Services	16,407,132	26,118,238	24,563,507	27,164,983	1,046,745
Supplies and Materials	5,557,266	7,282,818	7,191,595	7,805,145	522,327
Facilities and Equipment Purchases	1,113,325	1,060,274	1,045,728	4,116,255	3,055,981
General Expense	15,939,617	14,640,905	15,180,592	16,665,358	2,024,453
Rents and Leases	11,046,840	11,110,317	11,101,145	11,463,457	353,140
Allocated Charges	38,231,165	37,176,870	37,442,748	40,251,533	3,074,663
Debt Service	12,360,679	14,388,921	14,269,367	14,225,367	(163,554)
Capital Improvement Program	53,159,651	63,091,246	80,004,188	85,023,085	21,931,839
Net Transfers	1,237,446	12,859,590	4,005,998	3,929,598	(8,929,992)
TOTAL EXPENDITURES	\$377,922,791	\$436,851,325	\$444,705,551	\$474,063,553	\$37,212,228
To/(From) Reserves	1,972,843	(40,803,275)	22,304,210	3,345,830	44,149,105

The expense table above shows total City expenditures from all City funds as follows: general fund, enterprise funds, capital fund, internal service funds, debt service, and special revenue funds. The line above labeled "To/ (From) Reserves" shows funding from reserves that is used primarily for rate stabilization in the enterprise funds as well as for capital improvement program (CIP) funding.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

City Attorney's Office



OVERVIEW

In 2008-09, the City Attorney's Office will strive to maintain the high level of customer service it has achieved through the City Attorney's Office reorganization. The Office's focus will be on providing quality legal advice in a timely and cost-effective fashion. The City Attorney's Office will continue to focus on reducing its share of city expenditures. The City Attorney's Office will continue to formulate approaches for full cost recovery for extraordinary legal services provided for the benefit of third parties.

The Office of the City Attorney will work on legal issues related to City Council priorities. This includes legal work related to the library and public safety buildings, environmental protection, civic engagement and the City's economic health. Some of the complex projects for which the Office will provide legal advice during 2008-09 are the Public Safety Building, Mitchell Park Library and Community Center, Public Private Partnerships, the emergency water supply project, green building requirements, Comprehensive Plan update, and the Stanford Hospital expansion and Stanford Shopping Center projects.

In order to ensure the highest level of legal services, the Office of the City Attorney will continue to develop staff skills by encouraging continuing education and cross training. The Office will continue to keep the City Council informed of significant legal occurrences and provide updates on legal developments and new laws that affect City operations.

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the City Attorney's Office will support implementation of the following City Council's Top 4 Priorities as follows:

Libraries/Community Center and Public Safety Building

- Develop legal financing strategy for library and public safety buildings
- Assist in bond financing and/or Certificates of Participation issuance
- Assist in the E.I.R. and/or environmental analysis as necessary
- Work on potential ballot measures for the library
- Work with outside counsel on all construction contract documents as necessary for projects

Environmental Protection

- Draft appropriate ordinance to implement Council direction on environmental protection issues
- Assist in the drafting of green building ordinance and determine legal basis for passage

Civic Engagement

- Provide legal assistance to board/commission liaisons as requested
- Provide training to boards and commission on civic engagement issues
- Assist in AB1234 ethics training
- Advise staff on civic engagement proposals

Economic Health

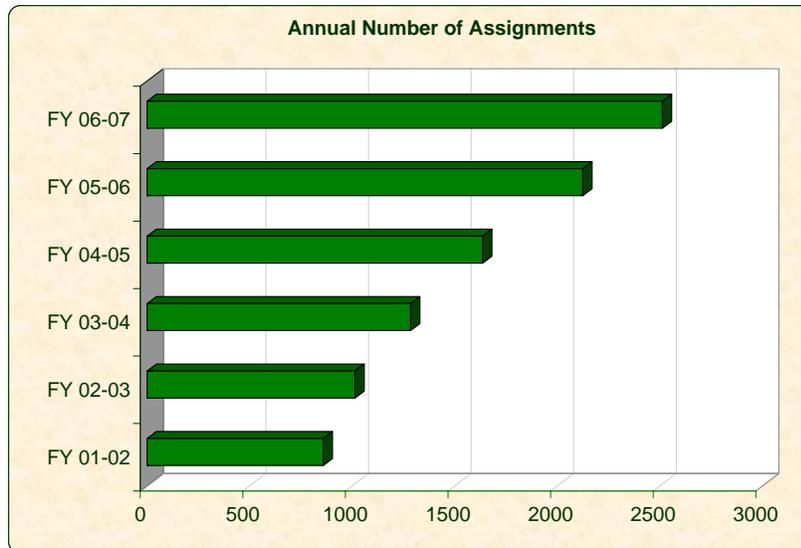
- Evaluate legality of all proposals for revenue increases or enhancements

City Attorney

- Continue reduction of City Attorney outside counsel expenses
- Continue review and suggestions on issues related to reduction of general fund expenditures
- Continue efforts for cost recovery of legal services provided for the benefit of third parties

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	195,777	238,738	189,504	190,009	(48,729)	(20%)
Consultation and Advisory	1,677,332	2,001,165	1,968,128	2,009,153	7,988	0%
Litigation and Dispute Resolution	316,643	451,229	447,448	445,550	(5,679)	(1%)
Official and Administration Duties	265,866	143,263	141,057	133,573	(9,690)	(7%)
TOTAL EXPENDITURES	\$2,455,618	\$2,834,395	\$2,746,137	\$2,778,285	\$(56,110)	(2%)
TOTAL REVENUES	\$1,311,705	\$1,216,015	\$1,209,430	\$1,221,082	\$5,067	0%
INTERNAL REVENUES	1,267,736	1,131,015	1,124,430	1,150,082	19,067	2%
EXTERNAL REVENUES	43,969	85,000	85,000	71,000	(14,000)	(16%)



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	1,654,257	1,936,669	1,848,226	1,879,907
Contract Services	632,171	733,459	735,959	728,459
Supplies and Materials	19,309	38,000	38,000	38,000
Facilities and Equipment Purchases	0	2,000	2,000	2,000
General Expense	26,814	24,980	24,980	30,480
Rents and Leases	5,459	6,000	3,500	5,500
Allocated Charges	117,608	93,287	93,472	93,939
TOTAL EXPENDITURES	\$2,455,618	\$2,834,395	\$2,746,137	\$2,778,285
TOTAL REVENUES	\$1,311,705	\$1,216,015	\$1,209,430	\$1,221,082
Total Full Time Positions	10.60	10.60	10.60	10.60
Total Temporary Positions	0.96	0.95	0.95	0.95

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of work requests processed	2,511	2,500	2,500
2. Number of claims opened and handled (SEA) (*2006-07 number includes 37 claims relating to leaf blowers)	185	150	150
3. Number of code enforcement matters referred to City Attorney	12	10	10
Efficiency:			
1. Ratio of work requests per attorney	421	417	417
2. Percent of claims investigations commenced within 7 days of receipt of claim by department	82%	90%	90%
3. Percent of requests for code enforcement legal support responded to within 10 working days	100%	100%	100%
Effectiveness:			
1. Percent of work requests completed within established time frames - time frame varies based on type of work request	95%	95%	95%
2. Percent of claims resolved within 9 months	96%	95%	95%

City Attorney

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase allocated revenue-internal	19,067		19,067
Decrease certificates of compliance revenue	(14,000)		(14,000)
TOTAL REVENUE CHANGES	\$5,067	\$0	\$5,067
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Costs Increase (Note 2)	31,828		31,828
Total Salary and Benefits Increase	\$31,828	\$0	\$31,828
Adjustments (Note 1)		(88,590)	(88,590)
NET SALARY AND BENEFITS CHANGES	\$31,828	\$(88,590)	\$(56,762)
Non-Salary			
Increase legal contract assistance		270,000	270,000
Allocated Charges Increase (Note 3)	652		652
Total Non-Salary Changes	\$652	\$270,000	\$270,652
TOTAL EXPENDITURE CHANGES	\$32,480	\$181,410	\$213,890
Adjustments (Note 1)		(270,000)	(270,000)
NET EXPENDITURE CHANGES	\$32,480	\$(88,590)	\$(56,110)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

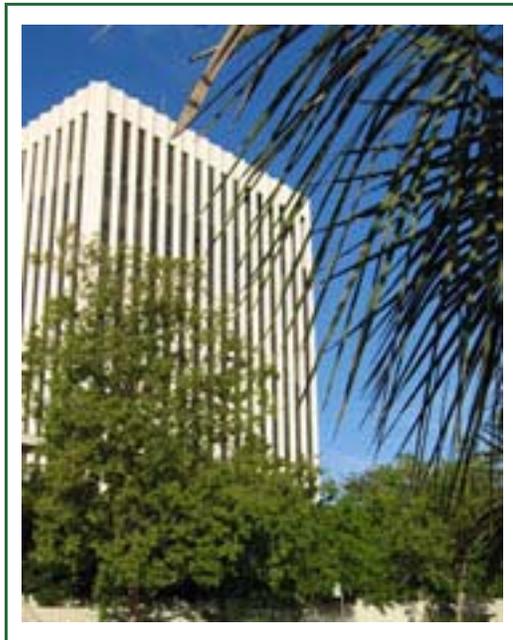
Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in liability insurance charges.

SERVICE LEVEL CHANGES

The Office of the City Attorney completed its restructuring effort during 2006-07. The restructuring effort resulted in a 21 percent reduction in staffing from the 2002-03 staffing level. This represents a substantial contribution from the City Attorney's Office to reducing general fund expenditures. The Office does not anticipate any other service level changes at this time. In order to maintain a high level of accurate legal services in a timely fashion, additional service level changes are not recommended.

City Auditor's Office



City Auditor

To promote honest, efficient, effective, and fully accountable City Government.

OVERVIEW

The City Auditor's Office conducts performance audits and reviews of City departments, programs, and services. Performance audits provide the City Council, City management, and the public with independent and objective information regarding the economy, efficiency, and effectiveness of City programs and activities. The Office coordinates the annual citizen survey and issues the annual City of Palo Alto Service Efforts and Accomplishments report summarizing costs, workload, and performance results for City services over the last five years.

In the first month of each fiscal year, the Auditor's Office presents an annual audit work plan for City Council approval. The Office will continue to report quarterly to the City Council on the status of audit projects and annually on the status of open audit recommendations.

The Office contracts with an independent certified public accountant for the City's annual external financial audit. The Office also conducts and coordinates audits of sales tax, property tax, transient occupancy tax, utility user's tax, and other revenues.

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the City Auditor's Office will continue to support implementation of the following City Council's Top 4 Priorities as follows:

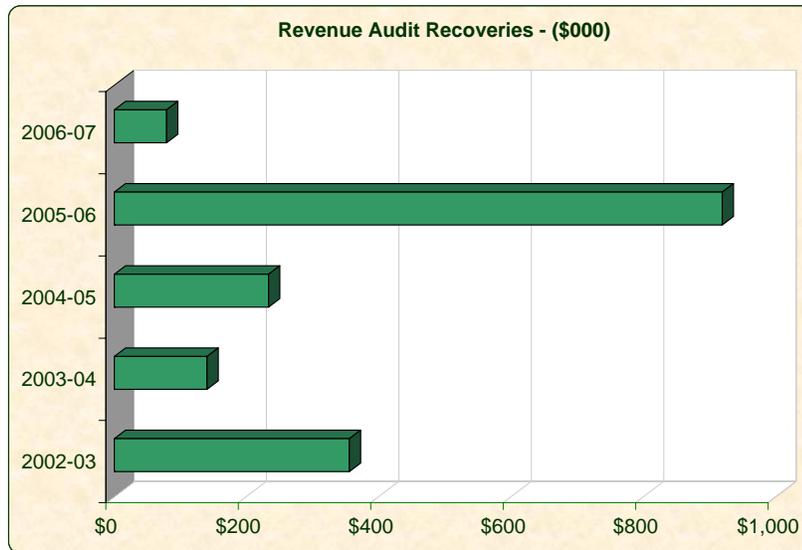
Economic Health

- Continue to provide independent, impartial assessment of City government performance through the Service Efforts and Accomplishments report
- Conduct on-going audits of sales, property, documentary transfer, and utility user's taxes
- Conduct performance audits
- Continue to ensure the accuracy of financial information through the annual external financial audit

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Audit Services	898,235	917,568	887,176	931,267	13,699	1%
TOTAL EXPENDITURES	\$898,235	\$917,568	\$887,176	\$931,267	\$13,699	1%
TOTAL REVENUES	\$773,174	\$566,755	\$566,805	\$499,107	\$(67,648)	(12%)
INTERNAL REVENUES	694,404	331,755	331,805	349,107	17,352	5%
EXTERNAL REVENUES	78,770	235,000	235,000	150,000	(85,000)	(36%)

City Auditor



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	610,779	647,371	607,174	651,059
Contract Services	221,315	223,161	234,832	234,832
Supplies and Materials	3,312	6,000	4,000	4,350
General Expense	972	1,500	1,500	1,150
Allocated Charges	56,282	39,536	39,670	39,876
Operating Transfers Out	5,575	0	0	0
TOTAL EXPENDITURES	\$898,235	\$917,568	\$887,176	\$931,267
TOTAL REVENUES	\$773,174	\$566,755	\$566,805	\$499,107
Total Full Time Positions	4.00	4.00	4.00	4.00
Total Temporary Positions	0.32	0.32	0.12	0.32

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of audit reports	11	12	10
2. Number of audit recommendations (SEA)	27	55	55
3. Revenue audit recoveries (SEA)	\$78,770	\$150,000	\$150,000
Efficiency:			
1. Percent of workplan completed	55%	71%	71%
2. Ratio of audit reports per auditor	3.7	4.0	4.0
Effectiveness:			
1. Percent of revenue audit cost recovered	89%	166%	166%
2. Percent of open audit recommendations implemented	8%	40%	40%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Decrease sales tax audit revenue recoveries	(85,000)		(85,000)
Increase allocated revenue-internal	17,352		17,352
TOTAL REVENUE CHANGES	\$(67,648)	\$0	\$(67,648)
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Costs Increase (Note 2)	43,932		43,932
Total Salary and Benefits Changes	\$43,932	\$0	\$43,932
Adjustments (Note 1)		(40,244)	(40,244)
NET SALARY AND BENEFITS CHANGES	\$43,932	\$(40,244)	\$3,688
Non-Salary			
Allocated Charges Increase (Note 3)	340		340
Total Non-Salary	\$340	\$0	\$340
TOTAL EXPENDITURE CHANGES	\$44,272	\$(40,244)	\$4,028
Adjustments (Note 1)		9,671	9,671
NET EXPENDITURE CHANGES	\$44,272	\$(30,573)	\$13,699

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's

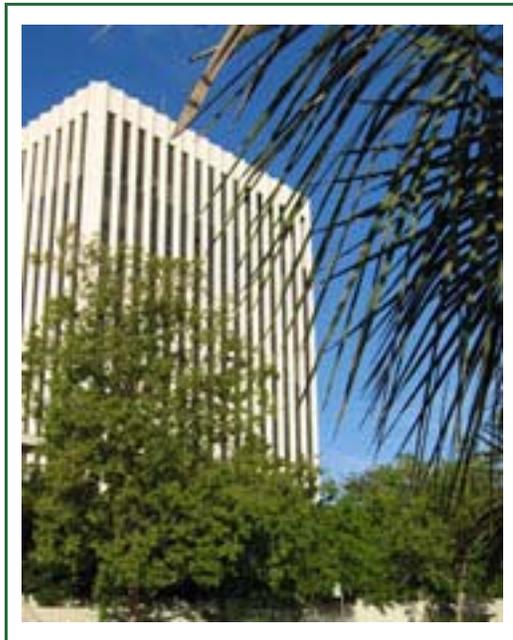
City Auditor

budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in liability insurance charges.

City Clerk's Office



To foster community awareness and civic involvement by providing timely and accurate records of the activities of City Policy makers.

OVERVIEW

In 2008-09, the City Clerk's Office will continue to meet the needs of the public, the City Council, and staff in the following areas: City Council support services, agenda packet process, board and commission recruitment, City Council events, City Council minutes, elections, conflict of interest, legislative records management, and oversight of the Administrative Hearings. The City Clerk's Office maintains information provided to the City's website regarding the Clerk's Office and the City Council.

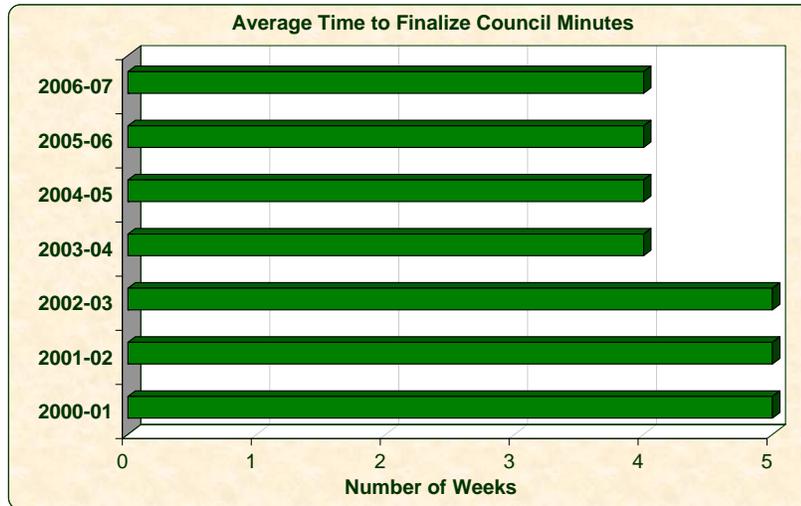
COUNCIL PRIORITY IMPLEMENTATION

The City Clerk's Office is not directly involved in the City Council's Top 4 Priorities. In an administrative capacity, the Clerk's Office will work closely with City staff to ensure the agendas, minutes, packets, and public hearing notices reflect those priorities.

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	114,596	129,336	104,507	108,033	(21,303)	(16%)
Public Information	81,650	111,251	107,927	118,876	7,625	7%
Council Support Services	445,168	547,898	504,180	647,998	100,100	18%
Election/Conflict of Interest	93,250	461,956	94,157	151,453	(310,503)	(67%)
Legislative Records Management	84,521	97,953	95,417	104,025	6,072	6%
Administrative Citations	130,256	128,260	126,108	129,340	1,080	1%
TOTAL EXPENDITURES	\$949,441	\$1,476,654	\$1,032,296	\$1,259,725	\$(216,929)	(15%)
TOTAL REVENUES	\$267,634	\$445,330	\$312,465	\$387,356	\$(57,974)	(13%)
INTERNAL REVENUES	267,052	443,380	310,515	385,406	(57,974)	(13%)
EXTERNAL REVENUES	582	1,950	1,950	1,950	0	0%

City Clerk



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	760,815	848,780	817,428	958,266
Contract Services	53,936	145,680	70,829	109,663
Supplies and Materials	4,849	21,696	6,696	5,841
General Expense	43,058	363,468	39,780	88,041
Rents and Leases	0	1,200	1,200	1,200
Allocated Charges	86,783	95,830	96,363	96,714
TOTAL EXPENDITURES	\$949,441	\$1,476,654	\$1,032,296	\$1,259,725
TOTAL REVENUES	\$267,634	\$445,330	\$312,465	\$387,356
Total Full Time Positions	6.75	6.75	6.75	6.75
Total Temporary Positions	1.22	1.55	0.48	0.67

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of City Council agendas posted with City Manager Reports to the website four days prior to council meeting	50	50	50
2. Number of formal public records requests	60	60	70
3. Number of City Council minutes finalized (SEA)	40	40	45
Efficiency:			
1. Average time to post City Council agenda	4 days	4 days	4 days
2. Average time to address formal public records requests	10 days	10 days	10 days
3. Average time to finalize City Council minutes (SEA)	4 weeks	4 weeks	4 weeks
Effectiveness:			
1. Percent of City Council agendas posted	98%	98%	98%
2. Percent of formal public records requests addressed within 10 days	98%	98%	99%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Decrease allocated revenue-internal	(57,974)		(57,974)
TOTAL REVENUE CHANGES	\$(57,974)	\$0	\$(57,974)
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Costs Increase (Note 2)	146,477		146,477
Total Salary and Benefits Changes	\$146,477	\$0	\$146,477
Adjustments (Note 1)		(36,991)	(36,991)
NET SALARY AND BENEFITS CHANGES	\$146,477	\$(36,991)	\$109,486
Non-Salary			
Increase in advertising and publishing (Boards & Commissions/Public Hearings & Agendas)	20,000	20,000	40,000
Increase in instruction and training (AB1234 ethics training)	6,000		6,000
Increase in election (Election language translation)		45,000	45,000
Decrease in advertising and publishing (Best Bets)	(18,424)		(18,424)
Decrease in equipment maintenance and repair (Best Bets)	(1,336)		(1,336)
Increase in advertising and publishing (Sense minutes)		15,000	15,000
Allocated Charges Increase (Note 3)	884		884

City Clerk

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Total Non-Salary Changes	\$7,124	\$80,000	\$87,124
TOTAL EXPENDITURE CHANGES	\$153,601	\$43,009	\$196,610
Adjustments (Note 1)		(413,539)	(413,539)
NET EXPENDITURE CHANGES	\$153,601	\$(370,530)	\$(216,929)

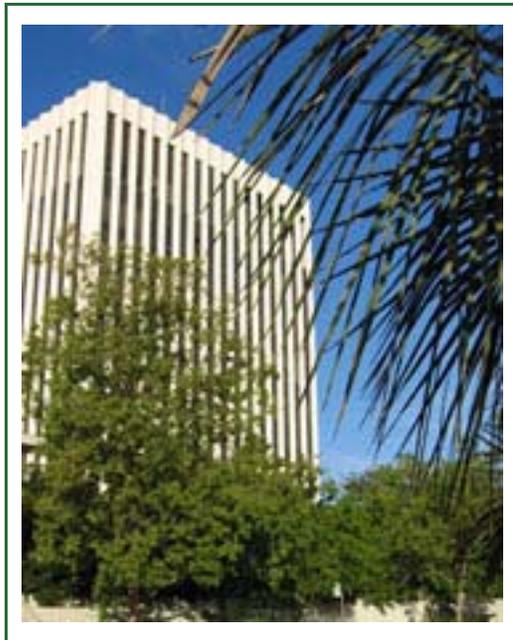
RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in liability insurance charges.

City Council



THIS PAGE IS INTENTIONALLY LEFT BLANK.

OVERVIEW

In 2008-09, the City Council will continue to address the needs of the community through various public meetings and activities. Much of the focus will be on the City Council's Top 4 Priorities which include: Environmental Protection, Libraries/Community Center and Public Safety Building, Civic Engagement, and Economic Health.

The 2008-09 City Council Budget is primarily comprised of City Council salaries, healthcare benefits, and general expense.

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
City Council Operations	169,313	298,638	189,529	314,606	15,968	5%
TOTAL EXPENDITURES	\$169,313	\$298,638	\$189,529	\$314,606	\$15,968	5%
TOTAL REVENUES	\$66,786	\$82,989	\$81,885	\$122,106	\$39,117	47%
INTERNAL REVENUES	66,786	82,989	81,885	122,106	39,117	47%
EXTERNAL REVENUES	0	0	0	0	0	0%

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	94,099	107,382	105,144	181,221
Contract Services	35,116	136,871	30,000	83,000
Supplies and Materials	2,968	2,930	2,930	2,930
General Expense	36,835	51,455	51,455	47,455
Allocated Charges	295	0	0	0
TOTAL EXPENDITURES	\$169,313	\$298,638	\$189,529	\$314,606
TOTAL REVENUES	\$66,786	\$82,989	\$81,885	\$122,106
Total Full Time Positions	9.00	9.00	9.00	9.00
Total Temporary Positions	0.00	0.00	0.00	0.00

RESOURCE LEVEL CHANGES

REVENUE CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total

City Council

RESOURCE LEVEL CHANGES

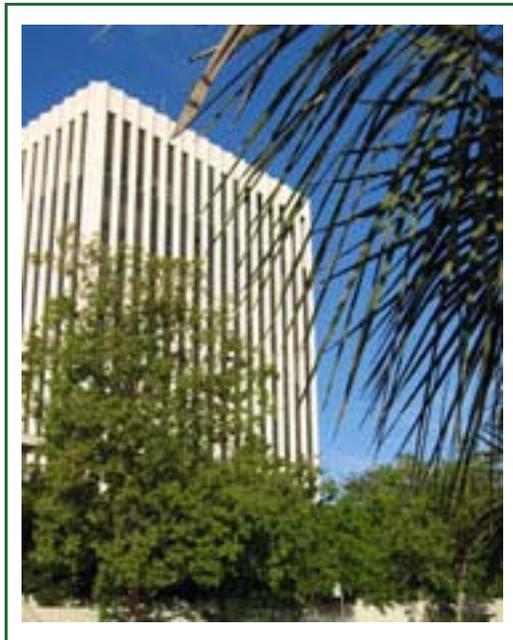
	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Increase allocated revenue-internal	39,117		39,117
NET REVENUE CHANGES	\$39,117	\$0	\$39,117
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Costs Increase (Note 2)	73,839		73,839
Total Salary and Benefits Changes	\$73,839	\$0	\$73,839
Non-Salary			
Increase travel and meetings	3,000		3,000
Increase other contract services (Police Auditor contract)		23,000	23,000
Increase other contract services (CAO evaluator)		23,000	23,000
Total Non-Salary Changes	\$3,000	\$46,000	\$49,000
TOTAL EXPENDITURE CHANGES	\$76,839	\$46,000	\$122,839
Adjustments (Note 1)		(106,871)	(106,871)
NET EXPENDITURE CHANGES	\$76,839	\$(60,871)	\$15,968

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

City Manager's Office





City Manager's Office Organizational Chart

CITY MANAGER

Frank Benest

1.0-Exec Asst to the City Manager
1.5-Administrative Associate I
1.0-Administrative Associate II
1.0-Assistant to the City Manager
+ Workforce Development Coordinator
*(fully funded through Community
Services Department)*

ASSISTANT CITY MANAGER

VACANT

1.0-Assistant to the City Manager
1.0-Administrative Assistant
1.0-Senior Administrator (Sustainability)

PUBLIC COMMUNICATIONS MGR

1.0-Communications Manager (Frozen)

Fiscal Year 2008-09 Position Totals:

10.50 Full-time

1.00 Communications Manager (Frozen)

0.25 Hourly

City Manager

To lead City staff in implementing City Council policies and priorities and providing efficient, quality services to the community.

OVERVIEW

In 2008-09, the City Manager's Office will oversee efforts to implement the City Council's Top 4 Priorities: Environmental Protection, Library Plan/Public Safety Building, Civic Engagement, and Economic Health.

Environmental Protection: The Manager's Office will lead the City's efforts in this area which include: implementing the climate action plan, including incorporating cost/benefit analysis to its recommendations; bringing green building requirements for residential and non-residential construction to the City Council for approval; continued pursuit of zero waste goals; and initiation of the community stakeholder dialogue.

Libraries/Community Center and Public Safety Building: In addition to overseeing the General Fund Infrastructure Management Plan implementation, the Manager's Office will provide leadership for potential 2008 financing measures for library and public safety facilities and related educational outreach.

Civic Engagement: The Manager's Office will work with key stakeholders in the community to develop an array of opportunities for the community to learn more about the concept of community building and to define for itself how it wants to implement it.

Economic Health: The City Manager's Office will assist in the development of a spending plan that balances infrastructure spending needs with ongoing general fund operations, as well as providing financing for some or all of the public safety building project through enhanced revenues or reduced expenditures in the general fund. To expand the City's economic base, the City Manager's Office will also take the lead in retaining auto dealers as a key revenue generator as well as supporting the expansion of the Stanford Shopping Center.

In response to the "retirement wave" of baby boomer professionals exiting local government service, the City Manager's Office (CMO) has added a new program "Leadership Development." The two-fold purpose of this program is to:

- 1) Accelerate the development of emerging leaders throughout the organization
- 2) Attract young people into local government careers

To accelerate the development of key talent, the CMO will continue to coordinate the Leadership Development Team, Leadership Forums, Cal-ICMA Coaching Telephone Panels and Webinars and Management Talent Exchange Program, as well as formal Succession Planning. In order to better "hook" young people on local government career opportunities, the CMO will coordinate Job Shadowing events for high school students, summer internships for undergraduate and graduate students, and the new Management Fellowship Program for graduating Masters-level students. The CMO budget includes \$30,000 to fund three of the 17 summer internships and \$48,000 for one of the four Management Fellows.

Finally, the Manager's Office will continue its leadership on three key projects: negotiating the expansion of the Stanford Medical Center, negotiating the expansion of the Stanford Shopping Center, and guiding City-wide leadership development and succession planning efforts.

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the City Manager's Office will continue to support implementation of the City Council's Top 4

City Manager

Priorities as follows:

Libraries/Community Center and Public Safety Building

- Lead development of 2008 financing measures for library and public safety facilities

Environmental Protection

- Implement Council-approved Climate Protection Plan, including incorporation of cost-benefit analysis and community partnerships
- Lead effort to develop urban forest master plan

Civic Engagement

- Engage staff and the community in a dialogue regarding what civic engagement is in Palo Alto and the value added by its incorporation in City programs

Economic Health

- Identify appropriate budget reductions and revenue enhancements to ensure adequate infrastructure funding, including incorporating debt service for new public safety building as a General Fund expenditure

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	325,726	350,124	244,735	325,553	(24,571)	(7%)
City Management	1,233,422	1,920,497	1,507,695	1,707,838	(212,659)	(11%)
Public Communication	167,626	231,071	254,011	199,614	(31,457)	(14%)
TOTAL EXPENDITURES	\$1,726,774	\$2,501,692	\$2,006,441	\$2,233,005	\$(268,687)	(11%)
TOTAL REVENUES	\$403,207	\$626,761	\$624,785	\$571,028	\$(55,733)	(9%)
INTERNAL REVENUES	403,207	626,761	624,785	571,028	(55,733)	(9%)
EXTERNAL REVENUES	0	0	0	0	0	0%

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	1,316,876	1,748,578	1,654,449	1,792,983
Contract Services	226,109	534,292	186,750	269,535
Supplies and Materials	11,423	62,128	10,278	11,113
Facilities and Equipment Purchases	0	300	300	300
General Expense	44,164	55,078	54,928	55,408
Rents and Leases	4	500	500	500
Allocated Charges	128,198	98,777	99,236	101,127
Operating Transfers Out	0	2,039	0	2,039
TOTAL EXPENDITURES	\$1,726,774	\$2,501,692	\$2,006,441	\$2,233,005
TOTAL REVENUES	\$403,207	\$626,761	\$624,785	\$571,028
Total Full Time Positions	8.50	12.38	11.50	11.50
Total Temporary Positions	0.40	0.50	0.25	0.25

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of City Council agenda reports (CMRs) issued (SEA)	350	375	385
Effectiveness:			
1. Percent rating public information services as good or excellent (SEA survey)	74%	75%	76%
2. Percent respondents read Palo Alto newsletter in last 12 months (SEA survey)	86%	88%	90%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Decrease allocated revenue-internal	(55,733)		(55,733)
TOTAL REVENUE CHANGES	\$(55,733)	\$0	\$(55,733)
EXPENDITURE CHANGES			
Salary and Benefits			

City Manager

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Personnel Benefit Costs Increase (Note 2)	142,782		142,782
Total Salary and Benefits Changes	\$142,782	\$0	\$142,782
Adjustments (Note 1)		(98,377)	(98,377)
NET SALARY AND BENEFITS CHANGES	\$142,782	\$(98,377)	\$44,405
Non-Salary			
Increase travel and meetings	5,600		5,600
Increase advertising and publishing	500		500
Increase instruction and training (leadership development)	78,000		78,000
Allocated Charges Increase (Note 3)	2,350		2,350
Total Non-Salary Changes	\$86,450	\$0	\$86,450
TOTAL EXPENDITURE CHANGES	\$229,232	\$(98,377)	\$130,855
Adjustments (Note 1)		(399,542)	(399,542)
NET EXPENDITURE CHANGES	\$229,232	\$(497,919)	\$(268,687)

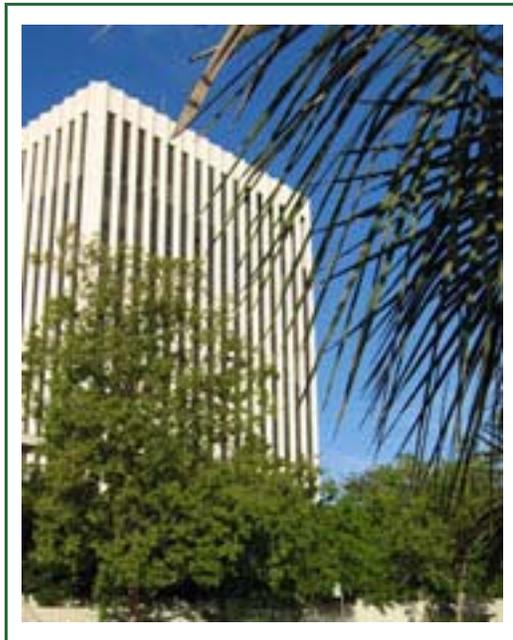
RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in vehicle replacement charges.

Administrative Services Department



Administrative Services Department

Organizational Chart



ADMINISTRATIVE SERVICES DIRECTOR

Lalo Perez

ADMINISTRATION

1.0-Administrative Assistant
1.5-Sr Financial Analyst
2.0-Sr Business Analyst
1.0-Business Analyst

BUDGET

1.0-Budget Manager
1.0-Graphic Designer
4.0-Sr Financial Analyst

REAL ESTATE

1.0-Real Property Manager
1.0-Admin Associate III
1.0-Sr Financial Analyst

ASSISTANT DIRECTOR

David Ramberg

CHIEF INFORMATION OFFICER

Glenn Loo

DEPUTY DIRECTOR

Joe Saccio

ACCOUNTING

1.0-Accounting Manager

GENERAL LEDGER

1.0-Senior Accountant
1.0-Staff Accountant
1.0-Lead Account Specialist
1.5-Account Specialist

ENTERPRISE FUND

1.0-Senior Accountant
1.0-Staff Accountant
1.5-Account Specialist

ACCOUNTS PAYABLE

1.0-Senior Accountant
1.0-Lead Account Specialist
1.0-Account Specialist

PAYROLL

1.0-Senior Accountant
1.0-Staff Accountant
2.0-Payroll Analyst

PURCHASING & CONTRACTS

1.0-Manager, Purch/Contr Admin
3.0-Contract Administrator
1.0-Lead Account Specialist
1.0-Account Specialist
3.0-Buyer

PRINTING & MAIL SERVICES

1.0-Repro & Mail Supervisor
1.0-Offset Equip Operator, Lead
1.0-Offset Equipment Operator
1.0-Mail Services Specialist

INFORMATION TECHNOLOGY

1.0-Admin Associate II
1.0-IT Manager
1.0-Sr Technologist

PROJECT MGMT, APPLICATIONS

9.0-Sr Technologist

CLIENT SERVICES

1.0-IT Manager
4.0-Sr Technologist
2.0-Technologist
4.0-Desktop Technician

OPERATIONS

1.0-IT Manager
2.0-Sr Technologist
1.0-Technologist
1.0-Desktop Technician

INVESTMENT & DEBT

1.5-Sr Financial Analyst

REVENUE COLLECTIONS

1.0-Sr Financial Analyst
2.0-Lead Acctg Specialist
6.0-Accounting Specialist

STORES WAREHOUSE

1.0-Warehouse Supervisor
1.0-Storekeeper, Lead
4.0-Storekeeper

RISK MANAGEMENT

1.0-Energy Risk Manager

Fiscal Year 2008-09 Position Totals:

93.00 Full-time
1.40 Hourly

Administrative Services

To provide proactive administrative and technical support to City departments and decision makers, and to safeguard and facilitate the optimal use of City resources.

OVERVIEW

In 2008-09, the Administrative Services Department (ASD) will focus on the following:

Administration: In coordination with the City Manager's Office, ASD will hold semi-annual reviews with departments that have outstanding audit recommendations, in order to assist in bringing items to closure.

Infrastructure Management Plan: ASD will work with Public Works to update the Infrastructure Management Plan, and continue to support the Infrastructure Management Team in its implementation. Securing the additional \$3 million annually, through revenue enhancements and expenditure reductions, to maintain the rehabilitation and replacement of the City's existing infrastructure is a high priority for the department, as well as a City Council Top 4 Priority for 2008-09. These funds are required to replenish the declining Infrastructure Reserve, to ensure that the City can fund the estimated \$10 million per year necessary to preserve the City's infrastructure in good condition.

Identifying Funding Options for General Fund Infrastructure: Based on Council's priority for new or enhanced library, community center and public safety facilities, staff has identified and is still exploring financing options to fund design and construction of these buildings. Financing strategies have been explored with the Finance Committee and Council in 2007-08 and staff will continue this effort into 2008-09.

Financial Analysis: In 2008-09, ASD staff will continue to provide analytical and administrative support to a wide array of projects. These include: the public safety and library facilities, the possible leasing of the City's portion of the Cubberley site to Foothill College; the transition of the Palo Alto Airport from County to City control; Council's direction on implementing a citywide broadband system; the expansion of Stanford University's hospitals and shopping center; a new waste hauling contract; and a potential debt issuance for a water reservoir. Other future activities include: supporting upcoming labor negotiations; participating in the City's Energy Risk Management Program; preparing the next update to the City's Long Range Financial Forecast; and implementing a Business License Tax based on Council direction.

Financial Reporting: Staff continues to refine SAP financial reports and train citywide departments in utilizing the reports. Staff is also involved with the SAP software upgrade and implementation of the utility billing module and a customer relationship management module. ASD is also assisting Utilities staff with quarterly Utilities Advisory Commission reporting. Government Accounting Standards Board (GASB) statement 45 (reporting for retiree medical liability) was implemented in 2007-08. Staff received Council approval to establish a Trust fund for retiree medical liability with CalPERS; funding of the annual required contribution (ARC) was included in the 2007-08 budget.

Business Process Re-engineering: The Department will continue to concentrate major resources on SAP upgrades. Planned system improvements include outstanding audit recommendations such as employee self-service and management self-service to allow online changes to personnel information. Other enhancements include simplified time tracking, project work-order management, and improved system reporting capabilities.

Administrative Services

Property Management and Acquisition: The division will continue to provide real estate services to the other City Departments and the City Manager. The Real Estate Division will be working with the City Manager to explore the development of the City-owned 8-acre site at the Cubberley Community Center for the development of a state-of-the-art community college. Other projects include: investigating how the City can run the Palo Alto Airport prior to the end of the term of the lease with the County; continuing attempts to relocate auto dealers to freeway-frontage locations; opening the Palo Alto Depot restrooms to the public; exercising the Palo Alto History Museum lease to begin the remodel of the former Roth Building; completing the sale and transfer of development rights for College Terrace Library, Roth and former Sea Scout buildings; facilitating the temporary relocation of the child care program at the College Terrace Library; and negotiating for the purchase of an easement in El Camino Park for the emergency water supply reservoir from Stanford. The Real Estate Division will also be developing a transition plan for the retirement of the Division Manager.

Purchasing and Contract Administration: The division will be involved in the Environmental Protection priority of the City Council, by emphasizing sustainability in City purchasing decisions, and assisting in identifying environmental criteria. For the Economic Health priority, the division will provide contracting support for the Infrastructure Management Plan through a comprehensive contract planning process. Purchasing will also facilitate the solicitation process in the selection and contract negotiations for a new contract pertaining to Solid Waste, Recyclable Materials and Organic Material Services. Purchasing staff will continue to take a leadership role in the upgrade of the SAP Materials Management module. Additionally, the division will continue to evaluate and implement service program enhancements in the performance of overall operations provided to City Departments. Finally, staff will continue to implement process improvements related to contract streamlining, contract administration, supplier outreach, and on-going training and development of City Staff in the procurement and contracting process.

Cable Franchising: ASD is responsible for cable and video franchise administration and enforcement for a Joint Powers Authority (JPA), which includes the cities of Palo Alto, East Palo Alto and Menlo Park, the Town of Atherton, and portions of San Mateo and Santa Clara counties. ASD will continue to oversee franchise compliance; monitor complaints from customers; manage public, education, and government (PEG) channel resources; collect franchise fees and distribute them to JPA members. ASD will also work with the Media Center to prepare for the 2009 conversion to digital television. In addition, ongoing implementation of the institutional network (I-Net) is planned for the upcoming year. The I-Net links 70 schools, libraries, public buildings, and community centers within the JPA service area with the capability of providing data, video, and voice communications.

PROGRAM UPDATE

The Administrative Services Department plans to accomplish the following in new program implementation:

- Support implementation of the upgrade to the SAP financial system to include a utility billing system, customer relationship management, employee and management self-service, and other system improvements
- Continue evaluation of a new Business License Tax and implement as appropriate with Council approval
- Update the 2009-19 Long Range Financial Forecast and present it to the Finance Committee and Council in the winter of 2009

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the Administrative Services Department will support implementation of the City Council's Top 4 Priorities as follows:

Administrative Services

Libraries/Community Center and Public Safety Building

- Continue to evaluate funding for new facilities such as new libraries and the police building

Environmental Protection

- Implement green procurement practices following the 2007-08 adoption of a sustainability purchasing policy

Civic Engagement

- Participate in public outreach efforts regarding financing options for the new library and public safety building
- Continue enhancements to the City's website to improve accessibility, appearance, content and navigation features

Economic Health

- Maintain and grow the additional \$3 million per year for infrastructure funding, and continue to monitor project costs
- Promote expansion of the City's revenue base through negotiations with Stanford for the Medical Center and Shopping Center, and with auto dealers to retain them within the city
- Develop a financing plan for key infrastructure including the Public Safety building, Los Altos Treatment Plant site conversion, and options for the Cubberley site

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	1,124,648	1,063,487	738,946	739,313	(324,174)	(30%)
Accounting	1,977,104	2,153,434	2,160,198	2,106,848	(46,586)	(2%)
Purchasing	1,167,208	1,319,586	1,312,263	1,294,447	(25,139)	(2%)
Real Estate	478,862	539,432	513,098	537,657	(1,775)	0%
Treasury	1,307,970	1,613,076	1,499,824	1,500,131	(112,945)	(7%)
Budget	965,462	979,889	956,620	974,457	(5,432)	(1%)
TOTAL EXPENDITURES	\$7,021,254	\$7,668,904	\$7,180,949	\$7,152,853	\$(516,051)	(7%)
TOTAL REVENUES	\$3,259,479	\$4,114,979	\$3,973,525	\$3,722,463	\$(392,516)	(10%)
INTERNAL REVENUES	3,228,660	3,734,679	3,722,225	3,710,163	(24,516)	(1%)
EXTERNAL REVENUES	30,819	380,300	251,300	12,300	(368,000)	(97%)

Administrative Services

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	5,758,197	6,266,932	5,997,949	5,997,054
Contract Services	207,914	578,208	327,204	355,398
Supplies and Materials	49,874	88,949	128,827	80,031
Facilities and Equipment Purchases	0	8,500	6,700	6,200
General Expense	81,515	133,663	132,213	134,113
Rents and Leases	11,152	0	0	11,153
Allocated Charges	912,602	592,652	588,056	568,904
TOTAL EXPENDITURES	\$7,021,254	\$7,668,904	\$7,180,949	\$7,152,853
TOTAL REVENUES	\$3,259,479	\$4,114,979	\$3,973,525	\$3,722,463
Total Full Time Positions	50.65	50.47	50.20	49.15
Total Temporary Positions	2.27	3.06	0.92	1.40

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of accounts payable checks issued (SEA)	14,500	14,588	14,500
2. Number of purchasing documents processed (SEA)	3,000	2,750	2,700
3. Number of real property acquisitions and conveyances (fees, easements, BMR, permits, leases and document transfer tax)	150	150	190
4. Cash and investments (in millions), excluding bond proceeds (SEA revised)	\$370.0	\$385.0	\$370.0
Efficiency:			
1. Average cost to issue an accounts payable check (estimated)	\$29	\$26	\$26
2. Average cost to process a purchase order/contract (estimated)	\$240	\$229	\$225
3. Average cost to complete each real property acquisition and conveyance (estimated)	\$900	\$900	\$1,200
Effectiveness:			
1. Percent of invoices paid within 30 days (estimated) (SEA)	83%	80%	80%
2. Percent of purchases/contracts completed within established timeframes (estimated)	80%	80%	80%
3. Average time (in days) to complete each real property acquisition and conveyance	20	20	30
4. Rate of return on investments compared to the annual average yield on a three-year Treasury note (SEA revised)	-0.34%	-0.25%	+1.50%

Administrative Services

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Decrease business registry fee	(368,000)		(368,000)
Decrease allocated revenue-internal	(24,516)		(24,516)
TOTAL REVENUE CHANGES	\$(392,516)	\$0	\$(392,516)
EXPENDITURE CHANGES			
Salary and Benefits			
Decrease Temporary Salaries	(17,949)		(17,949)
Reclassify 1.0 FTE Admin Associate II to Admin Associate III	6,653		6,653
Personnel Benefit Costs Decrease (Note 2)	(47,054)		(47,054)
Total Salary and Benefits Changes	\$(58,350)	\$0	\$(58,350)
Adjustments (Note 1)		(211,528)	(211,528)
NET SALARY AND BENEFITS CHANGES	\$(58,350)	\$(211,528)	\$(269,878)
Non-Salary			
Decrease office supplies	(31,396)		(31,396)
Decrease computer software	(5,000)		(5,000)
Decrease other general expense	(1,000)		(1,000)
Decrease instruction and training	(6,653)		(6,653)
Increase other contract services	40,000		40,000
Decrease office supplies (Best Bets)	(4,000)		(4,000)
Decrease mailing expense (Best Bets)	(15,000)		(15,000)
Allocated Charges Decrease (Note 3)	(8,748)		(8,748)
Total Non-Salary	\$(31,797)	\$0	\$(31,797)
TOTAL EXPENDITURE CHANGES	\$(90,147)	\$0	\$(301,675)
Adjustments (Note 1)		(214,376)	(214,376)
NET EXPENDITURE CHANGES	\$(90,147)	\$(214,376)	\$(516,051)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are decreasing due primarily to the elimination of the business registry fee mailing charges.

Administrative Services

SERVICE LEVEL CHANGES

In order to reduce General Fund expenditures, the Department has eliminated an Accounting Specialist in Accounts Payable. The workload has been covered by other Accounting staff members, who prioritize duties in order to minimize any service level impacts.

Community Services Department



Community Services Department Organizational Chart



COMMUNITY SERVICES DIRECTOR
Richard James

ADMINISTRATION
1.0-Administrative Assistant
1.0-Senior Administrator

CUBBERLEY CENTER & HUMAN SERVICES
1.0-Division Mgr, Cubberley Center & Human Services
2.0-Program Assistant I
2.0-Building Serviceperson-Lead
3.0-Building Serviceperson
1.0-Management Assistant
1.0-Program Assistant II
1.0-Coordinator, Child Care
0.75- Prod Arts/Science Program
1.0-Coordinator, Recreation Program

RECREATION AND GOLF
ADMINISTRATION
1.0-Division Mgr, Recreation & Golf
1.0-Program Assistant I
0.50- Admin Associate I

GOLF
1.0-Superintendent, Golf Course
1.0-Golf/Parks Crew Lead
5.0-Golf Course Maintenance Person
1.0-Sprinkler System Repair Person
1.0-Golf Course Equipment Mechanic

RECREATION
4.0-Coordinator, Recreation Programs
4.0-Supervisor, Recreation Programs
1.0-Building Service Person
0.75-Program Assistant I
2.0-Admin Associate I

ARTS & SCIENCES
ADMINISTRATION
1.0- Division Mgr, Arts & Sciences
1.0- Program Assistant II

ART CENTER
1.0-Manager, Arts
4.0-Producer Arts
2.0-Program Assistant I
0.75-Volunteer Coordinator

CHILDREN'S & COMMUNITY THEATRE
1.0- Manager, Arts
1.0-Theatre Specialist
2.0-Program Assistant I
1.0-Program Assistant I (Frozen)
3.5-Producer Arts

YOUTH SCIENCES
1.0-Supervisor, Jr Museum
3.0-Producer Arts/Science Program
1.0-Program Assistant I
2.25-Lead Instructor

OPEN SPACE & PARKS
ADMINISTRATION
1.0-Division Mgr, Open Space & Parks
1.0-Program Assistant II

OPEN SPACE
2.0-Supervisor, Open Space
1.0-Producer Arts/Science Program
5.0-Park Rangert

PARKS
ADMINISTRATION
1.0-Park Superintendent

CITY PARKS & FACILITIES
2.0-Inspector, Field Services
2.0-Sprinkler System Repair
1.0-Parks Crew-Lead
5.0-Parks Maintenance Person

ATHLETIC FIELD MAINTENANCE PROGRAM
1.0-Supervisor, Parks
1.0-Parks Crew, Lead
2.0-Sprinkler System Repair Person
6.0-Park Maintenance Person
1.0-Park Maintenance Lead

CAPITAL PROJECTS
1.0 Program Assistant I

Fiscal Year 2008-09 Position Totals:

96.50 Full-time
1.00 Program Assistant (Frozen)
49.44 Hourly

Community Services

To engage individuals and families in creating a strong and healthy community through parks, recreation, social services, arts and sciences.

OVERVIEW

In 2008-09, the Community Services Department (CSD) will provide the Palo Alto community with the services and programs summarized below. During the last fiscal year, the department restructured 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 Science and Interpretive Programs have merged with the Arts division.

Arts and Sciences Division

As result of restructuring, the Arts and Culture Division is now the Arts and Sciences Division with the addition of the Junior Museum and Zoo and interpretive programs. The Arts and Sciences Division will provide visual and performing arts, music and dance, and science programs to adults and youth while responding to increased demand for family programs.

The division will administer and manage the Art Center, Children's Theatre, Community Theatre, Junior Museum and Zoo, Interpretive Centers, the Public Art Commission, Cubberley Artist Studios, Neighbors Abroad and Civic Center Lobby exhibitions.

Through public/non-profit partnerships with the Palo Alto Art Center Foundation, Friends of the Palo Alto Children's Theatre, and Friends of the Junior Museum and Zoo, the division will continue to work with the community to develop support and advocacy for sustaining programs and facilities.

Of special note, in 2008 Community Theatre is celebrating the 75th Anniversary of the Community Theatre building gifted to the City by Lucie Stern.

Open Space and Parks Division

The Open Space and Parks Division is responsible for the conservation and maintenance of more than 4,000 acres of urban and open space parkland. Open Space services will provide ecology and natural history interpretive programs for youth and adults through campfires, special interest nature programs, and guided walks. Ranger staff will continue to provide protection of open space areas and safety to park visitors through patrols, fire prevention, and response to emergency calls for service.

Projects will continue to be implemented to rebuild aging infrastructure by improving tread and drainage problems on trails in the foothills, replacing wooden foot bridges in Foothills Park, and enhancing picnic areas and camp sites. Staff will continue to partner with volunteer organizations such as Save The Bay, Friends of Foothills Park, and Acterra to restore degraded habitat with native plants. Staff will also collaborate with the Friends of the Palo Alto Parks to plant colorful flower beds, install new park amenities, and develop designs for the renovation of Lytton Plaza.

Staff will use non-toxic methods such as biological agents, grazing goats, and systematic mowing to control non-native weeds and thistle in open space areas. With the assistance of specialized consultants, staff will continue to develop a comprehensive Baylands Conservation Plan that will provide guidelines for managing natural resources such as native vegetation, the duck pond bird sanctuary, and other wildlife habitat through best management practices.

Community Services

Restoration of the 13-acre Peninsula Open Space Trust property will continue in 2008-09 with the planting of 5,000 native plants and grasses along the reach of a recreated riparian corridor running through the property. This project will re-establish a continuous stretch of trees and native plants for the enhancement of wildlife habitat.

Parks services will coordinate multiple CityWorks park projects scheduled for Greer and Rinconada Parks along with Cubberley athletic fields. Other Parks projects include: the expansion of Greer Park (Phase IV), providing restrooms at Seale and Pardee Parks, a landscape project at the Cubberley Center, and median landscaping on San Antonio Road. In addition, Parks services will continue the Palo Alto Unified School District (PAUSD) athletic field renovation program, this year at Nixon elementary school.

Cubberley Community Center and Human Services Division

The 35-acre community center hosts community artists, dance groups, childcare centers, PAUSD Adult Education, Foothill College and many non-profit groups. The thriving center will continue to provide a full array of community facilities including fields, tennis courts, a track, gymnasiums, an auditorium, a theatre and classrooms, all of which are available for public rental.

The division, through its Human Services function, provides assistance to people in need by providing grants to non-profit organizations through the Human Services Resource Allocation Process (HSRAP), by providing entry level work experience for the homeless through the Seasonal Worker Program, and by providing comprehensive information about resources for the entire community through the Family Resources Program.

Through a public/non-profit partnership with the Family Resources Foundation, Human Services will continue to work with the community to develop support and advocacy for Family Resources, a program of civic engagement to disseminate resource information and strengthen community connections. Staff will work with a number of community groups to identify areas of concern. These groups include the Human Relations Commission, the Child Care Advisory Committee, and the Extended School Child Care Directors Group.

The division is participating on the City Task Force with Foothill College to develop a plan that would design and build a new Foothill Community College branch at Cubberley Community Center while maintaining the community center venues and functions.

Recreation and Golf Services Division

The Recreation and Golf Services Division will provide a diverse range of programs and activities for the community. During the year, staff will continue to focus on creating a culture of fitness and healthy living in Palo Alto by encouraging the involvement of individuals and families in creative and fun activities. The division will adjust programs and services to reflect changing community demographics, including a sharp rise in the number of adults over the age of 55. The division will help plan the 2009 Senior Games this next year with Stanford University which should prove to be a wonderful event for the City of Palo Alto. Staff will work diligently to recover additional program costs through fees, partnerships, grants, and donations.

Recreation services will also continue to focus efforts on youth and teen programming as it relates to the Youth Master Plan. The division will pursue collaborative programming efforts with other agencies serving youth to better target quality services for this age group. The division will emphasize customer service, while efficiently marketing new and existing programs and classes. Recreation will measure customer satisfaction through surveys and other evaluation methods. The Recreation division will continue to encourage program

participants to use the Internet-based registration system to facilitate a more efficient registration process and continue to consolidate youth services into the Mitchell Park Community Center. The division will provide more effective programs and easier access to teen programs. Moreover, the possible remodel of the Mitchell Park Community Center and Library presents an exciting opportunity for residents and will be a focus for staff as this project develops.

Golf Course services anticipates completing an operations analysis of the current and future golf market, facility conditions, and alternative operating models. The study will provide direction for future operations. The golf operation will also update its marketing plan in an effort to enhance the overall customer experience and increase the number of golf rounds played annually. Providing an excellent recreational opportunity while increasing the return on investment will continue to be a priority for golf operations.

Restructuring

The Department initiated a series of department-wide organizational restructuring efforts in 2005-06 and continues through 2008-09. The restructuring in 2007-08 scaled down five divisions to four divisions to align operations. The new structure in 2008-09 alters the presentation of financial information. In order to present comparative financial data, the "2006-07 Actuals" in the department summary section of this budget document were adjusted to conform to the 2007-08 and 2008-09 budget presentation.

PROGRAM UPDATE

- A 1.5-acre addition to Greer Park for passive recreation and community gathering will be designed and constructed in 2008.
- The "football field" at Cubberley will be converted to synthetic turf to allow for increased play during the interim closure of El Camino Park.

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09 the Community Services Department will support the implementation of the City Council's Top 4 Priorities as follows:

Environmental Protection

- The Open Space and Parks division will support the Council's priority of environmental protection by planting oak trees at the Pearson Arastradero Preserve, reducing the use of two-stroke gasoline engines, and encouraging people to bike, hike or ride to their local parks and open space areas. Staff also will continue to support environmental protection through the conservation of water resources by planting native plants instead of ornamental plants and turf wherever possible.
- The Arts and Sciences division will support the Council's priority as the Art Center, working with the Palo Alto Art Center Foundation, includes "green" building considerations in their plans to renovate and expand the Art Center. The Junior Museum and Zoo exhibit for 2008 will be developed with a focus on environmental education.
- The Recreation and Golf Services division will provide stimulating fee-based classes on energy alternatives and climate protection issues.

Community Services

Civic Engagement

- The Open Space and Parks Division will continue to actively support partnerships with a variety of environmental organizations, recreation clubs, sports groups, Acterra, Save The Bay, and the Friends of the Palo Alto Parks in order to provide special interest classes, augment City services, and enhance the facilities and programs offered to the public. In 2008-09, Park staff will work with neighborhood associations to “adopt-a-park” and encourage volunteers to plant colorful flower beds in their local parks. Staff will work closely with neighbors and interested parties in the design of infrastructure improvements at Rinconada and Greer Parks and at the Cubberley Community Center for the installation of artificial turf playing fields.
- The Arts and Sciences Division will continue to support and solicit input from public/private partnerships, co-sponsorships, and collaborations to enhance and broaden opportunities for engagement in the diverse activities of the division.
- The Cubberley Community Center and Human Services Division is participating on the Civic Engagement for the Common Good Task Force to develop a civic engagement strategy for city residents.
- The Cubberley Community Center and Human Services Division will initiate and cultivate civic engagement through the Family Resources Ambassador Development Program.
- The Recreation and Golf Services Division will continue to work closely with youth leadership groups such as the Youth Council, Teen Advisory Board, and Junior Advisory Board along with the Palo Alto Recreation Foundation and volunteers to help shape programs and services to meet current and future community needs.

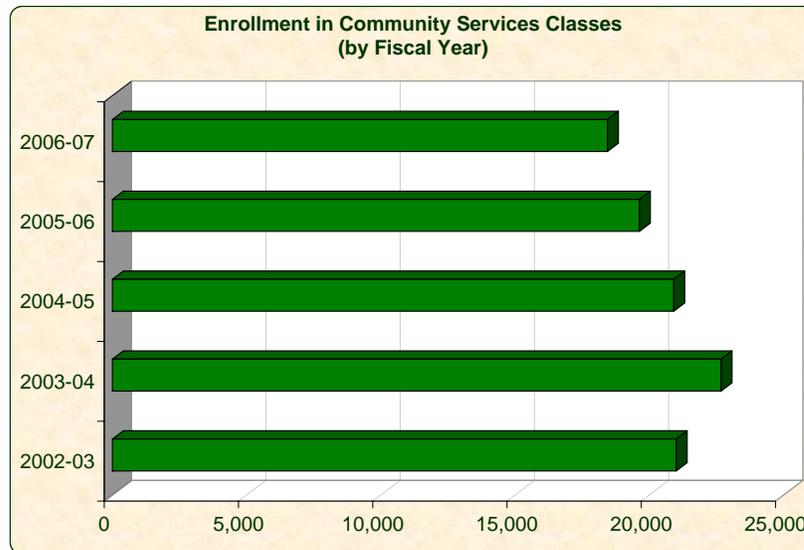
Economic Health

- Community Services is actively seeking private and grant funding for the replacement and renovation of aging infrastructure, the enhancement of park, community and art center facilities, and opportunities for program support.
- The Open Space Division will continue to implement trail restoration recommendations from the Arastradero Trail Master Plan using funds from the State Non-motorized Trail grant program. A channeled creek that runs through the recently acquired Arastradero Gateway property will be day-lighted and restored using funds from the State Riverine and Riparian Habitat grant program and donated plant materials from the Acterra native plant nursery. Grant revenues received for infrastructure funding may help diminish the need for City funding.
- The department will continue to implement the cost recovery policy for fee-based classes. Community Services will further explore new models of service delivery in several areas to lower costs while maintaining its high quality service.

Community Services

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	925,380	1,188,555	1,092,889	1,115,637	(72,918)	(6%)
Arts and Sciences	3,923,039	4,521,462	4,494,623	4,653,827	132,365	3%
Cubberley and Human Services	3,435,722	3,540,801	3,350,406	3,474,467	(66,334)	(2%)
Open Space and Parks	5,947,091	6,212,091	6,013,199	6,161,577	(50,514)	(1%)
Recreation and Golf	5,905,948	6,080,899	6,072,206	6,201,711	120,812	2%
TOTAL EXPENDITURES	\$20,137,180	\$21,543,808	\$21,023,323	\$21,607,219	\$63,411	0%
TOTAL REVENUES	\$7,146,590	\$7,597,545	\$7,460,830	\$7,675,571	\$78,026	1%
INTERNAL REVENUES	139,909	147,200	51,659	147,600	400	0%
EXTERNAL REVENUES	7,006,681	7,450,345	7,409,171	7,527,971	77,626	1%



Community Services

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	11,277,009	12,036,317	11,696,026	11,826,063
Contract Services	2,898,237	3,211,854	3,119,597	3,185,543
Supplies and Materials	781,832	839,842	810,130	857,790
Facilities and Equipment Purchases	73,916	86,114	79,264	78,900
General Expense	1,489,033	1,486,905	1,486,295	1,412,424
Rents and Leases	14,369	20,638	13,466	20,966
Allocated Charges	3,602,784	3,855,148	3,818,545	4,218,543
Operating Transfers Out	0	6,990	0	6,990
TOTAL EXPENDITURES	\$20,137,180	\$21,543,808	\$21,023,323	\$21,607,219
TOTAL REVENUES	\$7,146,590	\$7,597,545	\$7,460,830	\$7,675,571
Total Full Time Positions	99.25	97.25	96.25	96.50
Total Temporary Positions	49.55	49.44	48.77	49.44

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of services and programs	1,402	1,402	1,332
2. Total Open Space acres of land operated and maintained (SEA)	3,744	3,744	3,744
Efficiency:			
1. Number of acres per ranger of Open Space (SEA)	468	468	468
2. Total number of participants in all classes, theatre events, concerts, and camps	138,000	138,000	129,000
Effectiveness:			
1. Percent of participants responding good to excellent on evaluation surveys (SEA)	91%	89%	89%
2. Maintenance and operations cost per acre of Open Space	\$487	\$571	\$510

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			

Community Services

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Recreation and Golf			
Increase fees middle school athletics	25,000		25,000
Cubberley and Human Services			
Enact a new landlord registry fee to pay for mediation services (Best Bets)	65,000		65,000
TOTAL REVENUE CHANGES	\$90,000	\$	\$90,000
Various fee increases (Best Bets)	53,800		53,800
Adjustments (Note 1)		(65,774)	(65,774)
NET REVENUE CHANGES	\$143,800	\$(65,774)	\$78,026
EXPENDITURE CHANGES			
Salary and Benefits			
Open Space and Parks			
Reclassify 1.0 FTE Open Space Division Manager to Open Space and Parks Division Manager	23,059		23,059
Eliminate 0.75 FTE Open Space Assistant (Best Bets)	(35,250)		(35,250)
Total Salary and Benefits Changes	\$(12,191)	\$0	\$(12,191)
Personnel Benefit Costs Decrease (Note 2)	(96,076)		(96,076)
Adjustments (Note 1)		(101,987)	(101,987)
Total Net Salary and Benefits Changes	\$(108,267)	\$(101,987)	\$(210,254)
Non-Salary			
Open Space and Parks			
Increase contract services to cover cost of living adjustment	31,900		31,900
Cubberley and Human Services			
Decrease expenses of Family Resources Program	(40,544)		(40,544)
Recreation and Golf			
Increase supplies and materials	10,000		10,000
Increase contract services to promote Golf Course	5,000		5,000
Total Non-Salary Changes	\$6,356	\$0	\$6,356
TOTAL EXPENDITURE CHANGES	\$(101,911)	\$(101,987)	\$(203,898)
Adjustments (Note 1)		(96,083)	(96,083)
Allocated Charges Increase (Note 3)	363,392		363,392
NET EXPENDITURE CHANGES	\$261,481	\$(198,070)	\$63,411

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Community Services

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in utilities charges.

SERVICE LEVEL CHANGES

Due to the economic environment and budget reductions, service level changes within the Community Services Department are as follows:

Open Space and Parks Division

- In order to generate additional revenue, an emphasis will be placed on the production of revenue generating classes, camps, and programs instead of free, guided nature walks and lectures.

Recreation and Golf Services Division

- The Recreation and Golf Services Division will seek to strengthen current partnerships and create new partnerships to leverage the considerable community support for recreations services. Staff will go through a comprehensive service mapping process to identify gaps in services and overlapping services in order to better allocate limited resources.

COMMUNITY SERVICES DEPARTMENT BUDGET BY PROGRAM AREA FISCAL YEAR 2008-09

Division	Program	Revenue	Expense
CSD ADMINISTRATION		\$65,000	\$1,115,637
ARTS & SCIENCES		\$1,507,218	\$4,653,824
	Arts & Sciences Administration	0	182,633
	Art Center		1,261,866
		443,240 Program Fees	
		37,990 Facility Rentals	
		5,144 Supply Sales	
	Subtotal	486,374	
	Art in Public Places and Art Commission	0	99,345
	Arts Facility Operations	0	253,697
	Children's Theatre		1,238,894
		128,807 Ticket Sales	
		69,000 Travel Reimbursement	

Community Services

COMMUNITY SERVICES DEPARTMENT BUDGET BY PROGRAM AREA FISCAL YEAR 2008-09

Division	Program	Revenue	Expense
		95,293 Program Fees	
		Subtotal <u>293,100</u>	
	Community Theatre		348,777
		189,100 Program Fees	
		61,000 Patron Use Fees	
		3,000 Inter-Department Contribution	
		Subtotal <u>253,100</u>	
	Jr. Museum & Zoo		1,108,685
		374,944 Program Fees	
		55,000 Outside Agencies	
		Subtotal <u>429,944</u>	
	Interpretive	44,700	159,927
CUBBERLEY & HUMAN SERVICES		\$2,397,441	\$3,474,465
	Cubberley Center (2)		1,649,961
		1,360,348 Property Leases	
		934,552 Facility Rentals	
		7,000 Other revenue	
		Subtotal <u>2,301,900</u>	
	Human Services (3)	95,541 Family Resources Program	1,824,504
OPEN SPACE & PARKS		\$483,484	\$6,161,578
	Parks		4,157,941
		24,000 Santa Clara County	
		23,400 Community Garden	
		257,100 PAUSD Field Maintenance	
		20,800 Property Lease	
		41,659 Inter-Department Contribution	
		Subtotal <u>366,959</u>	
	Open Space		2,003,637
		1,000 Citations	
		12,500 Reservations	

Community Services

COMMUNITY SERVICES DEPARTMENT BUDGET BY PROGRAM AREA FISCAL YEAR 2008-09

Division	Program	Revenue	Expense
		67,000 Program Fees	
		9,025 Facility Rentals	
		20,000 Donations	
		7,000 Inter-Department Reimbursement	
	Subtotal	116,525	
RECREATION & GOLF		\$5,549,128	\$7,197,601
	Recreation & Golf Administration	0	471,410
	Recreation, Classes, Camps, and Activities		2,294,369
		1,849,128 Program Fees	
		8,900 Miscellaneous Fees	
		1,500 Donations	
	Subtotal	1,859,528	
	Facilities	369,800 Facility Rentals	1,027,158
	Special Events	7,800	98,234
	Golf Course (4)		3,306,430
		3,158,600 Golf Fees	
		121,200 Property Leases	
		32,200 Interest Income	
	Subtotal	3,312,000	
TOTAL		\$10,002,271	\$22,603,105

Notes:

- (1) This table "Community Services Department Budget By Program Area" is added to the budget document in response to City Council's direction.
- (2) Property and facility rental revenues for Cubberley Community Center are shown in the table, but are recognized in Fund 103, Utility Users Tax Fund.
- (3) The Family Resources Foundation provides funding for one staff position in the Family Resources Program.
- (4) Golf Course revenues and expenses include interest income, debt service, and cost plan charges.

Community Services

HUMAN SERVICE CONTRACTS

EXPENDITURE CATEGORY	Adopted Budget 2007-08	Agency Requests 2008-09	Adopted Budget 2008-09		
			Ongoing	One-Time	Total
HUMAN SERVICE CONTRACTS					
EXPENDITURE CATEGORY					
Sole Source Contractors					
Avenidas - Senior Services (1)	427,670	447,750	427,670		427,670
PACCC - Child Care Subsidy and Outreach (1)	433,271	469,625	433,271		433,271
Second Harvest Food Bank - Operation Brown Bag (1)	7,503	7,372	7,503		7,503
Project Sentinel - Palo Alto Mediation Program (1), (4)	66,805	68,923	0		0
Sole Source Contractors Subtotal	935,249	993,670	868,444		868,444
HUMAN SERVICES RESOURCE ALLOCATION PROCESS					
Two-Year Contractors					
Abilities United (2)	42,153	73,000	42,153		42,153
Adolescent Counseling Services	93,100	115,489	93,100		93,100
Community Health Awareness Council	10,000	10,000	10,000		10,000
Community Technology Alliance- Subsidized Housing Website	12,700	18,000	12,700		12,700
Downtown Streets Team	37,700	100,000	37,700		37,700
La Comida - Senior Nutrition	34,000	34,650	34,000		34,000
MayView Health Center - Health Care Food Bank for low-income	18,000	18,000	18,000		18,000
Momentum for Mental Health (3)	27,000	30,000	27,000		27,000
Senior Adult Legal Assistance	9,000	9,060	9,000		9,000
Youth Community Service	16,800	16,800	16,800		16,800
Opportunity Health Partners	-	50,000	-		-
Parents Helping Parents	-	10,000	-		-
The Health Trust	-	9,702	-		-
Two-Year Contractors Subtotal	300,453	494,701	300,453		300,453
TOTAL	\$1,235,702	\$1,488,371	\$1,168,897	\$0	\$1,168,897

(1) Not part of the Human Services Resource Allocation Process

(2) Name change: from Community Association for Rehabilitation to Abilities United

(3) Name change: from Alliance for Community Care to Momentum for Mental Health

(4) Per CMR 414:07, Project Sentinel and its current funding were removed from HSRAP; instead it is funded through a contract with the City of Palo Alto.

Community Services

GOLF COURSE FINANCIAL SUMMARY

	2005-06 Actuals	2006-07 Actuals	2007-08 Projected	2008-09 Adopted Budget
Revenues				
Tournament fees	\$2,528	\$2,852	\$3,600	\$3,600
Green Fees	2,042,184	2,148,397	2,250,000	2,255,000
Monthly play cards	163,714	167,005	175,000	170,000
Driving range	382,463	353,691	343,080	415,000
Cart/club rentals	315,959	311,320	315,000	315,000
Proshop lease	30,216	26,738	32,000	32,000
Restaurant lease	54,172	58,956	67,200	67,200
Coffee Shop Utilities	21,600	25,920	22,000	22,000
Interest Income - Debt Service	31,721	8,922	32,200	32,200
Total Revenue	\$3,044,557	\$3,103,801	\$3,240,080	\$3,312,000
Expenditures				
Operating Expenses				
Salaries	603,875	481,416	470,179	485,275
Benefits	226,674	398,093	414,009	404,152
Miscellaneous				
Supplies and Materials	115,071	163,827	171,853	181,853
General Expense	60		1,950	1,988
Rents and Leases			300	300
Facilities and Equipment Purchases			5,000	5,000
Allocated Charges	349,885	415,143	406,118	495,051
Subtotal	1,295,565	1,458,479	1,469,409	1,573,619
Contract Services				
Miscellaneous	40,012	40,729	67,930	72,930
Range fees	152,985	132,536	166,000	166,000
Cart rentals	118,886	113,674	120,000	120,000
Club rentals	7,422	6,438	9,000	9,000
Fixed management fees	322,248	337,835	323,000	323,000
Credit card fees	46,155	33,000	46,000	46,000
Subtotal	687,708	664,212	731,930	736,930
Total Operating Expenses	\$1,983,273	\$2,122,691	\$2,201,339	\$2,310,549
Income From Operations	\$1,061,284	\$981,110	\$1,038,741	\$1,001,451
Debt Expenses				
Debt Service	555,769	558,211	559,795	555,686
Loan payment to General Fund for CIP Projects PG-08001 and PG-07700	-	-	118,369	118,369
Subtotal	555,769	558,211	678,164	674,055
Cost Plan Charges	357,361	379,884	309,073	321,826

Community Services

GOLF COURSE FINANCIAL SUMMARY

	2005-06 Actuals	2006-07 Actuals	2007-08 Projected	2008-09 Adopted Budget
Net Income	\$148,154	\$43,015	\$51,504	\$5,570

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Fire Department



Fire Department Organizational Chart



FIRE CHIEF

Nick Marinaro

1.0-Administrative Assistant

EMERGENCY RESPONSE

1.0-Deputy Fire Chief Operations, EMT
3.0-Battalion Chief
1.0-Battalion Chief-EMS (Frozen)
3.0-EMT Basic
1.0-EMS Coordinator
30.0-Fire Apparatus Operator
27.0-Fire Captain
45.0-Fire Fighter
2.0-Administrative Associate II

ENVIRONMENTAL & SAFETY MANAGEMENT

1.0-Fire Marshal
3.0-Fire Inspector
2.0-Hazardous Materials Inspector
1.0-Hazardous Materials Specialist
1.0-Administrative Associate II

TRAINING & PERSONNEL MANAGEMENT

1.0-Deputy Fire Chief Support Serv- EMT
1.0-Office of Emergency Services Mgr
1.0-Training Captain
1.0-Administrative Associate II

Fiscal Year 2008-09 Position Totals:

126.00 Full-time

1.00 Battalion Chief - EMS (Frozen)

1.05 Hourly

To protect life, property and the environment from 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.

OVERVIEW

In 2008-09, the Fire Department will continue to provide confined space training and conduct confined space entry and rescue training exercises, fire extinguisher training, Lock-out /Tag out training, and respiratory mask fit testing to the Public Works and Utilities Departments. In addition, the Department will offer limited CPR and First Aid training to City staff through the City learning center. The Department will continue to share training resources with other Santa Clara County fire departments, such as the Joint Fire Academy, Live Fire training, confined space and tunnel rescue and will explore new opportunities for the sharing of resources and training.

The Department and the Mid-Peninsula Regional Open Space District will work on developing a plan for a prescribed burn in cooperation with the California Department of Forestry (CAL FIRE) on a 20-acre section of the Monte Bello Open Space Preserve, located adjacent to Page Mill Road in the Palo Alto hills. The prescribed burn will provide a unique training opportunity for fire fighters and park rangers from local fire departments and land management agencies. Such opportunities are invaluable training to ensure that staff members are fully prepared for the fire season.

The Department will continue to prepare City staff and the community for major disaster mitigation, preparedness, response, and recovery through the Office of Emergency Services (OES) and the Palo Alto Neighborhood Disaster Activity (PANDA) program. Legally mandated training (ICS 100 and 200) will continue to be provided to City employees and elected officials. Terrorism Awareness (AWR-160) training will be provided to all emergency first responders, Executive Staff, City Council, and Emergency Standby Council officials.

Eight new Firefighter Paramedics were hired in 2007 and a new hiring process is underway to hire up to six more Firefighter Paramedics in 2008 to fill vacancies. Full Paramedic staffing will maximize the ability to provide improved Advance Life Support (ALS) emergency medical service delivery to the community.

The Department will continue to operate a pilot Basic Life Support (BLS) ambulance along with limited hourly Emergency Medical Technicians (EMTs). The ambulance will be available for inter-facility transports as well as the 911-system downgrades and special events. The BLS ambulance transport increases the level of service to the community by enabling ALS ambulances greater ability to respond to more urgent calls. The BLS program is supported with revenue generated from transport fees. In 2008-09, the Department will explore the potential to develop mutually beneficial transport partnerships with area medical service providers.

In 2008-09, the Fire Department will continue to actively explore the possibilities for restructuring strategies and opportunities to promote cost-savings and organizational efficiency. In 2008-09, the Department will continue the process of placing additional ALS engine companies in service on a more frequent basis. In 2008-09, municipal fees for BLS and ALS transport and related services will be increased as needed to remain consistent with the industry standard.

Promotional examinations for the positions of Apparatus Operator and Fire Inspector will be administered in 2008-09. The Department has recently completed a Fire Captains promotional process and promoted four new Fire Captains in December 2007.

Fire

The Fire Prevention Bureau continues to focus on improving efficiency by providing ongoing cross-training and re-evaluating inspection priorities, implementation of automated data management systems, and the development of new methods to gather and use information for the improvement of emergency response capabilities.

The Fire Marshal is working with state agencies to transition the management and oversight of the Unidocs Online Hazardous Materials Submission program to the State of California Environmental Protection Agency (Cal/EPA) in 2008-09. The return of the administration for the Underground Storage Tank (UST) program to Santa Clara County is planned for 2008-09. The program transfer will allow the Hazardous Materials Inspector assigned to this project to focus additional work time towards hazardous materials facilities inspection and oversight.

The Bureau anticipates that 80 percent of required inspections will be completed in 2008-09. Previously established plan check targets continue to be met.

PROGRAM UPDATE

The Fire Department has accomplished the following program implementations:

Personal Protective Equipment (PPE) Program

- The Fire Department will contract with an outside agency to clean, inspect, repair and provide bar-code tracking of our structural personal protective clothing. This will bring us in compliance with NFPA Standard 1851 and provides our personnel with a higher level of safety by insuring that essential personal protective equipment is professionally serviced, decontaminated, evaluated and maintained by a trained, certified agency

Live Fire Training

- The Department will continue to conduct training at available vacant buildings in the city. Training activities include forcible entry, building construction design, ventilation, search and rescue training, firefighter survival techniques as well as hose, ladders, and extinguishment practices. The department will host several large scale multi-agency scenario drills that enhance mutual aid and inter-agency cooperation with neighboring fire agencies

Data Management Systems

- Hazardous Materials: In coordination with other agencies and local industry, the Department will continue to oversee development of an on-line process for collecting required hazardous materials inventories and associated information that will transition to the State in 2008-09. The Department will complete its responsibility as project manager for two state-funded projects to further enhance this system
- Run Maps: In 2008-09, the Department, in coordination with other City departments, will continue to integrate automatic GIS map updates, hazardous materials information and pre-incident facility information for use on mobile data computers in response vehicles. The GIS-based maps will ultimately replace paper maps

Electronic Patient Care Report (e-PCR)

- In 2008-09, the Department will continue plans for the implementation of an electronic patient care report program (e-PCR) in the field. The e-PCR will capture medical call information and provide electronic data as mandated by the state and Santa Clara County. Additionally, the electronic patient care report will expedite delivery of medical information to hospitals for legal documentation. The ability to transfer electronic billing information will allow our contracted billing provider to recover service fees in a more timely and efficient manner. The electronic data can also be utilized to generate reports for mandated continuous quality review and improvement

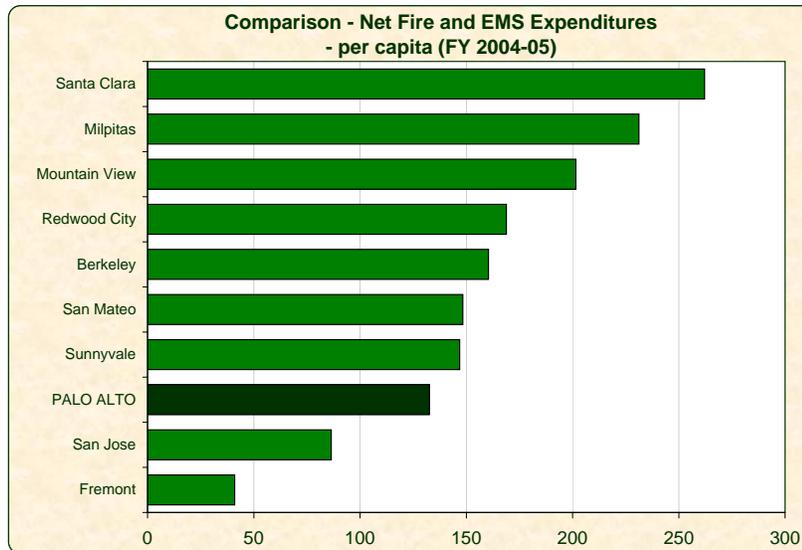
Emergency Medical Services

- Emergency Medical Services: BLS downgrades will continue to provide an improved level of service on medical calls in the Palo Alto/Stanford communities. The support it provides to the ALS program results in increased opportunities for ALS ambulance transport. Non-emergency patients will be transported to receiving facilities in a more efficient and timely manner
- Office of Emergency Services (OES): In conjunction with other city departments, the OES will continue to facilitate a collaborative public education campaign to assist neighborhoods in developing disaster preparedness plans that identify vulnerable populations and their preparedness. The outreach will be coordinated with community-based organizations

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Fire Administration	1,649,166	1,513,785	1,440,663	1,447,835	(65,950)	(4%)
Emergency Response	14,975,094	16,066,357	16,491,438	17,182,602	1,116,245	7%
Environmental Safety Management	2,033,059	2,376,068	2,394,095	2,395,708	19,640	1%
Training and Personnel	2,029,349	2,222,844	2,246,856	2,276,115	53,271	2%
Records and Information Management	872,434	940,908	941,771	957,946	17,038	2%
TOTAL EXPENDITURES	\$21,559,102	\$23,119,962	\$23,514,823	\$24,260,206	\$1,140,244	5%
TOTAL REVENUES	\$9,918,324	\$10,178,146	\$10,098,146	\$10,486,981	\$308,835	3%
INTERNAL REVENUES	303,048	299,368	299,368	337,913	38,545	13%
EXTERNAL REVENUES	9,615,276	9,878,778	9,798,778	10,149,068	270,290	3%

Fire



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	18,440,161	19,958,013	20,059,195	20,420,267
Contract Services	318,382	512,129	508,589	545,144
Supplies and Materials	273,059	361,166	340,619	431,345
Facilities and Equipment Purchases	128,973	223,068	264,943	269,797
General Expense	22,570	48,265	41,975	41,065
Allocated Charges	2,375,957	2,017,321	2,299,502	2,552,588
TOTAL EXPENDITURES	\$21,559,102	\$23,119,962	\$23,514,823	\$24,260,206
TOTAL REVENUES	\$9,918,324	\$10,178,146	\$10,098,146	\$10,486,981
Total Full Time Positions	127.00	127.00	127.00	126.69
Total Temporary Positions	0.51	1.05	0.41	1.05

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of ordinary hazard facilities inspected for fire safety (SEA)	1,021	1,500	1,500
2. Total responses to emergency calls	7,236	7,500	7,500
3. Number of training opportunities through PANDA classes	90	90	90
4. Number of bike safety classes conducted	38	38	38
5. Number of fire safety, bike safety, and disaster preparedness presentations (SEA)	240	250	250
Efficiency:			
1. Average emergency response time for fire calls (SEA)	5:48	6:00	6:00
2. Number of PANDA volunteers recruited and trained	132	282	125
3. Number of residents provided with fire safety, bike safety, and disaster preparedness training	17,131	11,350	11,350
4. Percent of ordinary hazard facilities inspected annually for fire safety	20%	30%	30%
5. Number of 3rd and 5th graders trained in bicycle safety	2,293	2,300	2,300
Effectiveness:			
1. Percent rating fire services good or excellent (SEA)	98%	90%	90%
2. Percent of PANDA volunteers who completed training	98%	98%	98%
3. Percent of residents rating fire prevention and education good or excellent (SEA survey)	86%	85%	85%
4. Percent of ordinary hazard fire safety inspections where facility was found in compliance or returned to compliance within department standards	98%	95%	95%
5. Percent of students trained	98%	98%	98%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase Stanford fire services revenue	330,418		330,418
Increase paramedic service fee	7,272		7,272
Decrease hazardous materials inspection fee	(50,000)		(50,000)
Increase permit fees	1,200		1,200
Increase class program fees - CERT classes	31,400		31,400
Increase allocated revenue-internal	38,545		38,545
TOTAL REVENUE CHANGES	\$358,835	\$0	\$358,835
Adjustments (Note 1)		(50,000)	(50,000)

Fire

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
NET REVENUE CHANGES	\$358,835	\$(50,000)	\$308,835
EXPENDITURE CHANGES			
Salary and Benefits			
Increase Overtime - Station 8 Staffing	36,000		36,000
Overtime savings (Best Bets)	(15,000)		(15,000)
Increase temporary salary - offset by revenue for CERT classes	31,000		31,000
Salary Increase	323,463		323,463
Personnel Benefit Costs Increase (Note 2)	86,796		86,796
Total Salary and Benefits Changes	\$462,259	\$0	\$462,259
Total Net Salary and Benefits Changes	\$462,259	\$0	\$462,259
Non-Salary			
Increase contract services	15,000		15,000
Increase contract services for EMS Study		50,000	50,000
Increase supplies and materials		52,500	52,500
Increase non-capital tools and equipment		13,000	13,000
Allocated Charges Increase (Note 3)	535,267		535,267
TOTAL EXPENDITURE CHANGES	\$1,012,526	\$65,500	\$1,128,026
Adjustments (Note 1)		12,218	12,218
NET EXPENDITURE CHANGES	\$1,012,526	\$77,718	\$1,140,244

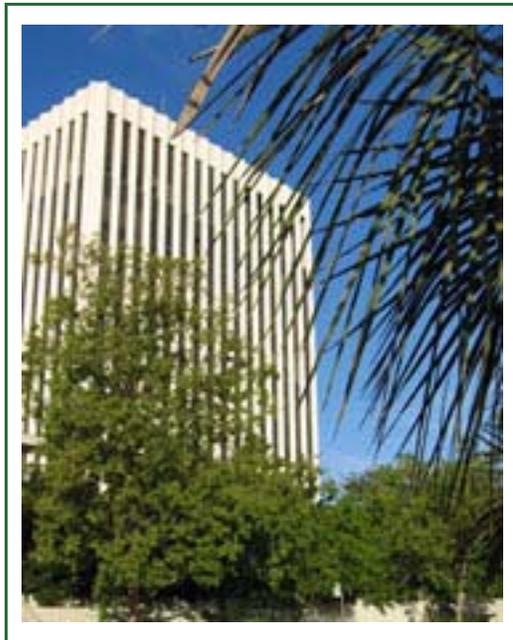
RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in vehicle replacement charges.

Human Resources Department





Human Resources Department Organizational Chart

HUMAN RESOURCES DIRECTOR

Russ Carlsen

1.0-Assistant Director, HR
1.0-Sr. Administrator
1.0-Administrative Assistant

EMPLOYEE/LABOR RELATIONS

1.0-Mgr Employee Relations
2.0-Administrator-HR
2.0-HR Assistant

RISK MANAGEMENT, BENEFITS & SAFETY

2.0-Administrator-HR
1.0-HR Representative
1.0-HR Assistant

EMPLOYMENT/EMPLOYEE DEVELOPMENT

1.0-Administrator-HR
1.0-HR Representative
1.0-HR Assistant

Fiscal Year 2008-09 Position Totals:

**16.00 Full-time
0.04 Hourly**

Human Resources

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 the City departments.

OVERVIEW

The Human Resources Department provides a wide range of employee and employment services for the City of Palo Alto including recruitment, new employee orientation, training, professional development, benefits administration, employee safety, and labor relations. In addition, the Department provides support services to City departments related to employee relations, compensation, performance evaluations, job classification, risk management, organizational development, and employee assistance. City departments and employees are the primary customers for the Human Resources Department and the Department is dedicated to supporting them with their core missions.

Specific goals for 2008-09 include: completing the negotiations of the Fire Chiefs' Association (FCA) contract (expired June 2006) and Service Employees' International Union (SEIU) contract (expires June 2008), and implementing the contract provisions; completing the compensation and classification study for the Management/Professional group; continuing to analyze alternatives for containing healthcare costs; updating the Merit System rules and regulations; focusing attention on succession planning; implementing the SAP Human Resources Information System upgrade; enhancing the Human Resources intranet site; and continuing to partner with other City departments to improve City operations.

PROGRAM UPDATE

The Human Resources Department will accomplish the following for programs and goals:

Employment

- Continue to review vacancies to evaluate restructuring opportunities prior to authorizing recruitment
- Continue enhancement of employment background process
- Implement a post-recruitment survey that solicits feedback from new employees
- Continue to enhance the recruitment and hiring process through CalOpps and other venues
- Continue to manage the transition plans for employee retirements and coordinate recruitment and replacement within the succession planning program

Employee/Labor Relations

- Complete FCA contract negotiation and implement contractual obligations
- Begin SEIU contract negotiations
- Continue to maintain zero claim filing for unlawful recruitment practices and/or discrimination complaints
- Commence implementation phase of Fox Lawson Management Classification Study
- Begin the update of the Merit System Rules and Regulations

Risk Management and Benefits

- Complete a benefits audit to update employee benefit records
- Complete the Request for Proposal (RFP) process for the following Employee Benefit Plans: Deferred Compensation Plan for seasonal and part-time employees; Employee Assistance Plan; Dental Plan administration; Long Term Disability; Life Insurance; and Vision Plan

Human Resources

- Develop refresher safety training for supervisors to ensure compliance with Cal-OSHA mandated injury and illness prevention program requirements
- Implement an online application form for the pre-designation of the International Association of Fire Fighters (IAFF) Tuition Program
- Implement online reporting for Workers' Compensation claims

Employee Development/Training

- Provide customized training to City staff on safety, mandated safety training, project management, customer service, ethics, and computer skills
- Coordinate the Management Talent Exchange Program for San Mateo and Santa Clara Counties
- Continue enhancement of the Management Academy Program
- Reinstitute, redesign, and implement the Lead Academy Program

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the Human Resources Department will implement the City Council's Top 4 Priorities as follows:

Environmental Protection

- SAP implementation of Employee and Management Self-Service will reduce paper and streamline processes
- Continue to research new online applications to further reduce paper and streamline processes

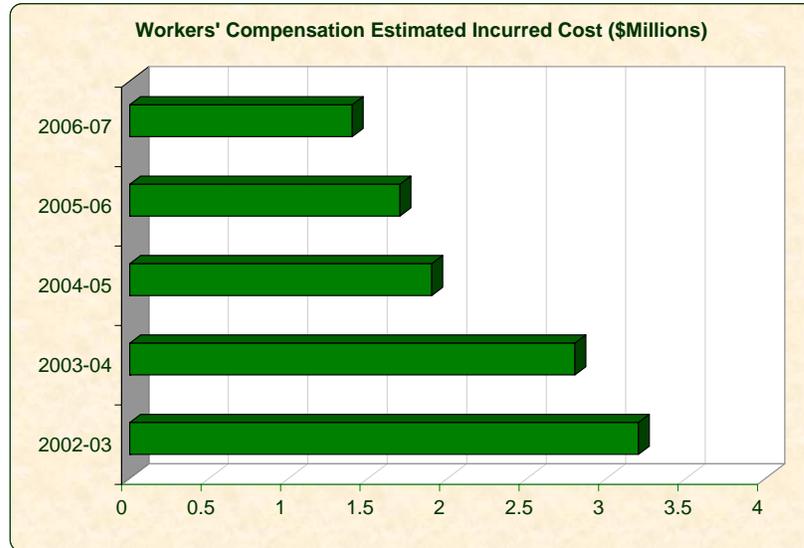
Economic Health

- Continue to collaborate with all City departments on matters related to restructuring, streamlining, employee safety, and reducing workers' compensation claims. In addition, the Department continues to develop training for all City employees, to improve productivity

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	675,856	392,964	331,885	423,898	30,934	8%
Employee/Labor Relations	752,448	858,822	884,816	960,567	101,745	12%
Employment/Employee Development	547,059	913,488	875,593	846,498	(66,990)	(7%)
Risk Management and Employee Benefits	601,314	656,189	613,796	590,808	(65,381)	(10%)
TOTAL EXPENDITURES	\$2,576,677	\$2,821,463	\$2,706,090	\$2,821,771	\$308	0%
TOTAL REVENUES	\$1,306,356	\$1,339,259	\$1,335,524	\$1,385,732	\$46,473	3%
INTERNAL REVENUES	1,294,956	1,333,259	1,329,524	1,374,732	41,473	3%
EXTERNAL REVENUES	11,400	6,000	6,000	11,000	5,000	83%

Human Resources



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	2,041,907	2,176,174	2,060,739	2,157,635
Contract Services	267,102	329,200	333,455	350,755
Supplies and Materials	15,086	27,580	26,880	26,880
Facilities and Equipment Purchases	3,908	17,489	8,989	8,989
General Expense	31,779	45,759	49,959	50,159
Rents and Leases	44,558	43,000	43,000	43,000
Allocated Charges	172,337	182,261	183,068	184,353
TOTAL EXPENDITURES	\$2,576,677	\$2,821,463	\$2,706,090	\$2,821,771
TOTAL REVENUES	\$1,306,356	\$1,339,259	\$1,335,524	\$1,385,732
Total Full Time Positions	15.60	16.00	15.60	16.00
Total Temporary Positions	0.49	1.17	0.03	0.04

Human Resources

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of employee training classes	7418 hours	6,000 hours	5,000 hours
2. Number of new hires processed	136	165	150
3. Number of grievances filed	19	7	10
4. Number of contracts negotiated	2	2	1
Efficiency:			
1. Number of employees who completed a training course	600 Estimate	500	500
2. Number of sick leave hours utilized by new hires	594	315	455
3. Number of grievances to arbitration	0	0	0
4. Number of unfair labor practices upheld by Public Employment Relations Board	0	0	0
Effectiveness:			
1. Percent of classroom hours offered and delivered	90%	95%	90%
2. Percentage of first year turnover (SEA)	3.7%	2.4%	2.0%
3. Cost of grievance settlement	\$0	\$0	\$0
4. Number of contracts implemented within 90 days of Council authorization	0	2	1

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase Management Talent Exchange program fees	6,000		6,000
Decrease other fees - training	(1,000)		(1,000)
Increase allocated revenues - internal	41,473		41,473
			-
TOTAL REVENUE CHANGES	\$46,473	\$0	\$46,473
EXPENDITURE CHANGES			
Salary and Benefits			
Salary increase	43,251		43,251
Decrease temporary salary	(68,514)		(68,514)
Personnel Benefit Costs Increase (Note 2)	6,726		6,726
Total Salary and Benefits Changes	\$(18,537)	\$0	\$(18,537)
NET SALARY AND BENEFITS CHANGES	\$(18,537)	\$0	\$(18,537)
Non-Salary			

Human Resources

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Increase other contract services		5,000	5,000
Allocated Charges Increase (Note 3)	2,093	-	2,093
Total Non-Salary	\$2,093	\$5,000	\$7,093
TOTAL EXPENDITURE CHANGES	\$(16,444)	\$5,000	\$(11,444)
Adjustments (Note 1)	0	11,752	11,752
NET EXPENDITURE CHANGES	\$(16,444)	\$16,752	\$308

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in vehicle replacement charges.

SERVICE LEVEL CHANGES

In 2007-09, employee training programs will be evaluated, updated, and streamlined. A newly created regional training consortium will be utilized whenever possible.

Deploying Employee Self-Service features to City Staff via the SAP upgrade. Examples of Self-Service features would include enabling employees to update their home address or select health plans using a paperless process and transmitting changes to the benefit administrator online.

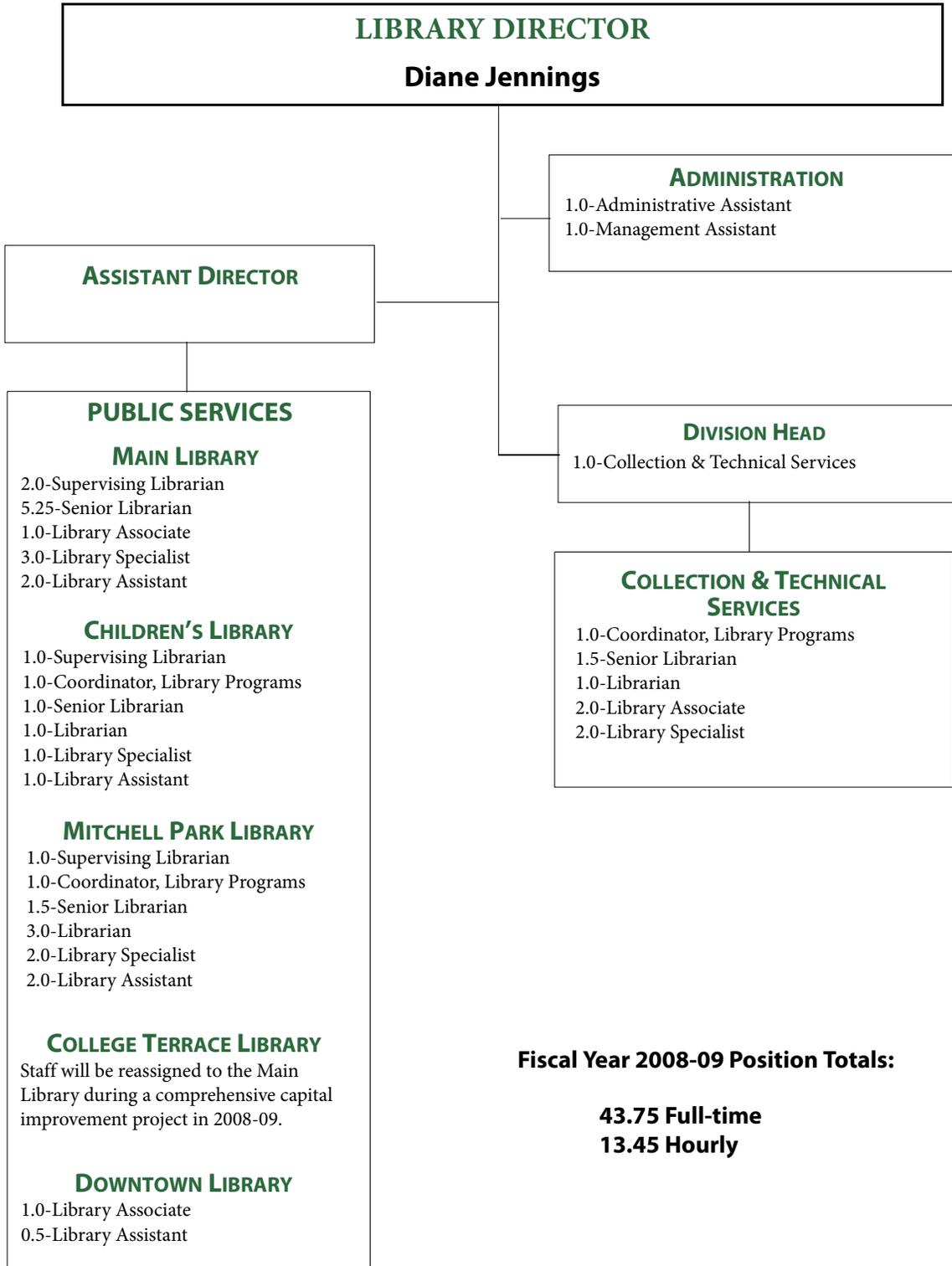
Human Resources will continue to evaluate opportunities for creating organizational efficiencies.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Library Department



Library Department Organizational Chart



Fiscal Year 2008-09 Position Totals:

**43.75 Full-time
13.45 Hourly**

To enable people to explore library resources to enrich their lives with knowledge, information and enjoyment.

OVERVIEW

The Library Department will continue to provide hours, programs, and services at current levels to customers at the Main, Mitchell Park, Children's, and Downtown Libraries. A major infrastructure renovation of the College Terrace Library will begin in the fall of 2008, necessitating the closure of the facility during the twelve-month project. All major building components including roofing, mechanical, and electrical systems will be upgraded. The facility will be brought into compliance with accessibility standards and reinforced to better withstand an earthquake. Air conditioning, fire sprinklers and an upgraded alarm system will be installed. During the closure, staff will review and refresh the College Terrace collection with input from the community.

The Library Department will continue its support of the City Council's 2008 priority related to improved library facilities by assisting the City Manager's Office with informational outreach to the community.

With the support of the Administrative Services Department and input from a citizens advisory group and the Library Advisory Commission, the Library will complete a multi-year technology plan in 2008-09. The Library will continue the use of social networking tools and other Web 2.0 technologies to promote reading and access to library resources. The Library will apply for membership in the statewide Link+ consortium to enable customers to more easily borrow books not owned locally.

Library collections will be enhanced with funds provided through a partnership between the City and the Friends of the Library. This increased funding will support the purchase of Chinese and Russian language books, continuation of electronic databases originally acquired with temporary grant funding, more popular books and media, and a greater variety of e-books.

Library Youth Services staff will continue to offer a rich mix of year-round programming for children and teens. Staff, through the leadership of the School Liaison Librarian, will continue to work closely with school librarians, teachers and principals in the Palo Alto schools to support the educational development of students and promote city library services. Collaboration between Library and Recreation staffs will continue in support of service to youth at the Mitchell Park Library and Community Center.

Library staff will complete a needs assessment for enhancing service to the "baby boomer" generation. In 2008-09, the Library will again offer a community-wide reading program following the success of similar programs in the previous two years. Other key initiatives for 2008-09 include staff development and succession planning; continued enhancement of the volunteer program; and implementation of recommendations from the 2007 audit of library operations.

PROGRAM UPDATE

Long-Range Planning

- The City Council endorsed the recommendations of the Library Advisory Commission's Library Service Model Analysis and Recommendations report detailing facility and service improvements across the library system.
- Staff, supported by a citizens advisory group, updated a feasibility study for the use of RFID (radio frequency identification) technology for the checkout and return of library materials.

Library

Facilities

- The Children's Library reopened in September 2007 following an expansion and complete renovation.
- The Palo Alto Library Foundation raised \$400,000 to fund the purchase of new furniture, equipment, and shelving for the Children's Library.
- The design of a major infrastructure improvement project for the College Terrace Library was completed, and construction will begin in the fall of 2008.
- The library technical services staff relocated into a newly renovated workroom at the Downtown Library, creating an opportunity to convert some staff area into public space at the Main Library.
- Following the relocation of technical services staff to Downtown Library, a portion of Main Library was remodeled to reconfigure restrooms to meet current accessibility standards, create a new periodicals room, increase the floor space for display of popular shelved items, improve and enlarge the teen area, and move the book return operation into a new, more efficiently designed area in the staff workroom.
- A new, more space efficient customer service desk was installed at Downtown Library with funding support from the Friends of the Library.

Library Collections

- The book collections were enhanced through joint funding by the City and the Friends of the Library.
- The collection of Spanish language books for youth was enhanced.
- Several new licensed databases were added to the Library's offering of electronic resources, with partial support from the Friends of the Library.
- The Chinese and Russian language collections were expanded.
- The audio book and DVD collections were expanded with financial support from the Friends of the Library.

Technology

- Installation of self-checkout machines at all branches was completed with use reaching 90 percent of first time checkouts, freeing staff to assist customers in a variety of ways.
- Staff used a variety of Web 2.0 technologies (wikis, blogs, RSS feeds) to facilitate the delivery of information about library services and resources and to enhance staff development.
- Library card application via the Web was made available in 2008.
- Loaner laptops were added at College Terrace and Downtown libraries with funding from a Cable Co-op grant to the Friends of the Library.

Programs

- With the assistance of many volunteers, the Library offered a month-long program of events celebrating Silicon Valley Reads: *The Distant Land of My Father*. Hundreds of people read the novel and turned out at programs to discuss the book and attend a variety of cultural programs.
- The Library's Volunteer program was enhanced resulting in an increased number of hours contributed in support of library operations and the newly reconfigured Library Home Connection service.
- The School Liaison Librarian coordinated a variety of activities to bring public library programs to students, including book discussion, author visits, library card sign-up campaign, and promotion of the summer reading program.
- With a state grant, Library staff completed a community assessment to evaluate service needs for the

"baby boomer" population.

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the Library Department will support the implementation of the City Council's Top 4 Priorities as follows:

Libraries/Community Center and Public Safety Building

- In coordination with the City Manager's Office, Administrative Services, and Public Works Departments, continue work on implementing approved facility recommendations of the Library Service Model Analysis and Recommendations Report.
- Assist in providing informational outreach to the community.

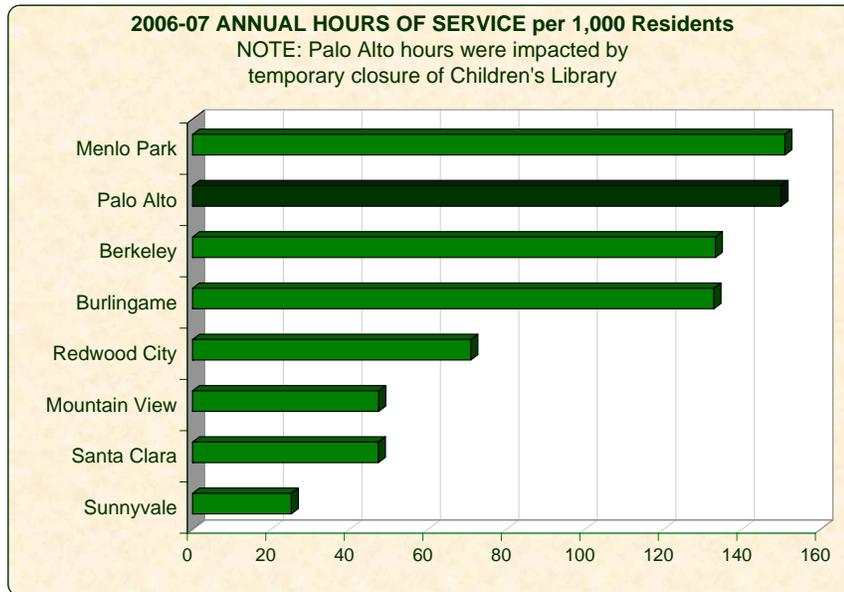
Civic Engagement

- Work with a citizen advisory group to develop a technology plan for the Library.
- Partner with the Library Foundation and the Friends of the Library in fund-raising efforts to support library improvements.

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Library Services Administration	526,017	441,800	391,909	718,303	276,503	63%
Collection and Technical Services	1,468,797	1,812,248	1,816,405	1,799,614	(12,634)	(1%)
Public Services	3,856,726	4,323,798	4,336,452	4,051,649	(272,149)	(6%)
TOTAL EXPENDITURES	\$5,851,540	\$6,577,846	\$6,544,766	\$6,569,566	\$(8,280)	0%
TOTAL REVENUES	\$230,440	\$291,943	\$266,890	\$264,390	\$(27,553)	(9%)
INTERNAL REVENUES	0	0	0	0	0	0%
EXTERNAL REVENUES	230,440	291,943	266,890	264,390	(27,553)	(9%)

Library



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	4,486,123	4,956,575	4,950,366	4,949,592
Contract Services	87,666	113,335	107,335	115,300
Supplies and Materials	557,188	836,411	832,532	832,930
Facilities and Equipment Purchases	87,223	29,474	22,000	24,137
General Expense	16,949	26,210	21,010	24,110
Rents and Leases	27,749	27,895	25,395	27,895
Allocated Charges	588,642	587,946	586,128	595,602
TOTAL EXPENDITURES	\$5,851,540	\$6,577,846	\$6,544,766	\$6,569,566
TOTAL REVENUES	\$230,440	\$291,943	\$266,890	\$264,390
Total Full Time Positions	44.25	43.75	43.75	43.75
Total Temporary Positions	12.62	12.70	12.70	13.45

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Percent of citizens who have used libraries or their services more than 12 times during last year (SEA)	33%	33%	33%
2. Number of new titles/number of new volumes added to the collection	14,793/ 28,192	14,500/ 30,000	14,500/ 30,000
3. Number of items circulated (SEA)	1,414,509	1,500,000	1,500,000
4. Number of hours open annually (SEA)	9,386	11,200	10,400
5. Number of library programs (SEA)	580	610	580
Efficiency:			
1. Percent of Palo Alto residents who are cardholders (SEA)	57%	58%	59%
2. Number of titles/number of items in the collection per capita	2.67/3.83	2.79/4.47	2.69/4.32
3. Percent of first-time circulations checked out at self-service stations	86%	89%	89%
4. Number of hours of operation per FTE	165	200	186
5. Number of people attending programs (SEA)	30,221	35,500	33,000
Effectiveness:			
1. Percent of citizens rating quality of public library services good or excellent (SEA)	81%	81%	81%
2. Percent rating variety of library materials good or excellent (SEA)	75%	76%	77%
3. Number of items circulated per capita (SEA)	22.6	24.0	23.8
4. Number of library visits per hour	91.8	80.0	83.0
5. Number of attendees per program	52.1	60.0	54.0

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Estimated revenues from Link+ Program (two-year pilot program)		5,000	5,000
Increase revenue due to overdue fines on lost materials	19,500		19,500
Decrease revenue due to elimination of library fees on hold request	(27,000)		(27,000)
TOTAL REVENUE CHANGES	\$(7,500)	\$5,000	\$(2,500)
Adjustments (Note 1)		(25,053)	(25,053)
NET REVENUE CHANGES	\$(7,500)	\$(20,053)	\$(27,553)
EXPENDITURE CHANGES			
Salary and Benefits			
Add 0.32 FTE due to Link+ program (two-year pilot program)		13,639	13,639
Personnel Benefit Costs Increase (Note 2)	8,428		8,428

Library

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Total Salary and Benefits Changes	\$8,428	\$13,639	\$22,067
Adjustments (Note1)		(29,050)	(29,050)
Total Net Salary and Benefits Changes	\$8,428	\$(15,411)	\$(6,983)
Non-Salary			
Link + Program - delivery charges, annual membership and training (two-year pilot program)		16,100	16,100
Allocated Charges Increase (Note 3)	7,656		7,656
Total Non-Salary Changes	\$7,656	\$16,100	\$23,756
TOTAL EXPENDITURE CHANGES	\$16,084	\$689	\$16,773
Adjustments (Note1)		(25,053)	(25,053)
NET EXPENDITURE CHANGES	\$16,084	\$(24,364)	\$(8,280)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing due primarily to an increase in utilities charges.

SERVICE LEVEL CHANGES

Service Level Increases

- In 2008-09, the budget for purchases for the collection will be increased by \$167,000 through a combination of city funds and contributions from the Friends of the Library.
- The Library will seek membership in the LINK+ system, a cooperative borrowing program among many public and academic libraries in California, that will enable customers to borrow books not owned in the City's library system. The Friends of the Library will fund half the cost of a two-year pilot project to gauge the benefit and use of this service.

Planning and Community Environment



Planning and Community Environment Department Organizational Chart



PLANNING & COMMUNITY ENVIRONMENT DIRECTOR

Steve Emslie

ADMINISTRATION AND CODE COMPLIANCE

1.0-Administrator
1.0-Administrative Assistant
2.0- Code Enforcement Officers

ECONOMIC DEVELOPMENT

1.0-Economic Resources Mgr

ASSISTANT DIRECTOR

PLANNING & TRANSPORTATION

1.0-Chief Planning & Transportation Official
1.0-Admin Associate III
1.0-Planning Arborist
Current Planning
1.0-Planning Mgr (Current Planning)
1.0-Admin Associate II
3.0-Senior Planner
3.0-Planner
1.0-Assoc Planner (Sustainability Coordinator)
1.0-Planning Technician
Advance Planning
1.0-Planning Manager (Advance Planning)
2.0-Admin Associate II
1.0-Senior Planner (Housing)
2.0-Senior Planner
1.0-Planner (CDBG)
1.0-Planner (Historic)
2.0-Planner
TRANSPORTATION
1.0-Transportation Manager
1.0-Admin Associate II
1.0-Transportation Engineer
1.0-Associate Transportation Engineer
1.0-Engineering Technician II
0.5-Commute Coordinator
1.0-Project Engineer

BUILDING

1.0-Chief Building Official
1.0-Admin Associate II
Plan Check/Counter Services
1.0-Asst Building Official
3.0-Plan Check Engineer
1.0-Permit Specialist
2.0-Building Technician
1.0-Admin Associate I (Receptionist)
1.0-Admin Associate I (Inspection Scheduler)
INSPECTION SERVICES
1.0-Inspection Services Supervisor
1.0-Building Inspector Specialist (Structural)
1.0-Building Inspector Specialist (Electrical)
1.0-Building Inspector Specialist (Plumbing/Mech)
4.0-Building Inspector

Fiscal Year 2008-09 Position Totals:

**55.50 Full-time
.95 Hourly**



Planning and Community Environment

To provide the Council and community with creative guidance on, and effective implementation of, land use development, planning, transportation, housing and environmental policies, and plans and programs that maintain and enhance the City as a safe, vital, and attractive community.

OVERVIEW

The Department of Planning and Community Environment work for 2008-09 will be focused on significant development proposals and major planning efforts. Below is a summary of the ongoing efforts of the department:

Sustainability: The Department continues to develop the City's green building program. In Fall 2007, the Department facilitated a presentation on best practices in green building to the City Council and added a green building approval condition to the Architectural Review Board process. A revised green building policy for City buildings has also been added. Green building requirements for commercial and residential private development projects are scheduled for City Council review by July 1, 2008. Certification in green building is now encouraged for planning staff and consultants. Department staff has also participated in inter-departmental and inter-agency coordination of green building efforts, such as the City's Climate Protection Plan and the Santa Clara County Cities Association Green Building Collaborative.

Long-range planning and policy development: In Fall 2007, the Zoning Ordinance Update was completed and the new ordinance officially adopted. The attention of long-range planning staff has shifted to revising the Comprehensive Plan. For 2008, priorities include reviewing existing Comprehensive Plan policies, working on area plans for Fry's and East Meadow Circle/West Bayshore areas, and commencing the environmental impact report. The amendment will include an update to the City's Housing Element and a new sustainability chapter.

Development review and building inspection: The Planning and Transportation Division is in the middle of an intensive planning and negotiation effort over development proposals for the Stanford Shopping Center and Stanford Medical Center. The Department drafted an area plan and began preparation of an EIR, and has held public workshops, several study sessions and meetings with the Planning & Transportation Commission and City Council. The Division is also reviewing several other significant development projects, including the environmental and zoning review of the Public Safety Building and Library projects. Major private development projects under review include Alma Plaza, redevelopment of the Elk's Lodge site, addition of a grocery store to Town and Country Village, Google childcare facilities at 3801 East Bayshore Road and 1129 San Antonio Road, a three-story retail/office building at 278 University Avenue, the Toll Brothers project at 200 San Antonio Road (45 units in Palo Alto, 500 in Mountain View), redevelopment of the fire damaged site at 300 University Avenue, and redevelopment of the JJ&F market site at 2180 El Camino Real. In addition, Building Division staff are managing several other projects that have moved into the construction phase. The Division is continuing to inspect several large residential and mixed-use projects approved in 2006 and 2007, including projects at 901 San Antonio Road, 4219 El Camino Real, 1101 East Meadow Drive, and 3270 West Bayshore Road. Construction on some of these projects is expected to continue through 2009. In addition to the inspection workload listed above, in Fall 2007 the Building Division took the 2007 California Building Code with local amendments for City Council adoption.

Planning and Community Environment

The Building Division continues to enhance customer service at the Development Center. For example, the Division has reached out to local builders to assist them in understanding the newly adopted 2007 California Building Codes by holding a seminar to teach them key aspects of the new codes. The Inspection Section developed an extensive handbook for local builders with simple checklists to help them pass inspections. Other customer service efforts include more availability of division staff for pre-submittal meetings and code analysis, a developer roundtable group to solicit feedback on operations, and better inter-departmental coordination with the Utilities and Public Works departments during the construction process.

Transportation planning: The Transportation Division has several projects in progress to increase safety and improve circulation on local streets and on school commute routes. Traffic calming trials are in progress in College Terrace and on Pepper Avenue. The Division is continuing to evaluate Phase I of the Charleston/Arastradero Corridor Plan Trial and is preparing for Phase II. The Division is also coordinating with CalTrans for improvements to the signal system of the El Camino Real/Ventura Avenue intersection.

In 2007, the Department worked with City Council members to oppose service reductions recommended in the Valley Transportation Authority (VTA) Comprehensive Operations Analysis. Subsequently, the department worked with the VTA on the Community Bus Study for Palo Alto, a comprehensive study of ridership of VTA, Stanford, and Palo Alto bus routes. Recommendations were developed on ways to better integrate the three systems, and implementation is already underway.

The division continues to encourage alternative transportation modes such as bicycling and train and bus transit.

Economic Development: The Department continues to focus on outreach to businesses and enhancing the economy of Palo Alto. The Destination Palo Alto project, designed to increase and retain visitors to the City, continues to develop. The Department has done trial marketing programs during several recent events, including Stanford Admit Weekend, the opening of the renovated Stanford Stadium, and the Amgen Tour of California prologue bike race. In addition to Destination Palo Alto, the Department maintains relationships with businesses and business associations in Palo Alto, and helps to mediate/facilitate communication between other departments and the business community on projects that will affect them.

Affordable Housing and Community Development Block Grant (CDBG): The Department will continue to assist with the affordable housing project on the Alma Substation site by providing funding and assistance and coordinating with other City departments. The department continues to administer the City's CDBG grant.

Other Department Achievements: In October 2007, the Department received an award from the California Chapter of the American Planning Association for creation of a parcel information report in the City's geographic information system (GIS), which contained a wealth of information frequently requested by Development Center customers in an easily accessible and distributable format.

PROGRAM UPDATE

The Planning and Community Environment Department has accomplished the following in new program and service implementation:

Comprehensive Plan Update: In 2007-08, the Department began an update to the City's comprehensive plan, which will continue through 2011. The project will include several components:

- Area plans for Fry's and East Meadow Circle/West Bayshore areas
- New Sustainability Chapter
- Revisions to the City's Housing Element

Planning and Community Environment

- Review of existing policies and programs

The Department has developed the City's Green Building Program in several ways:

- Added a revised green building policy for City buildings
- Added an Architectural Review Board condition requiring green building measures
- Commenced adoption of a green building requirement for private development projects

In Fall 2007, the Department adopted the 2007 California Building Codes

- Provided training and outreach to developers on the new codes
- Commenced adoption of the State Energy Code with enhanced environmental protection requirements

The Department has instituted several customer service enhancements at the Development Center:

- Training and outreach to developers, architects, and contractors on the new 2007 California Building Codes
- Inspection handbook with simple checklists to help contractors understand what they need to do to pass inspections
- Greater availability of Division staff for pre-submittal meetings and code analysis
- Developer roundtable group to solicit feedback on operations
- Better inter-departmental coordination with the Utilities and Public Works departments during the construction process
- A temporary occupancy process for residences to allow homeowners to occupy their homes while final finish work is being completed

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the Planning and Community Environment Department will implement the City Council's Top 4 Priorities as follows:

Libraries/Community Center and Public Safety Building

- Continue to assign key staff members to review the Public Safety building and Library projects to ensure the quick and effective completion of the review process

Environmental Protection

- Continue to develop and expand the City's Green Building program, including adopting a requirement for green building standards for commercial and residential projects
- Adopt the 2008 California Energy Code with local amendments
- Continue to promote alternatives to automobile use, including maintaining the City's shuttle system, implementing the Bicycle Plan, running a commute alternatives program for the City, and implementing traffic calming measures and other safety enhancements to school commute corridors, such as Charleston/Arastradero, to encourage bicycling

Civic Engagement

- Continue practices of regularly meeting with neighborhood groups, business groups, and other community organizations to keep them apprised of current issues in community planning

Planning and Community Environment

- Continue to perform community outreach on major projects or policy efforts. Past examples include outreach to local contractors and builders for the 2007 California Building Code adoption, community forums related to the Stanford projects, public communication for the Charleston/Arastradero Road project, and outreach on the City's Green Building projects
- Continue to evaluate new technologies for doing surveys and communicating with the public
- Continue to deliver training and outreach to local contractors and builders on 2007 Building Codes, green building practices, and other topics of interest
- Continue to engage with the Business Improvement District and the Downtown Streets Team

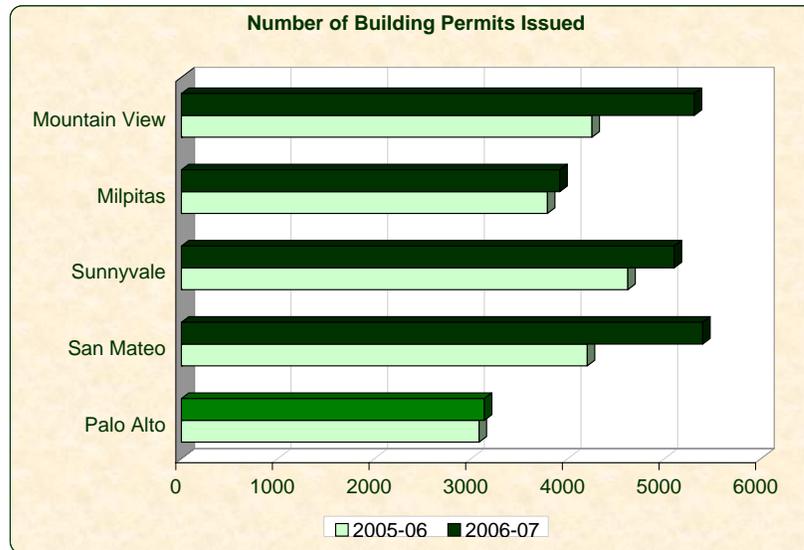
Economic Health

- Continue to perform outreach to business groups and focus on the launch of Destination Palo Alto programs in 2008-09.

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	687,543	702,459	633,871	641,454	(61,005)	(9%)
Planning and Transportation	5,213,373	5,862,320	5,522,226	5,487,613	(374,707)	(6%)
Building	3,379,958	3,833,527	3,833,109	3,843,538	10,011	0%
Economic Development	211,614	215,593	201,579	453,914	238,321	111%
TOTAL EXPENDITURES	\$9,492,488	\$10,613,899	\$10,190,785	\$10,426,519	\$(187,380)	(2%)
TOTAL REVENUES	\$6,567,074	\$6,920,848	\$6,225,848	\$6,837,512	\$(83,336)	(1%)
INTERNAL REVENUES	148,918	128,000	128,000	128,000	0	0%
EXTERNAL REVENUES	6,418,156	6,792,848	6,097,848	6,709,512	(83,336)	(1%)

Planning and Community Environment



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	6,565,186	7,094,212	7,136,337	6,912,988
Contract Services	1,450,843	2,011,979	1,594,720	1,988,576
Supplies and Materials	66,204	75,163	69,100	77,150
Facilities and Equipment Purchases	10,868	18,772	20,535	16,435
General Expense	344,381	409,567	369,332	410,000
Rents and Leases	325,766	325,047	325,047	305,047
Allocated Charges	729,240	671,552	675,714	708,716
Operating Transfers Out	0	7,607	0	7,607
TOTAL EXPENDITURES	\$9,492,488	\$10,613,899	\$10,190,785	\$10,426,519
TOTAL REVENUES	\$6,567,074	\$6,920,848	\$6,225,848	\$6,837,512
Total Full Time Positions	54.30	53.30	53.30	53.30
Total Temporary Positions	0.68	1.15	0.76	0.95

Planning and Community Environment

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of building permits issued (SEA)	3,136	3,070	3,000
2. Number of building inspections completed (SEA)	14,822	21,290	18,000
3. Number of planning applications completed (SEA)	299	354	350
4. Number of zoning plan checks completed	942	1,040	1,000
5. Number of code enforcement cases completed (SEA)	369	600	600
6. Number of Palo Alto Shuttle boardings (SEA)	168,710	170,000	170,000
7. Average number of City employees participating in the City commute program each month	105	108	111
Efficiency:			
1. Number of building permits issued (per plan checker/building technician FTE)	523	512	500
2. Number of building inspections (per inspector FTE)	2,117	2,129	2,120
3. Number of planning applications completed (per current planner FTE)	50	59	58
4. Number of zoning plan checks completed (per current planner FTE)	157	173	167
5. Number of code enforcement cases (per code enforcement officer FTE)	185	300	300
6. City's cost per Palo Alto Shuttle rider	\$2.00	\$1.98	\$1.98
Effectiveness:			
1. Percent of building plan checks completed within 4 week target - target is 90% (SEA)	85%	83%	90%+
2. Percent of building inspection requests responded to within one day - target is 90% (SEA)	99%	98%	90%+
3. Average number of weeks to complete staff-level applications (represents 98% of total volume) (SEA)	13.4 weeks	12.9 weeks	12.9 weeks
4. Percent of zoning plan checks completed within 4 week target	60%	63%	90%+
5. Percent of code enforcement cases resolved within 120 days of date received (SEA)	76%	90%	75%+
6. Percent of residents surveyed rating the ease of walking in Palo Alto as "good" or "excellent" (SEA survey)	88%	90%	90%
7. Percent of residents surveyed rating the ease of bicycle travel in Palo Alto as "good" or "excellent" (SEA survey)	83%	85%	85%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase class program fee revenue		15,000	15,000

Planning and Community Environment

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Increase building-new construction permit revenue	146,664		146,664
Increase public safety development impact fee (Best Bets)	300,000		300,000
Increase cost recovery for code enforcement (Best Bets)	150,000		150,000
TOTAL REVENUE CHANGES	\$596,664	\$15,000	\$611,664
Adjustments (Note 1)		(695,000)	(695,000)
NET REVENUE CHANGES	\$596,664	\$(680,000)	\$(83,336)
EXPENDITURE CHANGES			
Salary and Benefits			
Reclassify 1.0 FTE Building/Planning Technician to Permit Specialist	3,885		3,885
Reclassify 1.0 FTE Planner to Senior Planner	20,471		20,471
Reclassify 1.0 FTE Engineer to Project Engineer	6,000		6,000
Personnel Benefit Costs Decrease (Note 2)	(159,380)		(159,380)
TOTAL SALARY AND BENEFITS CHANGES	\$(129,024)	\$0	\$(129,024)
Adjustments (Note 1)		(52,200)	(52,200)
NET SALARY AND BENEFITS CHANGES	\$(129,024)	\$(52,200)	\$(181,224)
Non-Salary			
Increase other contract services	22,000	34,000	56,000
Increase program and project consulting	15,000		15,000
Increase program and project consulting (Destination Palo Alto trial)		240,000	240,000
Increase other general expense		17,500	17,500
Increase city membership	9,748		9,748
Increase instruction and training		18,226	18,226
Increase office supplies		5,000	5,000
Increase advertising and publishing		7,000	7,000
Increase planning (Best Bets)		50,000	50,000
Allocated Charges Increase (Note 3)	29,809		29,809
Total Non-Salary Changes	\$76,557	\$371,726	\$448,283
TOTAL EXPENDITURE CHANGES	\$(52,467)	\$319,526	\$267,059
Adjustments (Note 1)		(454,439)	(454,439)
NET EXPENDITURE CHANGES	\$(52,467)	\$(134,913)	\$(187,380)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

Planning and Community Environment

Note 3: Allocated charges are increasing due primarily to an increase in vehicle replacement charges.

Police Department



To proudly serve and protect the public with respect and integrity.

OVERVIEW

In 2008-09, the Department will continue its efforts in community policing and civic engagement. The Department will begin the third year of the five-year strategic plan and will work with community members to present the plan in an easier to understand format. The Department, with support from the Palo Alto School District (PAUSD), will continue the Parenting Project, which is designed to assist parents who have troubled or at-risk children. In 2008-09, the Police and Community Services Departments will combine efforts to fully implement the Palo Alto Alternative Services Network. This multi-dimensional approach enlists the services of public and private agencies involved in treatment, mental health, and law enforcement, as well as the courts, the District Attorney's Office, and the Public Defender's Office to identify and develop action plans for the most problematic homeless, mentally ill and addicted persons.

In conjunction with the Fire, Utilities, and Public Works Departments and the City Manager's Office, the Police Department will continue to play a key role in coordinating citywide functions of emergency preparedness and response to natural and criminal disasters. The Department will continue to coordinate the City's homeland security planning, training, and regional interactions. This year the Department will participate in both the Golden Guardian and Urban Shield '08 exercises that will simulate the City's and Department's response to earthquake and terrorism events. With the assistance of additional outside funding sources, an enhanced Mobile Command Vehicle will be deployed to increase field operations, communications capabilities, and allow for a greater integration of mutual aid resources at the scene of a regional disaster or critical incident.

In collaboration with the Administrative Services Department, a Department technology strategic plan will be developed, based upon a survey of needs, research of public safety solutions, and analysis of budget implications. Ongoing participation in the county-wide Radio Interoperability Project, the continued replacement of the City's radio infrastructure, and the preparation of the replacement of a joint interagency Computer Aided Dispatch (CAD) system will ensure stable and seamless communication between departments, agencies, and cities during emergencies and disasters.

Traffic safety and calming will continue to be a high priority for the Police Department with a continuing focus on speed reduction, red light violations, bicycle, and pedestrian safety. Through the use of state funds, the Department will continue to participate in various programs with the goal of reducing the number of victims killed or injured in alcohol-related motor vehicle accidents. In cooperation with the City Attorney's Office, the Department will enforce the Social Host ordinance, which prohibits juvenile parties where alcohol is served.

Work will continue on the Public Safety Building project at Park Boulevard. The design of the building will be completed with the goal of achieving Gold LEED certification. Staff will complete work associated with funding the building using Certificates of Participation (COPs).

PROGRAM UPDATE

The Police Department has implemented the following programs:

Police/Community Relations

- Continued work on a five-year strategic plan for the Police Department
- Published the first Department Annual Report in over twenty-five years

Police

- Began the Parenting Project in conjunction with the Palo Alto School District (PAUSD) which is a twelve week program designed to assist parents who have troubled or at-risk children
- The Department continues to compile and report demographic data on police contacts to the City Council and meet with the Human Relations Commission (HRC) on the report and community outreach

Police Auditor Program

- The City Council approved a three-year agreement with the Police Auditor to review police policies, investigations and dispositions of citizen complaints involving police misconduct

Emergency Disaster Preparedness

- Participated in the Emergency Preparedness Steering and the Emergency Preparedness Working Groups. These groups develop strategies and objectives to improve cross departmental response during an emergency. This year the group developed strategic, city-wide objectives to improve response during an emergency or disaster
- Participated in the state-wide Golden Guardian exercise with the business community, Palo Alto Neighborhoods (PAN), Santa Clara County Office of Emergency Services (OES), and City staff
- Implemented the Community Alerting and Notification System (CANS). Worked with business and neighborhood groups on the use of the system during the Golden Guardian exercise
- Utilized a grant and a large private donation to acquire a SWAT vehicle to transport personnel and equipment and improve responses to critical incidents
- Worked with the Fergusson Group to acquire additional funding to enhance the Mobile Command Vehicle that will provide for greater integration of mutual aid resources at the scene of regional disaster or critical incident
- Established an interdepartmental working group in efforts to identify an Alternate Emergency Operations Center (AEOC)

Homelessness Efforts

- Attended the Downtown Streets Team and Off the Streets Team meetings. Coordinated with case managers who are deployed in the field to mitigate persons with problematic behavior and direct their placement in treatment and housing. Continued to meet and work with the Opportunity Center
- Implemented the Palo Alto Alternative Services Network. This group consists of stakeholders from the community (police, city attorney, public defender, case managers, Opportunity Center personnel, Veterans' Administration (VA), Santa Clara County drug and alcohol, and County mental health personnel) to identify and develop action plans for the most problematic homeless, mentally ill and addicted persons in the community
- Met regularly with the Palo Alto Business Improvement District (BID) regarding homeless issues
- Implemented the expansion of the Sit and Lie ordinance approved by the City Council
- Planned training for downtown merchants on homeless issues and police responses

Recruitment and Training

- Developed a recruitment brochure, video, and thirty-second commercial to be viewed at local theaters. Conducted numerous job fairs and an in-house recruitment seminar
- Implemented an incentive plan aimed at retaining veteran police officers with more than five years of experience

Traffic Safety and Calming Efforts

- Hosted the Santa Clara County "Avoid the 13" Holiday Campaign in which Palo Alto officers made over 100 DUI arrests
- Participated in the week long "Stop Red Light Running Campaign" sponsored by Santa Clara County with the goal of reducing accidents by targeting intersections with the greatest number of red light violators
- Participated in the month long "Click it or Ticket" Campaign sponsored by Santa Clara County designed to insure vehicle occupant safety through the use safety belts
- Conducted undercover under-age drinking decoy operations in an attempt to reduce the number of injuries and deaths associated with under-age drinking. The California State Department of Alcohol Beverage Control (ABC) provided funding for this effort
- Developed and received City Council adoption of a Social Host ordinance which prohibits juvenile parties where alcohol is served
- Participated in programs such as "Adopt-A-School" and "Operation Safe Passage" designed to maximize enforcement efforts around the schools to insure pedestrian safety
- Received first place award in the California Highway Patrol "Law Enforcement Challenge", recognizing Palo Alto for outstanding educational and enforcement efforts in the area of school safety, child safety and restraints, traffic safety, and DUI enforcement
- Coordinated City planning efforts, including all traffic control and safety measures associated with the prologue stage of the Amgen Tour of California bicycle race

Technical Services

- Completed replacement and upgrade of the 9-1-1 phone system including all software and hardware to ensure reliable expedient service to the public. Funding for this project was provided by the State of California from the Department of General Services State Emergency Telephone Number Account (SETNA) replacement fund
- Installed GIS mapping and a test automatic vehicle location (AVL) application in selected police vehicles. If the program meets acceptable minimum requirements for speed and reliability, the applications will be installed in all police and fire vehicles. This system will allow dispatchers to send emergency response personnel based on location and will reduce the response times to emergencies. It will also enhance situational awareness for incident commanders and field supervisors
- Integrated City's GIS mapping system with the Police Department Computer Aided Dispatch (CAD) system. This integration will allow for the tracking of resources and incidents using a map-based system for police, fire, public works and utilities events from the Emergency Operations Center or remote command post
- Upgraded and replaced the existing optical digital imaging system for police reports and records and integrated these records with the Police Records Management System
- Upgraded and replaced the Department's Automated Fingerprinting Imaging System (AFIS). The state-of-the-art system is integrated with law enforcement agencies and databases county-wide
- Worked with the City's Equipment Management and Information Technology teams to upgrade the entire police fleet to hands-free wireless telephone access in accordance with legislative changes slated to take effect in July 2008
- Continued to take a leadership role in the Silicon Valley Regional Interoperability Project (SVRIP) with the Department's Technical Services staff serving as Vice-Chair of the Executive Steering Committee and Chair of the SVRIP Operations Committee. Secured \$9.3 million in federal homeland security funding to

Police

further SVRIP initiatives. These federally funded initiatives include the build-out of a county-wide digital microwave system, a three-agency pilot integrating disparate CAD systems, and planning the initial development of a new county-wide hybrid radio system for public safety agencies

- Selected by the Department of Homeland Security Office of Interoperability and Compatibility to participate in a case study and development of a macromedia business case tool highlighting the SVRIP CAD Interoperability Project. Demonstrated CAD Interoperability Project for the FEMA Director at a national conference
- Established interagency collaboration with the cities of Los Altos and Mountain View to develop a Request for Proposal (RFP) to jointly replace and upgrade the public safety computer systems and applications
- Replaced and upgraded the entire police mobile computer system, including standardization of hardware, software and migrated from radio transmission to full wireless access

Public Safety Building

- As part of a citywide team, continued work on the proposal for the Park Boulevard site with the City's Public Works and Administrative Services departments. Completed and received City Council certification of the FEIR process on two building design concepts. Based on community polling and City Council direction, investigated the use of Certificates of Participation (COPs) to finance the purchase of the parcel and construct the building

Animal Services Shelter Renovation

- With the assistance of the Public Works Department, began major repair work including, replacement of the roof, termite repair and heating and cooling equipment and replacement.

COUNCIL PRIORITY IMPLEMENTATION

The 2008-09 Police Department will implement the City Council's Top 4 Priorities as follows:

Libraries/Community Center and Public Safety Building

- Work will continue on the Public Safety Building project at Park Boulevard. As part of a citywide team, staff will work on a plan to fund the building using Certificates of Participation (COPs), and completion of one-hundred percent design.

Environmental Protection

- The design of the proposed Public Safety building will be include the goal of achieving Gold LEED certification

Civic Engagement

- The Department will begin the third year of the five-year strategic plan and will work with community members to present the plan in an easier to read format
- The Department, with support from Palo Alto School District (PAUSD), will continue the Parenting Project which is designed to assist parents who have troubled or at-risk children
- In 2008-09, the Police and Community Services Departments will combine efforts to fully implement the Palo Alto Alternative Services Network. This multi-dimensional approach will enlist the services of public and private agencies involved in treatment, mental health, and law enforcement, as well as the courts, the District Attorney's Office, and the Public Defender's Office to identify and develop action plans for the

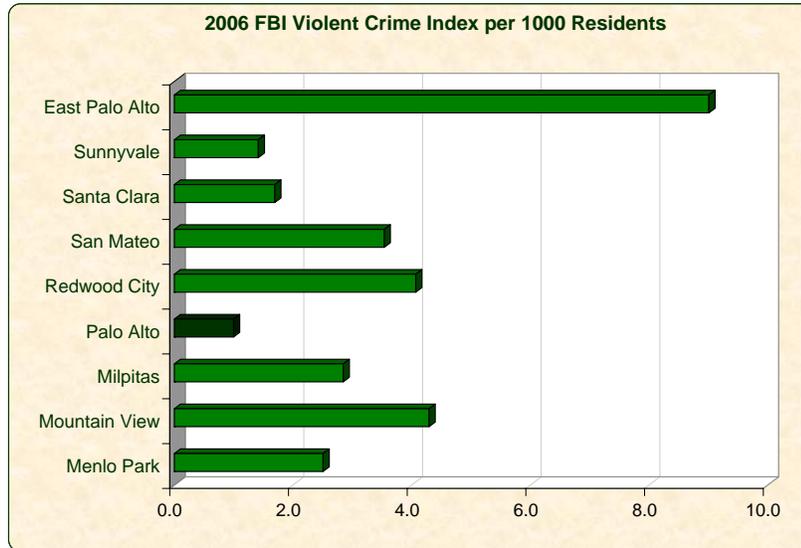
most problematic homeless, mentally ill and addicted persons

- The Department will participate with the business community, Palo Alto Neighborhoods (PAN), Santa Clara County Office of Emergency Services (OES), and City staff in the Golden Guardian exercise that will simulate the City's and Department's response to a major earthquake
- In collaboration with PAN representatives, the operation of the Community Alerting and Notification System (CANS) will continue to provide effective and efficient time-sensitive information to the public during emergencies and other incidents
- The Community Relations Officer will continue to liaison with the media and the community for improved relationship, information sharing, and to supervise Public Information Officers who respond to critical incidents and natural disasters
- As part of the Police Department's effort to reach out to the youth of our community to develop stronger relationships, a new Student Police Academy has been created. The academy acquaints young people with the objectives of the Department and allows students to gain a more in-depth and personal understanding of law enforcement
- In a collaborative effort with the PAUSD and the PTA, the department will conduct an education and enforcement campaign geared towards enhancing safe passage of students going to and from school

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	589,743	524,720	436,714	427,277	(97,443)	(19%)
Field Services	11,063,840	12,510,602	12,128,735	13,906,099	1,395,497	11%
Technical Services	6,061,743	6,468,311	6,543,504	6,606,020	137,709	2%
Investigations and Crime Prevention Services	3,100,876	3,508,633	3,317,810	3,068,247	(440,386)	(13%)
Traffic Services	1,679,246	1,922,721	1,832,367	1,621,792	(300,929)	(16%)
Police Personnel Selection	970,550	1,051,051	1,002,725	1,000,815	(50,236)	(5%)
Animal Services	1,471,929	1,667,289	1,672,894	1,736,241	68,952	4%
Parking Services	961,986	1,232,454	1,244,697	1,464,863	232,409	19%
TOTAL EXPENDITURES	\$25,899,913	\$28,885,781	\$28,179,446	\$29,831,354	\$945,573	3%
TOTAL REVENUES	\$4,951,070	\$5,337,420	\$5,102,049	\$5,563,175	\$225,755	4%
INTERNAL REVENUES	462,902	493,000	493,000	512,000	19,000	4%
EXTERNAL REVENUES	4,488,168	4,844,420	4,609,049	5,051,175	206,755	4%

Police



INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	21,500,123	24,208,454	23,579,300	24,871,805
Contract Services	1,031,616	1,245,554	1,227,647	1,270,084
Supplies and Materials	343,508	410,505	406,175	408,455
Facilities and Equipment Purchases	67,342	72,901	89,500	89,500
General Expense	299,681	388,868	318,615	321,515
Rents and Leases	2,536	2,950	2,950	2,950
Allocated Charges	2,655,107	2,556,549	2,555,259	2,867,045
TOTAL EXPENDITURES	\$25,899,913	\$28,885,781	\$28,179,446	\$29,831,354
TOTAL REVENUES	\$4,951,070	\$5,337,420	\$5,102,049	\$5,563,175
Total Full Time Positions	164.00	163.00	163.00	164.00
Total Temporary Positions	4.10	5.51	3.22	5.51

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of total calls for service (SEA)	60,079	60,000	60,000
Efficiency:			
1. Average response time from receipt to on-scene urgent calls (SEA revised)	7:24	7:30	10:00
2. Average response time from receipt to on-scene emergency calls (SEA)	5:08	6:00	6:00
3. Average response time from receipt to on-scene non-emergency calls (SEA revised)	19:26	20:00	45:00
Effectiveness:			
1. Percentage of those surveyed rating police services as good or excellent (SEA)	87%	90%	90%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase animal service fees	16,500		16,500
Increase Parking Enforcement Program (Best Bets)	250,000		250,000
Increase in spray and neuter programs fees (Best Bets)	35,000		35,000
Special event cost recovery from Stanford (Best Bets)	68,000		68,000
Increase revenue from PAAS Partners	62,000		62,000
Increase Stanford communications revenue	10,626		10,626
Increase allocated revenue-internal	19,000		19,000
TOTAL REVENUE CHANGES	\$461,126	\$0	\$461,126
Adjustments (Note 1)		(235,371)	(235,371)
NET REVENUE CHANGES	\$461,126	\$(235,371)	\$225,755
EXPENDITURE CHANGES			
Salary and Benefits			
Salary Increase	142,691		142,691
Add 1.0 FTE for increased Parking Enforcement Program (Best Bets)	83,055		83,055
Reduce canine program from 3 to 2 teams (Best Bets)	(39,000)		(39,000)
Reduce SWAT expense (Best Bets)	(4,320)		(4,320)
Reclassify 1.0 FTE Community Service Officer to Program Assistant I	5,500		5,500
Personnel Benefit Costs Increase (Note 2)	480,425		480,425

Police

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Total Salary and Benefits Changes	\$668,351	\$0	\$668,351
Total Net Salary and Benefits Changes	\$668,351	\$0	\$668,351
Non-Salary			
Increase contract services	61,617		61,617
Incorporate health resource program into Employee Assistance Program (EAP) (Best Bets)	(15,000)		(15,000)
Reduce range qualifications to 3 times per year (Best Bets)	(9,000)		(9,000)
Increase recruitment		5,000	5,000
Allocated Charges Increase (Note 3)	310,495		310,495
Total Non-Salary Changes	\$348,112	\$5,000	\$353,112
TOTAL EXPENDITURE CHANGES	\$1,016,463	\$5,000	\$1,021,463
Adjustments (Note 1)		(75,890)	(75,890)
NET EXPENDITURE CHANGES	\$1,016,463	\$(70,890)	\$945,573

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

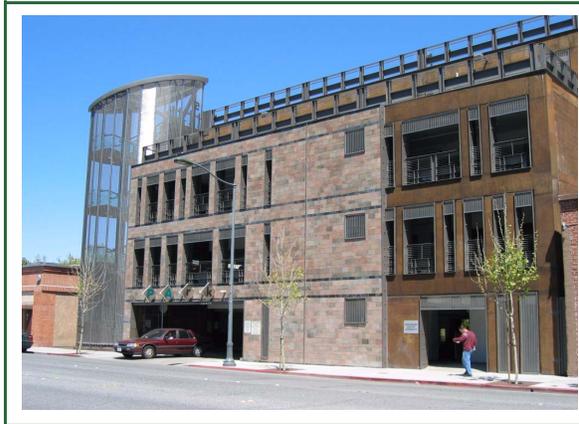
Note 3: Allocated charges are increasing due primarily to an increase in vehicle replacement charges.

SERVICE LEVEL CHANGES

Service Level Increases

- Continue to implement creative recruiting strategies in an effort to attract qualified applicants.
- Increase the adult school crossing guard contract to accommodate an additional crossing guard location. The additional will bring the total crossing guard controlled locations to twenty-nine. Locations are selected using City Council approved criteria which includes; number of children crossing, ages, volume of traffic and number of traffic collisions
- Continue to participate in the Silicon Valley Regional Interoperability Project (SVRIP) through the shared funding of an executive director. In 2008-09 the project will transition from the planning phase to construction and implementation phases.

Public Works Department



Public Works Department

Organizational Chart



PUBLIC WORKS DIRECTOR

Glenn Roberts

1.0-Administrative Assistant

1.0-Sr Administrator of Public Works

ENGINEERING

1.0-Asst Director/Public Works
 1.0-Administrator, IMP
 1.0-Admin Associate III
 1.0-Admin Associate I

INSPECTIONS/SURVEYS

1.0-Superv Inspections/Survey
 1.0-Inspector-Field Serv
 1.0-Surveyor
 1.0-Surveying Asst

PROJECT MANAGEMENT

2.0-Sr Engineer
 3.0-Project Engineer
 3.0- Engineer
 1.0-Engineering Tech III
 1.0-Architect/Park Planner
 1.0-Project Mgr

PRIVATE DEVELOPMENT

1.0-Sr Project Mgr
 1.0-Project Engineer
 1.0-Engineer
 4.0-Engineering Tech III

STORM DRAIN

1.0-Sr. Engineer
 1.0 Project Engineer
 1.0-Engineer

EQUIPMENT MANAGEMENT

1.0-Fleet Manager
 1.0-Admin Associate III
 1.0-Asst Fleet Manager
 1.0-Sr Fleet Services Coordinator
 2.0-Fleet Services Coordinator
 2.0-Equipment Maint Serv Person
 7.0-Motor Equipment Mechanic II
 1.0-Mobile Service Technician

FACILITIES MANAGEMENT

1.0-Mgr Facility Maint. & Proj
 1.0-Engineer
 1.0-Admin Associate II

FACILITIES REHABILITATION

1.0-Project Mgr
 1.0-Admin Associate I
 1.0-Engineering Tech III

FACILITIES MAINTENANCE

1.0-Supv, Facilities Mgt
 0.5-Admin Associate I
 2.0-Facilities Maint-Lead
 6.0-Facilities Mechanic
 2.0-Facilities Painter
 1.0-Facilities Carpenter
 1.0-Electrician

BUILDING SERVICES

1.0-Supv, Facilities Mgt
 2.0-Bldg Svc Person-Lead
 4.0-Bldg Service Person

WATER QUALITY CONTROL PLANT

1.0-Water Quality Control Plant Mgr
 2.0-Admin Associate II

WATER QUALITY CONTROL OPERATIONS

1.0-Sr Engineer
 5.0-Supervisor WQC Operations
 6.0-Sr Operator, WQC
 16.0-Plant Operator II

LABORATORY SERVICES

1.0-Manager Laboratory Services
 1.0-Sr Chemist
 3.0-Chemist
 2.5-Lab Technician

WQC PLANT MAINTENANCE

1.0-Asst Manager WQCP
 1.0-Electrician-Lead
 3.0-Electrician
 1.0-Sr Mechanic
 7.0-Maintenance Mechanic
 1.0-Business Analyst
 1.0-Project Engineer

ENVIRONMENTAL COMPLIANCE

1.0-Mgr. Environmental Compliance
 1.0-Program Assistant I

ENVIRONMENTAL CONTROL

PROGRAMS

2.0-Mgr. Environmental Ctrl Prgrm
 1.0-Program Assistant II
 1.0-Environmental Specialist
 3.0-Associate Engineer
 2.0-Industrial Waste Investigator
 1.0-Industrial Waste Inspector
 1.0-Engineer Technician III
 1.0-Engineer Tech I

OPERATIONS AND REFUSE

1.0-Assistant Director, Public Works
 1.0-Admin Associate II

STREETS

1.0-Superintendent, Operations
 1.0-Traf Control Maint-Lead
 3.0-Traf Control Maint II
 2.0-Traf Control Maint.I
 1.0-Heavy Equip Oper-Lead
 2.0-Heavy Equip Oper
 4.0-Equip Oper

TREES

1.0-Managing Arborist
 2.0-Project Manager (75 Utl Line Clr)
 1.0-Admin Associate I
 2.0-Tree Maint Person (1.0 Utl Line Clr)
 1.0-Tree Trim/Line Clear-Lead
 8.0-Tree Trim/Line Clear

LANDFILL OPERATIONS

1.0-Supv Public Works
 1.0-Landfill Technician
 4.0-Refuse Disposal Attendant
 1.0-Heavy Equip Oper-Lead
 4.0-Heavy Equip Oper

SIDEWALKS

1.0-Mgr Maint Oper
 1.0-Associate Engineer
 1.0-Engineering Tech III
 1.0-Cement Finisher-Lead
 3.0-Cement Finisher

STREET SWEEPING OPERATIONS

1.0-Mgr. Maint Ops
 7.0-Str Sweeper Operator
 1.0-Heavy Equip Oper-Lead
 1.0-Heavy Equip Operator
 2.0-Street Maint Assistant

STORM DRAIN OPERATIONS

1.0-Electrician-Lead
 1.0-Heavy Equip Oper-L
 1.0-Heavy Equip Operator

REFUSE -SOLID WASTE OPS/RECYCLE

1.0-Mgr Solid Waste
 1.0-Mgr Environmental Controls
 1.0-Senior Engineer
 1.0-Environmental Specialist
 2.0-Executive Assistant
 2.0-Recycling Coordinator
 1.0-Program Assistant I
 1.0-Admin Associate II

Fiscal Year 2008-09 Position Totals:

216.00 Full-time
3.30 Hourly

Public Works

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.

OVERVIEW

Besides managing the Engineering, Facilities Management, and Operations Divisions of the General Fund, the Public Works Department also manages three Enterprise Funds which include the Refuse, Storm Drainage, and Wastewater Treatment Funds. The Department is also responsible for the Vehicle Replacement and Maintenance Fund, an Internal Service Fund responsible for managing the city fleet.

Public Works divisions' work load will continue to be considerable during 2008-09, with major initiatives for new infrastructure and environmental quality projects such as the Public Safety Building, Library Facilities and other Capital Improvement Program (CIP) projects; implementation of the Zero Waste Plan and the upcoming renewal of the Refuse collection and hauling contract; the replacement of existing reclaimed water pipes to Mountain View, and the disinfection facility improvement to replace chlorine gas usage with an ultraviolet disinfection system; and Storm Drain capital projects.

In 2008-09, Public Works Engineering will continue to focus on CIP projects. These include the annual street maintenance program and design of College Terrace Library and Child Care Center Improvements which will include upgrades of building, electrical, and mechanical systems, interior refurbishment such as new paint and flooring, Americans with Disabilities Act (ADA) improvements, roof replacements, and seismic evaluation and upgrades. Public Works Engineering will continue with preliminary design, public outreach and research on financing alternatives for the Mitchell Park Library and Community Center, and design of the Public Safety Building.

The Engineering Division will begin design of Greer Park Irrigation System Replacement and Phase IV and construct the San Antonio Medians. The Division will also continue supporting Palo Alto private development activity including issuance of street opening and encroachment permits, certificates of compliance under the Subdivision Map Act, and support of the Planning Department with plan review of grading and drainage issues.

The Public Works Facilities Management Division maintains and operates City facilities with a commitment to sustainability, energy efficiency, and "green" maintenance practices. In 2008-09, its efforts will be focused on the continued delivery of custodial, maintenance, and rehabilitation services to achieve maximum life expectancy of the City's buildings and building systems. Implementation of CIP projects will also be a priority, with projects in 2008-09 including multi-year mechanical and electrical upgrades at the Civic Center, Municipal Service Center, Art Center, and Main and Downtown libraries; accessibility upgrades; interior refurbishment; and roof replacement.

In the Operations Division of Public Works, sidewalk repair program activities will continue in order to reduce the current backlog. Street and sign repairs and painting continue to be done as needed.

The City of Palo Alto proudly maintains one of the highest frequency sweeping schedules in the Bay Area. Staff will be providing continued street sweeping service to the residents and businesses of Palo Alto to maintain the aesthetic quality of the City's streets and neighborhoods and to meet federal, state, and local requirements for pollution prevention. The Council-approved program to limit curbside parking for one hour/one day per week in specified areas has been placed on hold until enforcement issues can be resolved.

Public Works

The Tree Section of the Operations Division will be updating the street tree management plan and assisting the City Manager's Office with preparation of the Urban Forest Master Plan. A draft plan that was initially scheduled for Fall 2007 was postponed to Summer 2008 due to other staffing priorities.

Public Works Enterprise and Internal Service Funds are located in separate sections of this document.

COUNCIL PRIORITY IMPLEMENTATION

In 2008-09, the Public Works Department will implement the City Council's Top 4 Priorities as follows:

Libraries/Community Center and Public Safety Building

- Continue developing plans and financing options for the Public Safety Building and the Mitchell Park Library and Community Center

Environmental Protection

- Continue to evaluate city operations and identify opportunities to reduce greenhouse gasses and increase carbon sequestration by: purchasing greener products, chemicals, construction materials and landscape materials; increasing equipment efficiency; designing greener City facilities; purchasing low-emission vehicles and equipment; and planting trees and shrubs.
- Provide on-going operations and maintenance at City facilities to maintain them in optimal and efficient operating condition.
- Continue to research and evaluate all options for alternative fuel usage and consumption.
- Implement the Zero Waste Plan with the start of the new refuse collection contract.

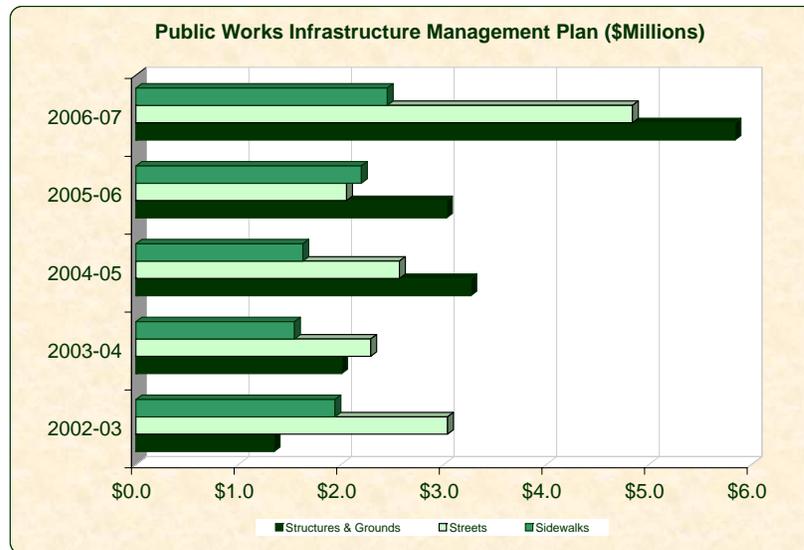
Economic Health

- Continue to pursue grant and outside sources of funding for Capital Improvement Plan projects and maintenance programs (e.g., rubberized asphalt, rubberized sidewalks, and tree grants)
- Continue to streamline and coordinate street resurfacing processes to achieve maximum value for budgetary expenditures
- On-going coordination efforts between Public Works and other City departments to coordinate project activities to minimize impacts to the natural life of the City streets
- Review and evaluate opportunities to conserve energy and electricity in City facilities when upgrades are in process
- On-going coordination of in-house and contract sidewalk replacement funding
- Continue to work on heavy equipment maintenance in-house through the new field service program to achieve budgetary savings (Vehicle Fund- ISF)
- Review opportunities to reduce the size of the vehicle fleet through employing new measures to track and verify equipment utilization (Vehicle Fund- ISF)

Public Works

DEPARTMENT SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Administration	1,203,607	1,104,420	1,031,511	1,058,379	(46,041)	(4%)
Streets	2,178,236	2,415,371	2,405,411	2,510,889	95,518	4%
Trees	2,199,357	2,374,947	2,376,961	2,367,887	(7,060)	0%
Structures and Grounds	4,886,836	5,483,338	5,524,929	5,810,930	327,592	6%
Engineering	1,964,741	2,074,478	2,068,105	2,127,146	52,668	3%
TOTAL EXPENDITURES	\$12,432,777	\$13,452,554	\$13,406,917	\$13,875,231	\$422,677	3%
TOTAL REVENUES	\$2,898,154	\$3,228,479	\$3,247,248	\$3,357,826	\$129,347	4%
INTERNAL REVENUES	2,173,616	2,371,979	2,390,748	2,501,326	129,347	5%
EXTERNAL REVENUES	724,538	856,500	856,500	856,500	0	0%



Public Works

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	7,454,473	7,819,797	7,770,360	7,739,213
Contract Services	1,712,046	1,847,351	1,830,901	1,948,025
Supplies and Materials	527,550	858,755	859,960	832,494
Facilities and Equipment Purchases	3,733	5,646	7,746	6,746
General Expense	22,898	32,230	34,125	33,644
Rents and Leases	111,496	170,000	170,000	170,000
Allocated Charges	2,600,581	2,702,201	2,733,825	3,128,535
Operating Transfers Out	0	16,574	0	16,574
TOTAL EXPENDITURES	\$12,432,777	\$13,452,554	\$13,406,917	\$13,875,231
TOTAL REVENUES	\$2,898,154	\$3,228,479	\$3,247,248	\$3,357,826
Total Full Time Positions	67.90	68.23	67.90	69.23
Total Temporary Positions	1.20	2.56	1.32	1.37

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. STREETS: Number of potholes repaired (SEA)	1,188	1,670	1,670
2. STREETS: Number of signs repaired or replaced	1,475	1,620	1,620
3. TREES: Number of trees pruned (SEA)	3,409	5,200	5,200
4. TREES: Number of service calls for trees completed	4,700	5,200	5,200
5. TREES: Number of trees line cleared	9,047	6,800	6,800
6. TREES: Number of service requests from the public	1,084	850	850
7. FACILITIES: Total square footage maintained by Facilities Maintenance section	1,613,392	1,616,171	1,616,171
8. ENGINEERING: Private Development: Number of permits issued	215	250	250
Efficiency:			
1. STREETS: Potholes filled per hour	1.6	1.2	1.2
2. STREETS: Number of signs repaired or replaced per hour	1.1	1.2	1.2
3. TREES: Person hours per tree	1.7	2.2	2.2
4. TREES: Person hours per all service call	1.7	2.2	2.2
5. TREES: Percent of total trees line cleared	30%	25%	25%
6. TREES: Percent of service requests from the public responded to within 10 days	97%	80%	80%

Public Works

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
7. FACILITIES: Facilities maintenance cost per square foot for maintenance work	\$1.31	\$1.52	\$1.64
8. ENGINEERING: Private Development: Number of permits per FTE	72	83	83
Effectiveness:			
1. STREETS: Percent potholes completed within 15 days (SEA)	82%	80%	80%
2. STREETS: Number of calls reporting damaged/faded signs	48	50	50
3. TREES: Percent of street tree forest serviced	14%	14%	14%
4. TREES: Percent of street tree forest pruned	10%	12%	12%
5. TREES: Number of electrical service disruptions caused by trees (SEA)	15	0	0
6. TREES: Average number of days to respond to service requests from the public	3.1	5	5
7. FACILITIES: Percent of repairs completed in 3 weeks	83%	82%	90%
8. ENGINEERING: Private Development: Revenues received	\$201,000	\$280,000	\$280,000

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase allocated revenue-internal	129,347		129,347
TOTAL REVENUE CHANGES	\$129,347	\$0	\$129,347
EXPENDITURE CHANGES			
Salary and Benefits			
Add 1.0 FTE Facilities Mechanic	104,088		104,088
Decrease in temporary salaries	(4,138)		(4,138)
Personnel Benefit Costs Decrease (Note 2)	(138,591)		(138,591)
Total Salary and Benefits Changes	\$(38,641)	\$0	\$(38,641)
Adjustments (Note 1)		(70,016)	(70,016)
NET SALARY AND BENEFITS CHANGES	\$(38,641)	\$(70,016)	\$(108,657)
Non-Salary			
Increase in facility maintenance for new park restrooms	50,000		50,000
Increase for maintenance of card access security system	10,000		10,000
Increase for cost of annual certifications for general facilities	15,000		15,000
Increase in facility maintenance contract expense for general facilities	15,000		15,000
Increase for cost of pest management contract	10,000		10,000
Increase for facility maintenance supplies	10,000		10,000
Allocated Charges Increase (Note 3)	421,334		421,334

Public Works

RESOURCE LEVEL CHANGES

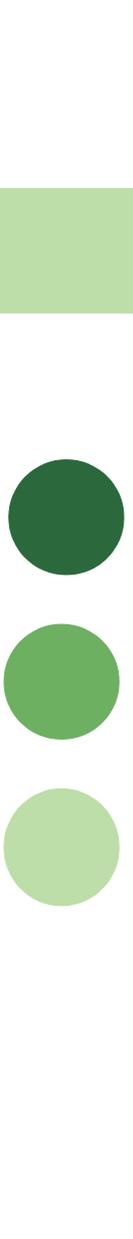
	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Total Non-Salary Changes	\$531,334	\$0	\$531,334
TOTAL EXPENDITURE CHANGES	\$492,693	\$(70,016)	\$422,677

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 3: Allocated charges are increasing primarily due to an increase in vehicle replacement charges and utility charges.



ENTERPRISE FUNDS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Enterprise Funds





Utilities Department Organizational Chart

ELECTRIC & WG ENGINEERING

- 1.0-Asst Director Util Engineering
- 1.0-Engineering Mgr - Electric
- 4.0-Sr Electric Project Engineer
- 3.0-Electric Project Engineer
- 2.0-Power Engineer
- 5.0-Util Engr Estimator
- 1.0-Util Engr Estimator-Lead
- 3.0-Engr Tech III
- 1.0-Engineering Mgr - WG
- 3.0-Admin Associate II
- 1.0-Project Manager
- 4.0-Sr Project Engineer
- 6.0-Project Engineer
- 4.0-Engineer
- 3.0-Inspector, Field Svc

DIRECTOR OF UTILITIES Valerie Fong

UTILITIES ADMINISTRATION

- 1.0-Administrative Asst
- 1.0-Sr Administrator
- 1.0-Business Analyst
- 1.5-Program Assistant I
- 1.0-Sr Market Analyst
- 1.0-Sr Business Analyst
- 1.0-Mgr Utilities Telecommunications

ELECTRIC & WG OPERATIONS

- 1.0-Asst Director Utility Operations
- 1.0-Program Assistant
- 1.0-Coord Util Safety & Security
- 1.0-Mgr Electric Operations
- 1.0-Admin Associate I
- 2.0-Admin Associate II
- 5.0-Supv Elect Systems
- 1.0-Underground Inspector-Lead
- 6.0-Electrician-Lead
- 14.0-Electrician
- 5.0-Elec Asst I
- 2.0-Elec Undgd Inspec
- 4.0-Lineper/Cable Spl-Lead
- 11.0-Lineper/Cable Spl
- 10.0-Heavy Equip Oper
- 1.0-Util Comp Tech-Lead
- 2.0-Util Comp Tech
- 2.0-Util Locator
- 5.0-Util Syst Operator
- 1.0-Mgr Utility Operations WG
- 3.0-Coord Utility Proj
- 5.0-Supv WG
- 1.0-Supv Water Trans
- 2.0-Sr Water Sys Oper
- 1.0-Cathodic Tech
- 5.0-Water Sys Oper II
- 2.0-Wtr Mtr Crs Cn Technician
- 1.0-Inspector, Field Svc
- 2.0-Gas System Tech
- 2.0-Equip Operator
- 1.0-Maint Mech
- 1.0-Maintenance Mechanic Welding
- 1.0-Cement Finisher
- 1.0-Util Locator
- 5.0-Util Install/Rep-Lead
- 2.0-Util Install/Rep-L-Welding
- 11.0-Util Install/Rep
- 2.0-Util Install/Rep-Welding
- 1.0- Util Install/Rep Assistant
- 1.0- Sr Utility Field Service Rep
- 6.0- Field Service Rep
- 1.0- Sr Mechanic

RESOURCE MANAGEMENT

- 1.0-Assist Director, Resource Mgmt
- 1.0-Admin Associate II
- 1.0-Sr Resource Originator
- 5.0-Sr Resource Planner
- 4.0-Resource Planner
- 1.0-Associate Resource Planner

CUSTOMER SUPPORT SERVICES

- 1.0-Asst Dir Util/Cust Support Svc
- 0.5-Program Assistant I
- 1.0 Admin Assoc I
- 1.0-Admin Associate II
- 1.0-Mgr Utility Rates
- 1.0-Mgr Util Mkt Svcs
- 1.0-Sr Market Analyst
- 1.0-Mgr Fld & Cust Svcs
- 1.0-Customer Svr Spec-Lead
- 5.0-Customer Svc Rep
- 2.0-Customer Svc Spec
- 1.0-Util Credit/Col Spec
- 1.0-Meter Reader-Lead
- 6.0-Meter Reader
- 3.0-Util Key Account Rep
- 1.0-Marketing Engineer
- 3.0-Util Account Rep
- 1.0-Sr Resource Planner
- 1.0-Field Service Rep

Fiscal Year 2008-09 Positions

Totals: 229.00 Full-time

8.32 Hourly

Enterprise Funds Overview

An Overview

The City of Palo Alto's utility and public works operations are comprised of the Electric, Fiber Optics, Gas, Water, Wastewater Collection, Refuse, Wastewater Treatment, and Storm Drainage Funds. Beginning in 2008-09, the Fiber Optics Fund will exist as its own entity. Previously, fiber optic activities were accounted for in the Electric Fund. Also in 2008-09, the City of Palo Alto External Services Fund (which provided information technology services to surrounding agencies) will discontinue its operations and will no longer be presented. A financial summary of the funds follows this overview and includes discussion and pertinent information in each fund section.

REVENUES

The total combined budgeted revenues of the Enterprise Funds for fiscal year 2008-09 is \$338.0 million; \$75.7 million or 29 percent higher than the previous fiscal year. The increase is primarily attributed to proceeds from utility revenue bonds of \$35 million in the Water Fund, an increase of about \$19 million in reimbursements for CIP projects from state and local agencies, and increases in utility rate charges totaling \$20 million. Investment income is expected to remain steady.

In 2008-09, utility revenue bonds of \$35 million will provide a funding source for the emergency water supply capital project which is estimated to be constructed in four years. Details of this capital project are discussed further in the 2008-09 Proposed Capital Budget document.

A number of factors contribute to trigger a utility rate increase. These factors include increases in expenditures and maintaining the reserves balance at a certain level. The "Utility Rate Changes" and "Reserve" section that follow these discussions describe in detail the reasons for the utility rate increases in fiscal year 2008-09.

EXPENDITURES

Aggregated budgeted expenditures of the Enterprise Funds for fiscal year 2008-09 are \$330 million, when compared to \$284 million in 2007-08, an increase of \$46 million.

Increases in capital expenditures of \$21.5 million and an increase in commodity costs of \$17.2 million are some of the factors that contribute to the rise of expenditures. Another cause is salaries and benefits which increased by \$1.1 million. Benefits expenditures include costs for future retiree medical benefit costs (GASB 45).

"Operating transfers out" also increased by \$1.3 million when compared to the prior year. The variance is due to increased contributions to the Technology Fund for the capital project to upgrade SAP.

Allocated charges increased by \$1.8 million when compared to 2007-08. Major factors contributing to this increase include an increase in vehicle

Enterprise Funds Overview

replacement charges from the Internal Service Funds and cost plan charges from the General Fund. Cost plan charges are increasing due to increases in the General Fund costs shared by the Enterprise Funds.

UTILITY RATE CHANGES

This 2008-09 Proposed Budget includes a number of utility rate adjustments. The average monthly residential Utilities bill is expected to increase by \$25.72 or 8.7 percent for combined utility services, including the Utility Users Taxes.

The size and timing of rate adjustments take into account current and future revenue requirements and reserve levels. They may also cushion the impacts on customer bills by spreading rate adjustments during consecutive or alternate years. Details of each rate adjustment are further discussed in the overview and within each fund's section.

- Electric Fund - Rate increases of 14 percent effective July 1, 2008, due to increasing supply and transmission costs.
- Gas Fund - Rate increases of 7.1 percent effective July 1, 2008, due to increasing commodity costs.
- Water Fund- Rate increase of 8 percent effective July 1, 2008, due to infrastructure needs and wholesale water rate increases.
- Storm Drainage Fund - A rate increase of 3.8 percent effective July 1, 2008, for inflation based on CPI as allowed by the approved ballot measure.
- Refuse Fund - a rate increase of 10 percent effective July 1, 2008, due to increasing operating costs.

Rent

Enterprise Funds pay market-based rental fees for the sites needed to conduct their business operations. The rent paid for City-owned sites is adjusted annually after conducting an independent appraisal of all sites.

Reserves

Since no revenue or expense forecast is perfect, some Utilities Reserves serve as "balancing accounts" which mitigate the risk of commodity price swings and insure against default by our wholesale suppliers. Other Reserves are used to provide cash for replacement parts during an emergency infrastructure failure, or serve as temporary "parking" for planned expenditures. Reserve levels that are above guidelines are returned to customers in the form of lower future rates, or used to pay for higher expenses, which also result in lower future rates.

The total Enterprise Fund Reserve Balances are increasing by \$8.3 million in 2008-09. This net change represents the combined effect of increased Capital Improvement Program (CIP) costs, increased supply expenses, proceeds from utility revenue bonds, and increases in net sales.

Enterprise Funds Overview

UTILITIES DEPARTMENT OVERVIEW



Utilities Department Expenditure Highlights

CPAU Capital Improvement Program (CIP)

The City of Palo Alto Utilities (CPAU) plans to focus on customer service, infrastructure reliability, and cost containment - priorities outlined in the Department's strategic plan. In addition, the marketing of energy efficiency programs will be a focal point, especially in light of Council's priority of addressing environmental protection and state legislation which mandates certain energy efficiency goals and programs.

The Utilities Department faces significant challenges as energy commodity and transmission costs continue to fluctuate. Another challenge is presented by the Federal Energy Regulatory Commission's (FERC) and the California Independent System Operator's (ISO) promotion of initiatives that would increase the complexity of the electric industry structure, thereby increasing the Utilities' transmission costs. The City continues to advocate for its interests in several regulatory interventions and legal proceedings. Finally, several of the structural deficiencies that led to a meltdown in energy markets remain unremedied, although several state and federal agencies continue to work on developing a coherent and viable energy policy.

Due to a combination of factors, including higher electric supply costs associated with the expiration of the long-term Western Area Power Administration (WAPA) electric contract, and higher transmission costs from the California Independent System Operator (CAISO), costs have increased considerably since 2004.

The City continues to face legal costs for regulatory proceedings and for contract review and negotiation in electric, gas, and water services. In 2008-09, expenditure levels for legal matters are expected to approximate those levels reflected in the 2007-08 budget.

Overall, water commodity costs are expected to increase steadily over the next 10-15 years based on projections provided by the San Francisco Public Utilities Commission, which supplies water to Palo Alto. In the past few years, actual consumption levels were lower than forecasted; thus, annual revenues have not kept pace with the fixed expenses of the water distribution system.

Palo Alto's share of wastewater treatment costs-which are allocated among the five partners that use the system--will increase by about \$0.5 million in 2008-09.

CPAU continues to invest in its infrastructure, replacing deteriorated or aging facilities with new technologies, to ensure reliable delivery of services in the future.

In the 2008-09 budget period, planned CIP expenditures for the Electric Fund total \$9.4 million. New CIP projects include rebuilding and replacing certain

Enterprise Funds Overview

underground electric systems and electric distribution system conversions from 4kV to 12 kV.

Total 2008-09 Gas Fund planned CIP expenditures are \$7.4 million. Significant amount of capital expenditures are appropriated for the accelerated gas main replacements projects.

The Wastewater Collection Fund has budgeted \$3.9 million for 2008-09. Included are projects to rehabilitate collection systems and manholes, and to reduce groundwater and rainfall seepage into the pipelines.

In 2008-09, \$14.2 million is budgeted in Water Fund for CIP expenditures. Water Fund CIP primarily involves the water main replacements and other projects focused on reliability. A significant CIP is the Emergency Water Supply Project estimated to cost \$40 million during a four-year construction period.

The 2008-09 Proposed Capital Budget document discuss in details the capital projects of all Utilities Department Enterprise Funds.

Utilities Department Program Highlights

The Palo Alto Green Program offers "new" renewable energy (as defined by the California Energy Commission) to customers for a premium of 1.5 cents per kilowatt-hour over their applicable electric rate schedule. Introduced in July 2003, this program had a five-year goal of 2,000 participants. Currently, there are 5,638 active participants in the Palo Alto Green Program which represent 20.5 percent of all electric accounts. The Palo Alto Green Program has achieved the nation's highest participation rate, according to the National Renewable Energy Laboratory.

Given recent state legislation and Council's priority to address environmental protection, the Utilities Department will be undertaking additional efforts to promote energy efficiency and the use of alternative resources. The specific state laws include:

- SB1 (2006), also known as the "Million Solar Roofs Bill", requires publicly-owned utilities to offer rebates for photovoltaic systems similar to those offered by investor-owned utilities like PG&E. This legislation sets a statewide goal to create 3,000 megawatts of new, solar-produced electricity by 2017. By lowering the cost of solar systems to consumers, SB1 aims to put California on pace to build a million solar roofs over the next ten years.
- SB1037 (2005) established a statewide "loading order" for electric power resources, specifying the following preference hierarchy:
 - first, energy efficiency and demand reduction
 - second, renewable energy

Enterprise Funds Overview

- third, conventional power supply

- SB1037 requires publicly-owned utilities to adopt this loading order and to report annually to customers and the California Energy Commission (CEC) on programs, expenditures, and energy savings results.
- AB2021 (2006), built on SB1037, adds new and very specific long-term planning, reporting, and review requirements with specific deadlines, and a requirement to "treat efficiency as procurement investments...without regard to previous minimum investments". AB 2021 requires the Utilities Department to develop and submit 10-year energy efficiency plans to the CEC on a three-year cycle with annual reports to customers and the CEC.
- AB32 (2006), "California Global Warming Solutions Act of 2006", sets state goals to reduce greenhouse gas emissions to 1990 levels by 2020. AB32 requires publicly-owned utilities to report greenhouse gas emissions, and empowers the State Air Resources Board to determine the 1990 baseline emissions, to establish emission reduction targets and regulations for reporting, and to adopt regulations for market-based compliance mechanisms.

In 2008-09, approximately \$3.0 million is devoted to incentives and programs to comply with these laws.

Electric Utility Challenges

Since the December 2004 expiration of the City's 40-year contract with the Western Area Power Administration (WAPA) which had supplied most of the City's electric supply needs, the Electric Utility has worked diligently to address the resulting supply gap. Significant progress has been made in developing a long-term energy efficiency plan, purchasing wind and landfill gas renewable power, obtaining market-based contracts, and plans for improving the transmission infrastructure.

Risk Management

CPAU will continue to develop, implement, and work under approved risk management policies and guidelines. Staff from several departments continue to work together to ensure that strategies and implementation plans meet all risk management policies, guidelines, and procedures.

Gas Utility Challenges

The Gas Utility's commodity-hedging program, with a three-year "laddering" approach to purchasing gas, has helped stabilize prices in spite of marketplace volatility. Staff will continue to pursue supply strategies that mitigate price swings. In addition, the Gas Utility will be focused on promoting energy efficiency and on capital projects that increase the infrastructure's reliability and safety.

Water Utility Capital Work

The City's water supplier, the San Francisco Public Utilities Commission (SFPUC), has embarked on a series of capital projects to upgrade its aqueducts

Enterprise Funds Overview

and water transmission system, which will result in annual increases in the City's wholesale water rates for the next 10-15 years.

Comprised of the cities, water districts, and private companies that purchase water from SFPUC, the Bay Area Water Supply and Conservation Agency (BAWSCA) will provide financing for the SFPUC's capital projects. As a participating member, Palo Alto will participate in the planning, design, and construction of capital projects that will improve the reliability of the regional water supply infrastructure. Though these infrastructure improvements are costly, they will greatly increase the reliability of the system which provides Palo Alto, and many neighboring communities, with one of the highest quality sources of drinking water in the nation.

In addition, the Utility is planning capital projects in 2008-09 that include water main replacements, continued installation and upgrading of customer services and meters, and the accelerated implementation of the recommendations of the 1999 Water Wells, Regional Storage, and Distribution Study.

PUBLIC WORKS UTILITY FUNDS

Refuse The Refuse Fund continues to exceed the State mandate of reducing waste by 50 percent. The City's current diversion rate is 62 percent.

Due to increased costs for services and materials provided by PASCO, relocation of City landfill facilities to enable the planned landfill closure, and the need to bring reserve balances in alignment with Council-approved guidelines, a rate increase of 10 percent will be necessary in 2008-09.

As directed by the City Council, staff is also undertaking efforts to achieve Zero Waste goals. The goal of Zero Waste is to reduce the amount of waste going to landfills by 90 percent or more.

Storm Drain The Storm Drainage Fee increase approved by property owners in April 2005 continues to provide funding for high-priority storm drain capital improvements. In 2008-09, efforts will include construction of a new storm water pump station and continued implementation of citywide system repairs.

Wastewater Treatment Revenues in the Wastewater Treatment Fund will show an increase of \$20.2 million in 2008-09, primarily due to anticipated CIP reimbursements from State and local agencies totaling about \$20.0 million. Contract cities revenue is expected to rise by \$1.1 million. An estimated \$22.5 million in capital improvement is planned in 2008-09. CIP projects include the Disinfection Facility Improvement Program and Plant Equipment Replacement.

Enterprise Fund Summary

FUND SUMMARY

(\$000)	Electric Fund	Fiber Optic Fund	Gas Fund	Wastewater Collection Fund	Water Fund	Refuse Fund	Storm Drainage Fund	Wastewater Treatment Fund	Total
Revenues									
Net Sales	104,403	2,682	50,347	13,709	26,517	27,574	5,366	20,552	251,150
Interest Income	6,111	227	736	470	1,015	486	229	600	9,873
Other Income	14,149	0	783	1,148	977	4,775	82	20,098	42,012
Bond Proceeds	0	0	0	0	35,000	0	0	0	35,000
TOTAL SOURCE OF FUNDS	\$124,663	\$2,909	\$51,865	\$15,326	\$63,510	\$32,835	\$5,677	\$41,250	\$338,035
Expenditures									
Utility Purchases and Charges	81,167	0	27,894	7,539	8,701	10,429	0	0	135,730
Salaries and Benefits	10,672	736	4,029	1,644	5,221	4,007	997	8,968	36,274
Contract Services	3,845	115	791	322	490	7,552	378	1,937	15,430
Supplies and Materials	803	18	498	146	439	485	95	1,712	4,194
Facilities and Equipment Purchases	112	0	38	11	10	19	12	41	243
General Expense	3,536	19	668	56	249	385	11	154	5,078
Rents and Leases	3,876	14	301	205	2,005	4,310	6	18	10,735
Allocated Charges	7,512	245	3,723	1,888	2,908	3,846	600	4,371	25,094
Debt Service	8,992	0	949	129	776	398	951	816	13,011
Subtotal	\$120,516	\$1,147	\$38,889	\$11,939	\$20,800	\$31,432	\$3,050	\$18,017	\$245,789
Equity Transfer	9,268	0	3,135	0	2,667	0	0	0	15,070
Capital Improvement Program	9,703	400	7,407	3,949	14,205	2,050	2,495	22,500	62,709
Operating Transfers Out	2,279	3	1,280	517	1,131	702	155	134	6,199
TOTAL USE OF FUNDS	\$141,766	\$1,550	\$50,711	\$16,404	\$38,803	\$34,183	\$5,700	\$40,650	\$329,767
TO/FROM RESERVES	\$(17,103)	\$1,360	\$1,155	\$(1,078)	\$24,707	\$(1,349)	\$(24)	\$600	\$8,268

Enterprise Fund Reserves

RESERVES

(\$000)

Electric Fund

	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Distribution Rate Stabilization	7,947	(2,267)	5,680	7,250 -18,124
Supply Rate Stabilization	36,076	(8,974)	27,102	40,584 -81,168
Calaveras	70,397	(5,862)	64,535	68,879
Public Benefit	1,377	0	1,377	
Central Valley O&M	(116)	0	(116)	
Underground Loan	698	0	698	
Subtotal	\$117,379	\$(17,103)	\$100,276	

Gas Fund

Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Distribution Rate Stabilization	4,285	41	4,326	4,076 - 10,190
Supply Rate Stabilization	4,990	1,114	6,104	9,763 - 20,921
Debt Service Reserve	952	0	952	
Subtotal	\$11,227	\$1,155	\$12,382	

Wastewater Collection Fund

Emergency Plant Replacement	881	119	1,000	1,000 (min.)
Rate Stabilization	6,264	(1,197)	5,067	2,737 -6,844
Subtotal	\$7,145	\$(1,078)	\$6,067	

Water Fund

Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	11,561	(4,643)	6,918	5,321 -13,303
Bond Proceeds (Restricted)	0	29,350	29,350	
Debt Service Reserve	780	0	780	
Subtotal	\$13,341	\$24,707	\$38,048	

Refuse Fund

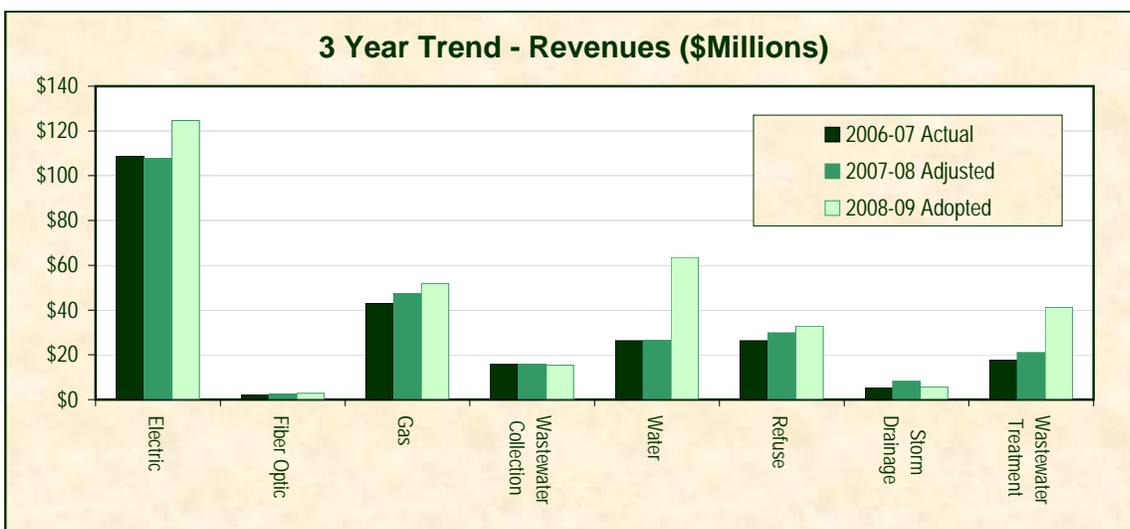
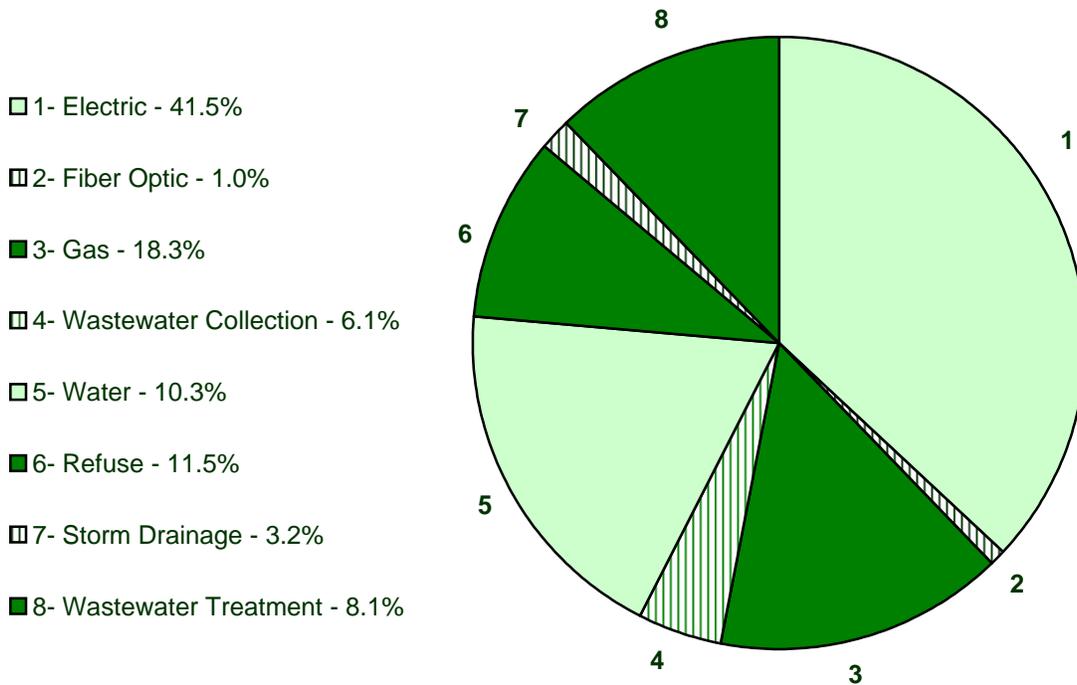
Rate Stabilization	2,514	(1,486)	1,028	2,757 - 5,515
Landfill Closure and Postclosure Care Reserve	7,217	137	7,354	
Water Resources Board	590	0	590	
Subtotal	\$10,321	\$(1,349)	\$8,972	

Enterprise Fund Reserves

RESERVES (\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Storm Drainage Fund				
Rate Stabilization	363	(24)	339	
Subtotal	\$363	\$(24)	\$339	
Wastewater Treatment Fund				
Emergency Plant Replacement	1,337	200	1,537	1,547 (max.)
Rate Stabilization	(11,739)	400	(11,339)	3,236 - 6,472
Bond Proceeds (Restricted)	9	0	9	
Subtotal	\$(10,393)	\$600	\$(9,793)	
Fiber Optics Fund				
Emergency Plant Replacement	0	1,000	1,000	1,000 (min.)
Rate Stabilization	2,738	360	3,098	536 - 1,341
Subtotal	\$2,738	\$1,360	\$4,098	
TOTAL RESERVES	\$152,121	\$8,268	\$160,389	
Emergency Plant Replacement	5,218	1,319	6,537	
Rate Stabilization	64,999	(16,676)	48,323	
Bond Proceeds (Restricted)	9	29,350	29,359	
Debt Service Reserve	1,732	0	1,732	
Calaveras	70,397	(5,862)	64,535	
Public Benefit	1,377	0	1,377	
Central Valley O&M	(116)	0	(116)	
Underground Loan	698	0	698	
Shasta Rewind Loan	0	0	0	
Conservation Loan	0	0	0	
Water Resources Board	590	0	590	
Landfill Closure and Postclosure Care Reserve	7,217	137	7,354	
TOTAL RESERVES	\$152,121	\$8,268	\$160,389	

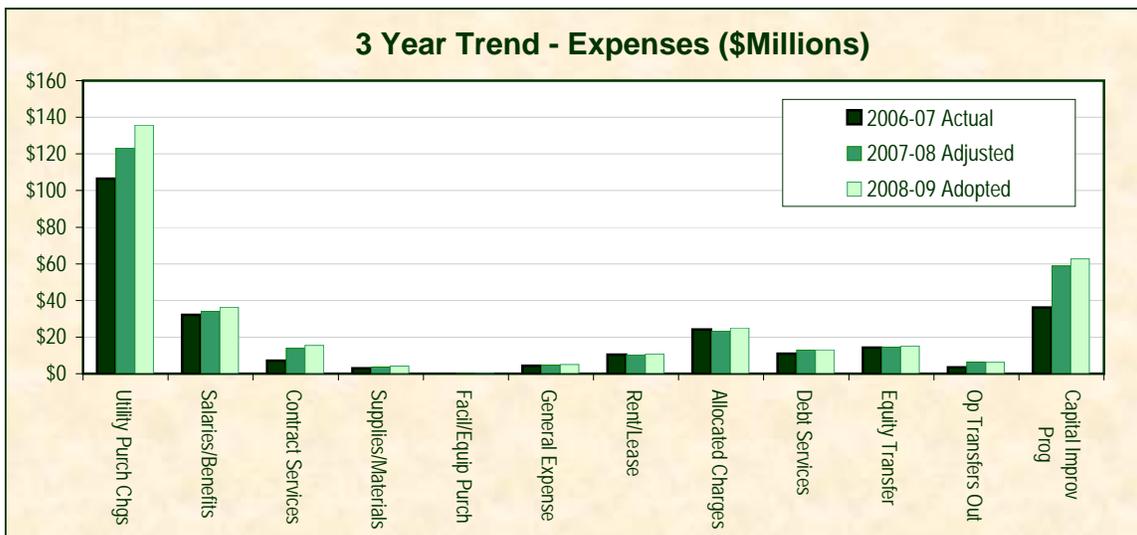
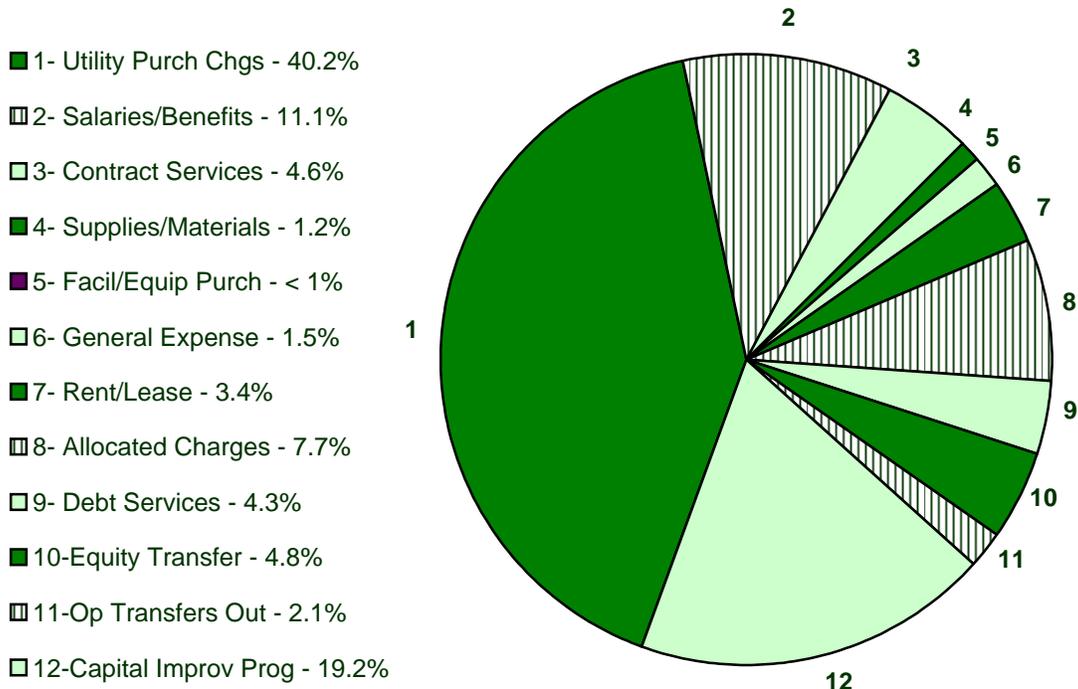
Enterprise Revenues by Fund

\$338.0 Million / Adopted 2008-09



Enterprise Expenditures by Category

\$329.8 Million / Adopted 2008-09



Average Residential Monthly Utility Bill

Utility	Current 2007-08 Bill	Adopted 2008-09 Bill	\$ Difference	% Difference
Electric (650KWH)	60.83	69.38	8.55	14.1%
Water (14CCF)	64.21	68.79	4.58	7.1%
Gas (100/30TH)	102.03	110.71	8.68	8.5%
Sewer	23.48	23.48	-	0.0%
Refuse	24.16	26.58	2.42	10.0%
Storm Drain	10.55	10.95	0.40	3.8%
User Tax	11.35	12.44	1.09	9.6%
TOTAL MONTHLY BILL	\$296.61	\$322.33	\$25.72	\$8.7%

COMMENTS:

2008-09 Electric average increase is 14%, effective 7-1-08

2008-09 Water average increase is 8%, effective 7-1-08

2008-09 Gas System average increase is 7.1%, effective 7-1-08

2008-09 Refuse average increase is 10%, effective 7-1-08

2008-09 Storm Drain will increase by CPI at 3.8%, effective 7-1-08

Electric Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

To provide valued utility services to customers and dependable returns to the City

OVERVIEW

In 2008-09, the City of Palo Alto's Utilities (CPAU) Electric Division plans to focus on: increasing infrastructure reliability; and maintaining a supply cost advantage as measured against the California wholesale electric market.

Infrastructure Reliability

The integrity of the infrastructure required to achieve a high level of reliability for our customers is of paramount importance to CPAU. Capital projects included in 2008-09 include: construction of Underground District 45 and the rebuilding of Districts 17 and 22; ongoing system improvements and upgrades; installation of transformers, including the deployment of environmentally friendly soy oil-based transformers, and of meters for new customers; upgrading of existing services; utility site security enhancements; and the conversion of the primary electric distribution system in the West Charleston/Wilkie Way to the South City area from 4kV to 12kV. Costs for construction materials have increased significantly, so staff is exploring ways to contain those costs and spread the CIP budget as far as possible.

Supply

Staff will devote a significant amount of time in the coming year to developing and managing a diversified, reliable, cost-effective, and renewable portfolio. Due to the long-term contract with the Western Area Power Administration for hydro power and other low-cost supply contracts, overall costs for electricity are still significantly less than market costs.

Nevertheless, supply and transmission expenses present significant challenges as costs continue to fluctuate. Wholesale electric costs have increased 58 percent since 2004 and 71 percent since 2003. Actions taken by the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (ISO) to promote changes to the industry's structure will result in greater complexity and, most likely, increased costs for both transmission and required local (Bay Area) generating capacity. Currently, CPAU's access to local generating capacity is very limited.

Significant progress has been made in developing a long-term energy efficiency plan, purchasing wind and landfill gas renewable power, obtaining market-based contracts, reviewing improvements to transmission infrastructure and CPAU's connections to the electric transmission grid system, and investigating customer cogeneration options. Plans call for the procurement of additional renewable energy supplies during the fiscal year to meet the Council-approved 20 percent target in 2008 and 33 percent by 2015.

With the passage of SB 1, SB 1037, and AB 2021, CPAU must now look at cost-effective energy efficiency as our primary supply option, followed by renewable energy, and then by conventional generating sources. As a result, in addition to the existing Public Benefits programs, there will be new funding of energy efficiency programs.

The City is a member of the Northern California Power Agency (NCPA). It is likely that changes to the membership arrangements may impact the cost to members such as Palo Alto. Staff will be involved in monitoring and participating in strategies that continue to enhance the value the agency provides the City.

Sales, Marketing and Customer Service

With the passage of recent legislation in Sacramento, the Electric Utility's Public Benefits programs will see significant expansion to reach broader markets. The California Solar Initiative (SB 1) will allow the current

Electric Fund

Photovoltaic (PV) Partners program to offer additional funding for rebates to those in Palo Alto who install solar electric panels.

The completion of the upgrade of the Utilities Customer Information System from "Banner" to SAP/Utilities software is planned for 2008-09. It is expected to "go live" in February 2009. This software is currently being used by other American municipal utilities with great success. Once complete, it will be integrated with the City's current SAP financial system, resulting in even greater system functionality including more accurate meter inventories, maintenance scheduling, and other functions currently residing in multiple databases.

Rates

For the Electric Utility, a 14 percent revenue increase is planned for 2008-09. Next year during the budget process, this rate increase will be evaluated based on current revenue requirements, reserve balances, and risk assessment.

Reserves

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in commodity costs and other operating expenses, to reduce the frequency of rate adjustments and absorb any sudden cost increases. Additionally, the Council-approved LEAP (Long Term Electric Acquisition Plan) Implementation Plan specifies the need to maintain adequate supply rate stabilization reserves to ensure stable rates in an environment of uncertainty. The reserves are not used to solve long-term financial needs or to address major catastrophic events. Rates are established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves exceed the maximum guideline, the excess is usually applied toward a rate reduction, customer rebate, or financial obligation. In the event reserves fall below the minimum guideline, a rate increase is typically instituted.

In 2007, Council approved staff's recommendations to change certain utilities reserve guidelines and reflect risk assessments in the target guidelines for the Electric and the Gas Supply Rate Stabilization Reserves (SRSRs). The target level for the Electric SRSR for 2008-09 is based on a risk assessment for this specific year. Given the uncertainty of future trends, the same risk level, including a 3 percent escalation factor, is used in the proposed revenue requirement for the next year. The target level for the Electric Distribution Rate Stabilization Reserve (DRSR) is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs.

In 2008-09, the Supply RSR guideline range is projected to be \$40.6 million to \$81.2 million. With an electric rate increase of 14 percent planned in 2008-09, the Budget results in a total reserve balance of approximately \$100.3 million. The Electric Supply RSR ending balance is projected to end at \$27.1 million, which is below the minimum guideline of \$40.6 million. The ending Electric Distribution RSR is projected to be \$5.7 million which is below the minimum guideline of \$7.3 million. The projected Calaveras reserve balance is \$64.5 million which is below the target of \$68.9, but above the minimum guideline of \$62.0 million.

PROGRAM UPDATE

As of December 31, 2007, 200 photovoltaic systems have been installed, representing over 700 kW of pollution-free electric generation on the rooftops of Palo Alto businesses and residents. In addition, PaloAltoGreen is now the number one voluntary renewable energy program in the country. PaloAltoGreen currently boasts a participation rate of over 20 percent. Since the City of Palo Alto is now a customer of PaloAltoGreen and the City has engaged in so many other renewable and sustainable practices, the Environmental Protection Agency (EPA) has designated Palo Alto the first "Green Power Community" in California and the fourth in the United States.

COUNCIL PRIORITY IMPLEMENTATION

Libraries/Community Center and Public Safety Building

Electric utilities personnel continue to be active participants in Green Building charettes and design efforts for the proposed Public Safety Building and Library.

Environmental Protection

The City completed its second California Climate Action Registry greenhouse gas inventory and certification in 2007, retaining the designation of "Climate Action Leader." Estimated community-wide CO2 emissions from CPAU-provided electricity in 2006 (17,957 metric tons) were substantially lower than 2005 (145,007 tons), partly due to increases in power deliveries from renewable resources from 8 percent to 10 percent, but primarily due to well above normal hydroelectric generation. Palo Alto Green continues to maintain the highest participation rate in the nation, surpassing 20 percent in 2007, comprising 5 percent of annual energy supply from wind and solar resources in addition to the renewable supplies purchased to meet the Council-approved renewable portfolio targets.

In August 2006, Council endorsed the California Publicly Owned Electric Utilities' Principles Addressing Greenhouse Reduction Goals, which commits the Electric Fund to develop a greenhouse gas reduction plan consistent with the State's reduction goals. In December 2006, Council approved a Resolution joining ICLEI's Cities for Climate Protection Campaign, committing to undertake actions to reduce greenhouse gas emissions throughout the community. In March 2007, Council approved new Long-term Electric Acquisition Plan Objectives and Guidelines, which include the guideline to develop a Climate Action Plan that recognizes the Mayor's Green Ribbon Task Force recommendations and the ICLEI campaign milestones, and revised guidelines that accelerate and expand the City's renewable energy goals, set the stage for expanded and enhanced energy efficiency programs, and promote local small-scale and ultra-clean distributed generation and cogeneration. These programs and other new initiatives are described in detail in the Utilities Chapter of the Palo Alto Climate Protection Plan, approved by Council in December 2007.

All of the Electric Fund's energy and demand-side management programs and incentives contribute to the Council's Top Four Priority of Environmental Protection. Since the City is also a top customer for these programs, the Utilities energy efficiency programs contribute as well to Council priority "Economic Health" since City facilities and parks costs are lowered. The Electric Utilities Photovoltaic Partners program contributed \$1.4 million, and Electric Supply contributed \$0.3 million to build photovoltaic systems that will be owned by the City, providing solar energy for PaloAltoGreen. The investment is leveraged by a \$1.4 million grant from the U.S. Department of Energy. Those capital projects are in the Public Works budget. Palo Alto successfully closed financing of the City's portion of the project costs in 2007 using Clean Renewable Energy Bonds, expected to save approximately \$300,000.

Continuing into 2008-09 will be the funding for Supply-funded incentives and analysis of \$2.5 million in 2008-09, as a result of recent state legislation. This supply funding is in addition to the already funded Public Benefits Programs of \$2.9 million. The PV Partners program budget has been augmented by supply-funded incentives of \$1.3 million per year to comply with requirements of SB1, the California "million solar roofs" legislation. This funding is in addition to the already funded Public Benefits contribution of \$0.3 million in 2008-09.

In the Electric Fund, there are programs for both residential and commercial customers that address environmental protection.

The 2008-09 residential programs include:

- Smart Energy Program

Electric Fund

- Residential Assistant Programs for low income efficiency and installations (REAP)
- Refrigerator recycling program
- ENERGY STAR® appliance and other efficiency rebates
- Online Home Energy Analysis
- LED Christmas Light Program
- CFL Earth Month 5 for \$1 program
- PV Partners for Photovoltaic installations
- Twilight Concert series sponsorship to promote residential programs
- PAUSD Grant Program, \$50,000 grant for efficiency education
- PaloAltoGreen
- New construction programs, "Build it Green" to start in the spring of 2008
- PLUG-In ultra-clean small-scale distributed generation and cogeneration
- APPA Tree Power

The 2008-09 commercial programs include:

- Commercial Advantage Program with rebates for many efficiency equipment installations
- Consultant assistant for resource efficiency (Commercial Energy Audits)
- PV Partners (Solar Electric Rebate Program)
- Right Lights Program (small commercial lighting installation program)
- Data center efficiency program
- Meter Links to show the customer's prior-day load profile
- Institutional programs to pursue energy and water audits at all reasonable facilities. This also qualifies for the Council Priority "Economic Health" as City facilities are audited to lower utility bills
- Retro-commissioning and building operator training for City facilities staff
- Energy efficiency bidding to select vendors servicing customers that bid both on price and the energy savings
- Third party efficiency programs delivered by outside vendors
- APPA Tree Power

Efficiency programs will be reviewed by a third party agency to ensure that savings are being appropriate evaluated, measured, and verified, as required by AB 2021.

Two new Bay Area landfill generation facilities are expected to come on-line in late 2008, increasing renewable energy supplies to 20 percent of annual energy use by the end of 2008. Contracts for additional renewable resources to progress toward the accelerated renewable energy goals are expected to be presented to Council as negotiations are completed. Costs for these new resources are included in the electric supply budget.

The City recently received several awards and recognitions that were supported or achieved by the Electric Fund, including:

- US EPA Green Power Community
- US EPA Green Power Partnership

Electric Fund

- California Climate Action Registry Climate Action Leader
- APPA DEED Award for Continued Excellence
- CMUA Community Service/Resource Efficiency Award
- Public Power Wind Pioneer Finalist
- M2M Value Chain Award

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	86,018,237	91,244,033	100,728,997	104,403,287	13,159,254	14%
Interest Income	7,826,060	6,766,800	6,766,800	6,111,300	(655,500)	(10%)
Other Income	14,899,260	9,905,910	12,550,203	14,148,502	4,242,592	43%
TOTAL FUND REVENUES	\$108,743,557	\$107,916,743	\$120,046,000	\$124,663,089	\$16,746,346	16%
Administration	6,193,232	5,968,674	5,940,271	6,174,116	205,442	3%
General Services						
CIP	418,321	54,999	60,000	88,001	33,002	60%
Operations	1,402,209	1,737,057	1,833,919	1,703,387	(33,670)	(2%)
Resource Management						
Purchases	62,478,299	72,010,771	69,846,061	81,167,397	9,156,626	13%
CIP	52,573	0	0	350,000	350,000	0%
Operations	1,403,308	3,386,410	4,402,952	4,669,901	1,283,491	38%
Customer Marketing and Financial Services	1,916,773	1,708,618	1,723,365	1,595,865	(112,753)	(7%)
Distribution System						
Systems Improvement(CIP)	8,598,480	8,505,303	6,854,999	7,465,001	(1,040,302)	(12%)
Customer Design and Connection Services(CIP)	4,172,488	1,700,351	1,799,999	1,800,001	99,650	6%
Operations	7,517,487	9,450,744	9,601,234	9,831,204	380,460	4%
Public Benefit	1,964,447	3,437,105	2,631,002	2,785,100	(652,005)	(19%)
Debt Service	8,443,392	9,036,000	9,036,000	8,992,000	(44,000)	0%
Equity Transfer	8,735,686	8,997,757	9,267,689	9,267,689	269,932	3%
Rent	3,521,441	3,438,265	3,438,265	3,597,284	159,019	5%
Operating Transfers Out	1,207,413	2,105,300	1,261,633	2,278,903	173,603	8%
TOTAL FUND EXPENDITURES	\$118,025,549	\$131,537,354	\$127,697,389	\$141,765,849	\$10,228,495	8%
TO/FROM RESERVES	\$(9,281,992)	\$(23,620,611)	\$(7,651,389)	\$(17,102,760)	\$6,517,851	

Electric Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Utility Purchases and Charges	62,478,299	72,010,771	69,846,061	81,167,397
Salaries and Benefits	10,256,914	10,497,520	10,680,929	10,672,308
Contract Services	1,932,026	3,632,906	3,573,143	3,845,252
Supplies and Materials	565,304	759,166	780,952	802,536
Facilities and Equipment Purchases	0	112,280	112,280	112,280
General Expense	1,109,923	3,274,169	3,722,028	3,535,983
Rents and Leases	3,773,028	3,714,085	3,717,085	3,876,104
Allocated Charges	6,281,702	7,086,747	6,984,591	7,512,394
Debt Service	8,443,392	9,036,000	9,036,000	8,992,000
Equity Transfer	8,735,686	8,997,757	9,267,689	9,267,689
Capital Improvement Program	13,241,862	10,260,653	8,714,998	9,703,003
Operating Transfers Out	1,207,413	2,105,300	1,261,633	2,278,903
TOTAL EXPENDITURES	\$118,025,549	\$131,487,354	\$127,697,389	\$141,765,849
Total Full Time Positions	109.62	107.43	107.91	103.67
Total Temporary Positions	3.23	3.90	2.63	3.76

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Average purchase cost per MWH (SEA)	\$67.35	\$64.97	\$67.89
2. The revenue bond credit rating is AA- (SP-F2.1)	AA-	AA-	AA-
3. Percent of electricity from Palo Alto Green Program (SEA)	5.0%	4.4%	5.1%
4. Percent of customers enrolled in Palo Alto Green Program (SEA)	15%	20%	25%
5. Average speed of answer - time (seconds) to answer calls. Total delay/ total number of calls	91 sec	75 sec	70 sec
6. Number of participants in the Rate Assistance Program (RAP)	1,283	1,000	1,000
7. Amount of annual assistance for RAP	\$390,000	\$380,000	\$380,000
8. Number of service orders (for high meter reads, meter problem, and other customer issues that require a field visit)	10,230	12,000	12,000
9. Number of service orders for field service representatives	14,529	12,500	12,500
10. Reading accuracy for meter reading will be equivalent or higher than industry standards	99.88%	99.88%	99.88%
11. Achieve percentage of customers in PAG as shown in City's adopted Sustainability Policy	18.46%	21.82%	25%

Electric Fund

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
12. Achieve 10 Year Energy Efficiency Goals in kWh- Residential	125,327	377,020	400,000
13. Achieve 10 Year Energy Efficiency Goals in kWh- Business	1,751,399	1,752,396	1,850,000
14. Number of Palo Alto School District students attending class presentations for solar, electricity, and water education	1,844	1,850	1,850
Efficiency:			
1. Customer outages will be equal to or less than 60 minutes in duration as reported in the nationally recognized electric System Average Interruptible Duration Index (SAIDI) (SP-C2.1)	47.99	47.99	<60 minutes/cus/yr
2. The number of customer outages will be equal to or less than 3 per customer per year as reported in the nationally recognized System Average Interruption Frequency Index (SAIFI)	<3	<3	<3
3. Reduce longest annual wait time to less than 20 minutes	27.7 min	<20 minutes	<20 minutes
4. Bank Drafting- Increase the participating customers to greater than 25% of total	20%	23%	25%
5. Increase residents involved in low-income efficiency program (REACH) by 10%	65%	72%	79%
Effectiveness:			
1. The customer satisfaction rating from an outside rating agency, measured against other California utilities will be equal to or greater than the state average. The scale is from one to ten with ten being the highest (SP-C1.1)	8.0	8.6	8.0
2. The citizen survey rating for good or excellent electric services will be equal to or greater than the prior year's rating (SEA)	>68%	>68%	>68%
3. Increase annual purchase of electricity from renewable fuel sources to meet Council-directed targets of (1) 7.7% renewable power by 2006 (2)10% renewable power by 2010 and (3) 20% renewable power by 2015	2.4%	10.0%	16.0%
4. Percentage of uncollectible accounts per revenue dollars will be equal to or less then APPA average by customer class size. (NEW)	N/A	N/A	0.0026
5. Reduce days lost due to workplace injury to 5 or less	<5%	<5%	<5%
6. Increase kW of solar electric (PV) systems installed in PV Partners Program to level in City's 10 Year Plan	220	700	1,000

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	1,000		1,000	1,000 (min.)
Distribution Rate Stabilization	7,947	(2,267)	5,680	7,250 -18,124

Electric Fund

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Supply Rate Stabilization	36,076	(8,974)	27,102	40,584 -81,168
Calaveras	70,397	(5,862)	64,535	68,879
Public Benefit	1,377		1,377	
Central Valley O&M	(116)		(116)	
Underground Loan	698		698	
TOTAL RESERVES	\$117,379	\$(17,103)	\$100,276	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	12,877		12,877
Increase Palo Alto Green	263		263
Increase surplus energy revenue	1,817		1,817
Increase connection charges	50		50
Increase CIP reimbursements from customers	655		655
Increase other revenue	12		12
Increase interest income	(656)		(656)
Increase Central Valley Project loan repayments (Note 3)	1,666		1,666
TOTAL REVENUE CHANGES	\$16,684	\$0	\$16,684
Adjustments (Note 1)		62	62
NET REVENUE CHANGES	\$16,684	\$62	\$16,746
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Add 0.29 FTE Sr. Technologist for SAP Basis Administration and migration of utility billing system	46		46
Add 0.29 FTE Technologist for SAP Basis Administration and migration of utility billing system	43		43
Add 1.0 FTE Lineperson/Cable Splicer	132		132
Reclassify 1.0 FTE Utilities Rate Analyst to Associate Resource Planner	10		10
Reclassify 1.0 FTE Admin. Associate I to FTE Admin. Associate II	8		8
Reclassify 1.0 FTE Administrative Associate II to Electrical Assistant I	1		1
Reclassify 1.0 FTE Senior Market Analyst to Resource Planner	14		14
Salary Adjustments (Note 4)	(229)		(229)
Personnel Benefits Costs Decrease (Note 5)	(27)		(27)

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Total Salary and Benefits Changes	\$(2)	\$0	\$(2)
Non-Salary			
Decrease contract services to offset salary and benefits increases from FTE reclassifications	(33)		(33)
Increase training and safety	21		21
Decrease contract services (now in Fiber Optic Fund)	(45)		(45)
Increase debt service	6		6
Increase rent and leases	159		159
Increase electric commodity (Note 6)	7,280		7,280
Decrease alternative resource programs to comply with state legislation SB1, SB1037, AB2021, and AB32	(129)		(129)
Increase Palo Alto Green commodity	230		230
Increase rate of return transfer to General Fund	270		270
Decrease capital improvement program (Note 8)	(566)		(566)
Increase legal expense	29		29
Increase public benefits program	293		293
Increase Central Valley Project loan advances (Note 3)	1,646		1,646
Increase Operating transfer to Technology Fund (Note 9)	371		371
Increase operating transfer to Capital Projects Fund	60		60
Increase operating transfer to Gas Fund	13		13
Allocated Charges Increase (Note 7)	426		426
Total Non-Salary Changes	\$10,031	\$0	\$10,031
TOTAL EXPENDITURE CHANGES	\$10,029	\$0	\$10,029
Adjustments (Note 1)		199	199
NET EXPENDITURE CHANGES	\$10,029	\$199	\$10,228

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included from this year's budget as planned.

Note 2: Increase in net sales is due to a 14 percent rate increase in 2008-09.

Note 3: Loan advances to Central Valley Projects and payment back to the fund. The difference between the amount loaned and the payment received is due to timing.

Note 4: Salary adjustments include the reallocation of FTEs to the Fiber Optic Fund.

Note 5: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 6: Increase in electric commodity costs is due to increases in supply and transmission expenses.

Electric Fund

Note 7: Increase in allocated charges is primarily due to an increase in utilities administration and vehicle replacement charges.

Note 8: Projected CIP expenditures for the Electric Fund are \$9.4 million in 2008-09.

Note 9: Increase in operating transfer to the Technology Fund is primarily for the SAP upgrade/Utilities billing system.

SERVICE LEVEL CHANGES

LEAP (Long-term Electric Acquisition Plan) is a planning methodology for managing the City's supply portfolio, beginning with Council-approved portfolio planning objectives and risk management policies. By clearly identifying and capturing supply needs and risks, staff will recommend long-term portfolio elements and short-term power purchases. During 2008-09, implementation of the LEAP initiatives will continue. LEAP initiatives include energy efficiency, ultra-clean small-scale distributed generation, renewable resource power, transmission upgrades, market-based contracts, and climate protection. Service level impacts include securing favorable energy supplies for CPAU customers through both short-term and long-term planning horizons. The average cost of electric supply is expected to be (as of January 2008) approximately 7.8 cents/kwh in 2008-09. The commodity component of this supply cost (which excludes transmission and alternative energy programs) is 5.6 cents/kwh in 2008-09 compared to the market price of 7.0 cents/kwh in 2008-09. Sales figures are based on the sale of 1,035 million kwh in 2008-09 to our customers.

Energy efficiency and renewable energy programs will be enhanced with the passage of recent legislation at the State level. New efficiency programs will continue to focus on the previously underserved markets of small commercial and residential low income, and incentive programs to motivate owners and builders to look at "greener" and more efficient designs for new construction will be evaluated. The solar electric PV Partners program has been redesigned to closely match the new statewide solar program, which requires that funding levels and other requirements, including efficiency and reporting be increased. A new ultra-clean distributed generation incentive program will be introduced to encourage high-efficiency small-scale power generation at customer sites.

Fiber Optics Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Fiber Optics Fund

To provide valued utility services to customers.

OVERVIEW

Launched in 1996, the Commercial Fiber Optics service offers a high level of expertise in the design, construction, and operation of "dark" fiber optic network services to the Palo Alto business community. The Electric Fund provided the initial investment to construct the "dark" fiber ring infrastructure surrounding the City. Revenues are now sufficient from the Fiber Optic system to stand alone as its own fund, and separate from the Electric Fund. The Fiber Optics Fund will repay the Electric Fund for the initial loan and advances.

Currently, the system is comprised of a 40.6-mile fiber optic "backbone ring" with customers connected via fiber optic "service connections". The City of Palo Alto Utilities (CPAU) provides service to approximately 61 connections for 49 business customers (including resellers and home-based businesses) either directly or indirectly through resellers. Several City Departments and sections of City government also use these services, including Libraries, Foothills Park Interpretive Center, traffic signals, and the Wastewater Treatment Plant. New customers pay the construction fees required to connect to the fiber optics backbone.

In 2008-09, Fiber Optics staff will aggressively market the fiber optic system and services in Palo Alto in order to attract new customers and retain existing customers.

Infrastructure Reliability

Engineering and Operations

A capital project exists to extend the "dark" fiber network around Palo Alto, which in turn, is leased to parties providing telecommunication services to citizens and businesses in Palo Alto. Included in the project are increases in system capacity, development of fiber sub-rings, and general improvements to the fiber system. This project promotes the formation of a competitive market for telecommunications in Palo Alto, while limiting the negative impacts on Palo Alto's environment by using pre-existing conduit and poles. A second capital project provides funds for the installation of fiber optic infrastructure for new service connections. These services are fully reimbursed by the customer.

Utility operations staff continues to monitor the integrity of the system and make any necessary repairs.

Customer Service and Marketing

Marketing

Over the past 5 years, operating revenue increased by 57 percent. In that same time period the number of service connections grew by 61 percent. In 2006, the City Council adopted improved rate structures and pricing methodologies for the Fiber Optics services resulting in increased revenues.

Rates

New customers are required to take service under Fiber Optics Rate Schedule EDF-3, based on the most recently completed cost of service study. Some existing customers with long-term contracts take service under Fiber Optics rate Schedule EDF-1, which is adjusted annually by the Consumer Price Index.

Reserves

Fiber Optics reserves are now at a sufficient level to repay the initial loan of \$1.9 million from the Electric Fund. These funds were used to design and build the dark fiber ring servicing the City.

Fiber Optics Fund

By providing competitively-priced fiber optics services to commercial customers, customers are retained within the City, economic development efforts are enhanced, and the City is able to create and expand a valuable community asset.

PROGRAM UPDATE

The fiber optic cable network has been installed in all the areas planned in the original proposal. Completion of work at splicing points is being done as required to provide service to customers. System enhancements and extensions are incrementally added based on customer demand for services. In 2009, staff will enhance marketing efforts for the Fiber Optic services.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	2,110,453	2,420,956	2,496,022	2,682,446	261,490	11%
Interest Income	146,065	150,200	150,200	226,900	76,700	51%
Other Income	1,059	0	0	0	0	0%
TOTAL FUND REVENUES	\$2,257,577	\$2,571,156	\$2,646,222	\$2,909,346	\$338,190	13%
Administration	478,560	196,890	181,290	454,310	257,420	131%
Planning, Marketing, and Contracts	707,042	247,763	247,917	251,558	3,795	2%
Operations and Maintenance	9,513	42,476	42,533	428,061	385,585	908%
Customer Design and Construction (CIP)	142,924	350,001	300,000	400,001	50,000	14%
Rent	0	0	0	12,902	12,902	0%
Operating Transfers Out	0	2,859	2,859	2,859	0	0%
TOTAL FUND EXPENDITURES	\$1,338,039	\$839,989	\$774,599	\$1,549,691	\$709,702	84%
TO/FROM RESERVES	\$919,538	\$1,731,167	\$1,871,623	\$1,359,655	\$(371,512)	

Fiber Optics Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	546,063	200,304	187,316	736,233
Contract Services	52,718	114,800	114,800	114,800
Supplies and Materials	3,219	18,000	18,000	18,000
General Expense	9,339	19,000	19,000	19,000
Rents and Leases	39,460	1,000	1,000	13,902
Allocated Charges	544,316	134,025	131,624	244,896
Capital Improvement Program	142,924	350,001	300,000	400,001
Operating Transfers Out	0	2,859	2,859	2,859
TOTAL EXPENDITURES	\$1,338,039	\$839,989	\$774,599	\$1,549,691
Total Full Time Positions	2.11	0.68	0.68	5.99
Total Temporary Positions	0.00	0.00	0.00	0.00

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	0	1000	1,000	1,000 (min.)
Fiber Optic RSR	2,738	360	3,098	536 - 1,341
TOTAL RESERVES	\$2,738	\$1,360	\$4,098	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Increase net sales		322	322
Increase interest income		77	77
TOTAL REVENUE CHANGES	\$399	\$0	\$399
Adjustments (Note 1)		(61)	(61)
NET REVENUE CHANGES	\$399	\$(61)	\$338
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			

Fiber Optics Fund

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Salary Adjustments (Note 2)	508		508
Personnel Benefits Costs Increase (Note 3)	231		231
Total Salary and Benefits Changes	\$739	\$0	\$739
Non-Salary			
Increase rent and leases	13		13
Increase contract services (previously part of the Electric Fund)	45		45
Decrease capital improvement program	(17)		(17)
Allocated Charges Increase (Note 4)	111		111
Total Non-Salary Changes	\$152	\$0	\$152
TOTAL EXPENDITURE CHANGES	\$891	\$0	\$891
Adjustments (Note 1)		(181)	(181)
NET EXPENDITURE CHANGES	\$891	\$(181)	\$710

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included from this year's budget as planned.

Note 2: Salary adjustments are primarily due to reallocation of FTEs from the Electric Fund.

Note 3: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 4: Increase in allocated charges is due to an increase in utilities administration charges.

Gas Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

To provide valued utility services to customers and dependable returns to the City.

OVERVIEW

In 2008-09, the City of Palo Alto's (CPAU) Gas Utility plans to focus on: increasing infrastructure reliability; mitigating sharp, upward swings in natural gas rates resulting from spikes in the wholesale supply market; the marketing of energy efficiency programs; and maintaining an excellent safety record.

Infrastructure Reliability

Capital projects planned in 2008-09 include: the design phase of Gas Main Replacement Project 19; the construction phase of Gas Main Replacement Project 18 to replace leaking, inadequately sized, and structurally deficient Acrylonitrile-Butadiene-Styrene (ABS) gas mains and services; ongoing system improvements and upgrades; and installation of services and meters for new customers.

Supply

Council approved the Gas Utility Long-term Plan (GULP) objectives and guidelines in 2003-04. Council also approved, in September 2004, an implementation plan that examined a range of transportation, storage, supply, and efficiency alternatives.

The primary objectives of the GULP are to hedge volatile wholesale energy prices and to provide stable prices to retail customers. In response to the extreme volatility of gas prices and feedback from customers, staff developed a commodity-hedging program that will stabilize costs for residential and small commercial customers. Council has approved Gas Enabling and Master Agreements with several suppliers that allow the City to diversify credit risk.

Staff has proposed updates to GULP to bring it into alignment with the Climate Protection Plan and the 10-year Energy Efficiency Plan. New initiatives for 2008-09 include expanding the voluntary green energy program, PaloAltoGreen, to include gas. Non-fossil gas resources are being evaluated for this program. Staff will also seek economical gas storage opportunities that allow the purchase of additional gas in the summer for withdrawal from storage in the higher-priced winter season. Finally, the updated GULP seeks to evaluate the potential for and complexities of entering into a long-term contract to purchase gas at a discount.

A three-year laddering strategy has been utilized to guide the gas purchasing strategy. The three-year laddering purchase strategy has kept natural gas rates relatively stable despite the rapid increase in natural gas and oil prices.

Marketing and Customer Service

With the passage of new California legislation, natural gas efficiency must be looked at as an alternative to purchasing gas supply. This will expand the breadth of natural gas efficiency programs that can be offered to Palo Alto customers.

In spite of the availability of alternative suppliers in the deregulated market, the City's largest commercial and industrial gas customers have remained steadfast buyers of natural gas from CPAU. Large customers can choose between a market-based rate and a CPAU "contract" rate that locks in their usage at guaranteed prices for either a 12-month or 24-month period. Staff provides critical market information to help customers make the best possible gas supply choices.

Gas Fund

Rates

For the Gas Utility, a 7.1 percent increase is planned for 2008-09.

Reserves

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in commodity costs and other operating expenses. The aim is to reduce the frequency of rate adjustments and absorb any sudden cost increases. The reserves are not used to solve long-term financial needs or to address major catastrophic events. Rates are established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves exceed the maximum guideline, the excess is usually applied toward a rate reduction, customer rebate, or financial obligation. In the event reserves fall below the minimum guideline, a rate increase is typically instituted.

In 2007, Council approved recommendations to change certain utilities reserve guidelines and reflect risk assessments in the target guidelines for the Electric and the Gas Supply Rate Stabilization Reserves (SRSRs). The target level for the Gas SRSRs for 2007-08 is based on a risk assessment for this specific year. The target level for the Gas Distribution Rate Stabilization reserves (DRSRs) is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs.

In 2008-09, the Gas Supply RSR guideline range is projected to be \$9.8 million to \$20.9 million. With a gas rate increase of 7.1 percent planned in 2008-09, the Budget results in a total reserve balance of approximately \$12.4 million. The Gas Supply RSR ending balance is projected to end at \$6.1 million, which is below the minimum guideline of \$9.8 million. The ending Distribution RSR is projected to be \$4.3 million, which is above the minimum guideline of \$4.1 million.

Staff believes that the projected Gas SRSR balance is sufficient to meet the risk assessment requirement for 2008-09, but future supply-related rate increases may be necessary if changes occur in the wholesale gas market. Withdrawals of Gas DRSR funds have taken place over the last several years to mitigate the increase in customer supply costs and additional expenses such as allocated Workers' Compensation and retiree medical liabilities. However, staff will continue to evaluate the DRSR balance on an ongoing basis.

PROGRAM UPDATE

The Gas Utility Long-term Plan (GULP) is a planning methodology to manage the City's supply portfolio, beginning with Council-approved portfolio planning objectives and risk management policies. By clearly identifying and capturing supply needs and risks, staff will continue to purchase gas in a 3-year laddering strategy with creditworthy suppliers. The average cost of gas supply is expected to be (as of January 2008) approximately \$8.61 per MMBtu in 2008-09. The sales figures are based on the sale of 31 million therms in 2008-09.

Natural gas efficiency and conservation programs and services will be more closely aligned with supply costs and with the load growth resulting from recovering economic activity within the City. The Residential Energy Assistance Program (REAP) will continue to assist low income residents with weatherizing and general home repair to help lower their energy bills and keep them more comfortable in their homes. Expansion of gas rebates will be evaluated for commercial customers. Ultra-clean cogeneration is currently being explored as an option for at least one large commercial customer, providing electricity, heat and cooling in a highly efficient manner.

COUNCIL PRIORITY IMPLEMENTATION

Libraries/Community Center and Public Safety Building

Natural gas utilities personnel continue to be active participants in Green Building charettes and design efforts for the proposed Public Safety Building and Library Plan.

Environmental Protection

The City completed its first California Climate Action Registry greenhouse gas inventory and certification in 2006, earning the designation of "Climate Action Leader." Estimated community-wide CO₂ emissions from CPAU-provided natural gas in 2006 were 165,000 metric tons, down slightly from 2005 (166,000 tons). City government operations use of natural gas was down significantly, with CO₂ emissions from natural gas combustion in 2006 of 3,953 tons (6,499 in 2005). The emissions reductions are due primarily to 64 percent lower natural gas use at the RWQCP resulting from direct use of landfill gas collected from the Palo Alto landfill instead of natural gas.

In December 2006, Council approved a resolution joining the International Council for Local Environmental Initiatives' (ICLEI) Cities for Climate Protection Campaign, committing to undertake actions to reduce greenhouse gas emissions throughout the community. Supporting this goal, the Gas Utility Long-term Plan Guideline #4 is to pursue cost-effective energy efficiency investments, reflected in the Utilities Ten-Year Energy Efficiency Portfolio Plan.

Consistent with the recommendations of the Green Ribbon Task Force, all of the Gas Fund's energy and demand-side management programs and incentives contribute to the Council's Top Four Priority of Climate Protection. Since the City is also a top customer for these programs, the Utilities energy efficiency programs also contribute to Council's priority for Economic Health, since City facilities and parks costs are lowered. Funding for supply-funded incentives and analysis will continue into 2008-09, as a result of recent state legislation addressing energy efficiency and solar water heating. This supply funding is in addition to the already funded Public Benefits programs. Funding for the Public Benefits programs is based on 1 percent of revenue sales.

In the Gas Fund, under the Council Priority relating to environmental protection, there are programs for both residential and commercial customers. These programs and other new initiatives are described in detail in the Utilities Chapter of the Palo Alto Climate Protection Plan, approved by Council in December 2007. New this year will be evaluation of options to obtain non-fossil alternatives to natural gas, such as pipeline quality gas made from biomass, and if feasible, to implement a voluntary program similar to PaloAltoGreen for gas customers.

For 2008-09 Residential programs include:

- Smart Energy Program, the Residential Rebate Program
- Residential Energy Assistance Programs, low income efficiency and installation
- Rebates for installing efficient furnaces, boilers, insulation, and other items
- Twilight Concert series sponsorship to promote residential programs
- PAUSD Grant Program, \$50,000 grant for efficiency education
- New construction programs, "Build it Green" to start in the spring of 2008
- PLUG-IN (Cogeneration)
- Retro-commissioning training for City facilities staff

For 2008-09 Commercial programs include:

Gas Fund

- Commercial Advantage Program (Commercial Prescriptive Rebate Program)
- Consultant Assistance for Resource Efficiency (Commercial Energy Audits)
- Meter Links to show the customer's prior-day load profile
- Institutional programs to pursue energy and water audits of all reasonable facilities, including City facilities.
- Efficiency bidding to select vendors servicing customers that bid both on price and the energy savings
- Third party delivered efficiency programs

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	41,337,090	46,147,000	50,589,000	50,347,000	4,200,000	9%
Interest Income	723,805	645,800	645,800	735,700	89,900	14%
Other Income	886,329	670,180	687,180	782,680	112,500	17%
TOTAL FUND REVENUES	\$42,947,224	\$47,462,980	\$51,921,980	\$51,865,380	\$4,402,400	9%
Administration	3,391,017	3,011,229	2,997,368	3,099,546	88,317	3%
Resource Management						
Purchases	22,190,106	26,079,362	27,289,510	27,833,673	1,754,311	7%
Operations	663,401	1,259,574	1,204,339	1,211,371	(48,203)	(4%)
Customer Marketing and Financial Services	1,246,809	1,162,615	1,175,601	1,113,954	(48,661)	(4%)
Distribution System						
Systems Improvement(CIP)	4,702,975	6,365,000	6,585,000	6,747,001	382,001	6%
Customer Design and Connection Services(CIP)	736,240	580,000	597,000	660,000	80,000	14%
Operations	2,761,616	3,632,731	3,672,368	3,972,084	339,353	9%
Public Benefits	275,216	463,105	507,360	504,890	41,785	9%
Debt Service	546,354	948,263	948,517	948,517	254	0%
Equity Transfer	2,955,280	3,043,938	3,135,257	3,135,257	91,319	3%
Rent	147,752	161,492	161,492	204,560	43,068	27%
Operating Transfers Out	341,368	957,700	647,820	1,279,675	321,975	34%
TOTAL FUND EXPENDITURES	\$39,958,134	\$47,665,009	\$48,921,632	\$50,710,528	\$3,045,519	6%
TO/FROM RESERVES	\$2,989,090	\$(202,029)	\$3,000,348	\$1,154,852	\$1,356,881	

Gas Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Utility Purchases and Charges	22,250,106	26,139,362	27,349,510	27,893,673
Salaries and Benefits	4,266,819	3,939,764	3,978,299	4,028,768
Contract Services	293,755	865,180	790,680	790,680
Supplies and Materials	386,689	477,120	477,120	497,504
Facilities and Equipment Purchases	28,338	38,249	37,590	37,590
General Expense	153,803	539,069	645,780	667,628
Rents and Leases	244,115	258,402	258,402	301,470
Allocated Charges	3,052,292	3,512,962	3,470,657	3,722,765
Debt Service	546,354	948,263	948,517	948,517
Equity Transfer	2,955,280	3,043,938	3,135,257	3,135,257
Capital Improvement Program	5,439,215	6,945,000	7,182,000	7,407,001
Operating Transfers Out	341,368	957,700	647,820	1,279,675
TOTAL EXPENDITURES	\$39,958,134	\$47,665,009	\$48,921,632	\$50,710,528
Total Full Time Positions	46.28	44.99	46.51	47.01
Total Temporary Positions	1.58	1.43	1.43	1.38

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Percent of class one gas leaks repaired within Department of Transportation (DOT) Timelines	100%	100%	100%
2. Percent of total miles of pipeline replaced annually (SEA- 2.8%)	2.8%	1.1%	2.8%
3. Average purchase cost (per therm)	\$0.62	\$0.70	\$0.83
4. The revenue bond credit rating is AA-. (SP-F2.1)	AA-	AA-	AA-
5. Average speed of answer - time (seconds) to answer calls. Total delay/ total number of calls	91 sec	75 sec	70 sec
6. Number of participants in the Rate Assistance Program (RAP)	1,283	1,000	1,000
7. Amount of annual assistance for RAP	\$390,000	\$380,000	\$380,000
8. Number of service orders (for high meter reads, meter problem, and other customer issues that require a field visit)	10,230	12,000	12,000
9. Number of service orders for field service representatives	14,529	12,500	12,500
10. Reading accuracy for meter reading will be equivalent or higher than industry standards	99.88%	99.88%	99.88%
11. Therms saved by Energy Efficiency Programs- Residential	17,559	18,500	20,000

Gas Fund

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
12. Therms saved by Energy Efficiency Programs- Business	8,867	8,900	9,000
13. Number of hot water solar systems (new)	N/A (new Program)	N/A	50
Efficiency:			
1. Reduce longest annual wait time to less than 20 minutes	27.7 min	<20 minutes	<20 minutes
2. Bank Drafting- Increasing the participating customers to greater than 25% of total	20%	23%	>25%
Effectiveness:			
1. The customer satisfaction rating from an outside rating agency, measured against other California utilities will be equal to or greater than the state average. The scale is from one to ten with ten being the highest. (SP-C1.1)	7.7	8.6	8.0
2. The citizen survey rating for good or excellent gas services will be equal to or greater than the prior year's rating. (SEA)	88%	>68%	>68%
3. Percentage of uncollectible accounts per revenue dollars will be equal to or less than APPA average by customer class size. (New)	New	New	0.0026
4. Reduce days lost due to workplace injury to 5 or less	<5%	<5%	<5%

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	1,000		1,000	1,000 (min.)
Distribution Rate Stabilization	4,285	41	4,326	4,076 - 10,190
Supply Rate Stabilization	4,990	1,114	6,104	9,763 - 20,921
Debt Service Reserve	952		952	
TOTAL RESERVES	\$11,227	\$1,155	\$12,382	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	4,195		4,195
Increase interest income	90		90
Increase connection charges	80		80

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Increase in operating transfers from other Enterprise Funds	37		37
TOTAL REVENUE CHANGES	\$4,402	\$0	\$4,402
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Add 0.29 FTE Sr. Technologist for SAP Basis Administration and migration of utility billing system	46		46
Add 0.29 FTE Technologist for SAP Basis Administration and migration of utility billing system	43		43
Salary Adjustments	35		35
Personnel Benefits Costs Increase (Note 3)	71		71
Total Salary and Benefits Changes	\$195	\$0	\$195
Non-Salary			
Decrease contract services to meet energy efficiency objectives as required by AB2021	(115)		(115)
Increase supply-funded energy efficiency incentives as required by AB2021	63		63
Increase training and safety	21		21
Increase demand-side management incentives	66		66
Increase rents and leases	43		43
Increase rate of return transfer to General Fund	91		91
Increase gas commodity	1,754		1,754
Increase capital improvement program	356		356
Increase operating transfer to Technology Fund (Note 4)	415		415
Increase operating transfer to Capital Projects Fund	60		60
Allocated Charges Increase (Note 5)	210		210
Total Non-Salary Changes	\$2,964	\$0	\$2,964
TOTAL EXPENDITURE CHANGES	\$3,159	\$0	\$3,159
Adjustments (Note 1)		(113)	(113)
NET EXPENDITURE CHANGES	\$3,159	\$(113)	\$3,046

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Increase in net sales is due to a 7.1 percent rate increase in 2008-09.

Note 3: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Gas Fund

Note 4: Increase in operating transfer to the Technology Fund is primarily for the SAP upgrade/Utilities billing system.

Note 5: Increase in allocated charges is primarily due to an increase in utilities administration and vehicle replacement charges.

Wastewater Collection Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Wastewater Collection Fund

To provide valued utility services to customers and dependable returns to the City.

OVERVIEW

In 2008-09, the CPAU's Wastewater Collection Utility plans to focus on: maintaining infrastructure reliability; identifying problems in mains and service laterals through expanded use of video technology; and maintaining its excellent safety record.

Consistent with the department-wide goal of focusing on reliability, staff will continue the design and construction stages of several major capital improvement projects (CIP) based on the 1989 Wastewater Collection System Master Plan. The 1989 Master Plan targeted top priority work in its CIP recommendations. Over the past 18 years most of the top priority CIP work has been completed. In 2008-09, staff will continue overlapping the design and construction elements of rehabilitation and augmentation projects. Specifically, construction will begin for Wastewater Collection System Rehabilitation/Augmentation Project 21, and design will begin for Wastewater Collection System Rehabilitation/Augmentation Project 22. Since current technology allows for the dynamic modeling of collection systems, an updated master plan and model will be used to provide engineering staff with data for planning future CIP projects. This higher quality dynamic analysis may reduce the need for future CIP expenditures.

A contract to provide services to customers with sewer blockages will continue in 2008-09. This program has resulted in better customer service and reduced overtime. Success of this program will be thoroughly evaluated using a survey of customers served by the contractor.

Rates

For the Wastewater Collection Utility, no revenue change is proposed for 2008-09.

Reserves

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in wastewater treatment costs and other operating expenses. The aim is to reduce the frequency of rate adjustments and absorb any sudden cost increases. The reserves are not used to solve long-term financial needs or to address major catastrophic events. Rates are established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves exceed the maximum guideline, the excess is usually applied toward a rate reduction, customer rebate, or financial obligation. In the event reserves fall below the minimum guideline, a rate increase is typically instituted. In 2007, Council approved recommendations to change certain utilities reserve guidelines and reflect risk assessments in the target guidelines. The target for the Wastewater RSR is based on a risk assessment that includes potential revenue shortfalls from declining sales and 10 percent of the annual Capital Improvement Programs.

In 2008-09, the Rate Stabilization Reserve (RSR) ending balance is projected to be approximately \$5.1 million, which is above the minimum guideline level of \$2.7 million and below the maximum guideline level of \$6.8 million.

Wastewater Collection Fund

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	13,904,334	13,705,652	13,705,652	13,708,652	3,000	0%
Interest Income	664,788	600,800	600,800	469,500	(131,300)	(22%)
Other Income	1,157,098	1,637,200	1,148,200	1,148,200	(489,000)	(30%)
TOTAL FUND REVENUES	\$15,726,220	\$15,943,652	\$15,454,652	\$15,326,352	\$(617,300)	(4%)
Administration	1,863,148	1,539,065	1,446,086	1,466,034	(73,031)	(5%)
Customer Marketing and Financial Services	48,238	211,418	213,531	181,448	(29,970)	(14%)
Collection System						
Treatment Plant Charges	6,142,211	7,100,522	7,100,522	7,538,646	438,124	6%
Systems Improvement(CIP)	8,443,274	3,073,000	3,270,001	3,000,000	(73,000)	(2%)
Customer Design & Connection(CIP)	482,067	878,000	389,000	949,001	71,001	8%
Operations	1,806,408	2,175,774	2,325,971	2,515,481	339,707	16%
Debt Service	74,916	127,864	128,534	128,534	670	1%
Rent	77,955	85,633	85,633	108,645	23,012	27%
Operating Transfers Out	135,126	417,554	178,139	516,648	99,094	24%
TOTAL FUND EXPENDITURES	\$19,073,343	\$15,608,830	\$15,137,417	\$16,404,437	\$795,607	5%
TO/FROM RESERVES	\$(3,347,123)	\$334,822	\$317,235	\$(1,078,085)	\$(1,412,907)	

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Utility Purchases and Charges	6,142,211	7,100,522	7,100,522	7,538,646
Salaries and Benefits	1,475,493	1,649,262	1,586,394	1,643,505
Contract Services	416,490	176,800	326,800	321,800
Supplies and Materials	148,418	146,021	146,010	146,010
Facilities and Equipment Purchases	0	11,150	11,150	11,150
General Expense	31,137	51,439	51,300	56,300
Rents and Leases	140,201	181,933	181,933	204,945
Allocated Charges	1,584,010	1,795,285	1,767,634	1,887,898
Debt Service	74,916	127,864	128,534	128,534
Capital Improvement Program	8,925,341	3,951,000	3,659,001	3,949,001
Operating Transfers Out	135,126	417,554	178,139	516,648
TOTAL EXPENDITURES	\$19,073,343	\$15,608,830	\$15,137,417	\$16,404,437
Total Full Time Positions	25.02	26.71	25.07	24.21
Total Temporary Positions	0.48	1.29	0.33	1.24

Wastewater Collection Fund

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of miles of sewer lines cleaned/treated annually (SEA)	>115	101	101
2. Average speed of answer - time (seconds) to answer calls. Total delay/ total number of calls	91 sec	75 sec	70 sec
3. Number of participants in the Rate Assistance Program (RAP)	1,283	1,000	1,000
4. Amount of annual assistance for RAP	\$390,000	\$380,000	\$380,000
Efficiency:			
1. Responses to notification of reportable incidents of sewer overflow will be within 2 hours for 95 percent of the time.	95%	95%	95%
2. Reduce longest annual wait time to less than 20 minutes	27.7 min	<20 minutes	<20 minutes
3. Bank Drafting- Increase the participating customers to greater than 25% of total	20%	23%	>25%
Effectiveness:			
1. A satisfaction survey regarding the contractor's response to wastewater backups will have a 75 percent approval rating.	75%	75%	75%
2. The citizen survey rating the quality of sewer services either good or excellent will be equal to or greater than the prior year's rating. (SEA)	>82%	>82%	>82%
3. Percentage of uncollectible accounts per revenue dollars will be equal to or less than APPA average by customer class size. (New)	N/A	N/A	0.0026

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	881	119	1,000	1,000 (min.)
Rate Stabilization	6,264	(1,197)	5,067	2,737 -6,844
TOTAL RESERVES	\$7,145	\$(1,078)	\$6,067	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Decrease interest income	(131)		(131)
Increase other income (Note 2)	14		14

Wastewater Collection Fund

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
TOTAL REVENUE CHANGES	\$(117)	\$0	\$(117)
Adjustments (Note 1)		(500)	(500)
NET REVENUE CHANGES	\$(117)	\$(500)	\$(617)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary Adjustments	14		14
Personnel Benefits Costs Increase (Note 3)	58		58
Total Salary and Benefits Changes	\$72	\$0	\$72
Non-Salary			
Increase treatment plant charges	438		438
Increase debt service	1		1
Increase rent and leases	23		23
Increase operating transfer to Capital Projects Fund	60		60
Increase operating transfer to Gas Fund	13		13
Increase operating transfer to Refuse Fund	63		63
Increase operating transfer to Technology Fund (Note 4)	192		192
Decrease capital improvement program	(80)		(80)
Allocated Charges Increase (Note 5)	92		92
Total Non-Salary Changes	\$802	\$0	\$802
TOTAL EXPENDITURE CHANGES	\$874	\$0	\$874
Adjustments (Note 1)		(78)	(78)
NET EXPENDITURE CHANGES	\$874	\$(78)	\$796

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Increase in other income is due to an increase in connection charges.

Note 3: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 4: Increase in operating transfer to the Technology Fund is primarily for the SAP upgrade/Utilities billing system.

Note 5: Increase in allocated charges is primarily due to an increase in utilities administration and vehicle replacement charges.

Wastewater Collection Fund

SERVICE LEVEL CHANGES

In order to improve service to our customers, the Department contracted with an outside vendor for wastewater calls. Customer surveys will assist in the monitoring of this contract to ensure continued customer satisfaction.

The Operations Division has begun to use the Field Service Representatives (FSR) as seven-day-a-week first responders for all Water, Gas, and Wastewater calls that are received after normal working hours. FSR respond to water and gas related calls and just recently have begun to respond to wastewater calls as well. Having FSR's available to respond to wastewater calls has reduced response time for residents and reduced emergency overtime related to sanitary sewer backups.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Water Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

To provide valued utility services to customers and dependable returns to the City

OVERVIEW

In 2008-09, the CPAU's Water Utility plans to focus on: increasing infrastructure reliability; maintaining high-quality and reliable sources of water; and marketing water efficiency programs and services.

Engineering and Operations

Capital projects planned in 2008-09 include the design and construction phases of water main replacement projects to replace structurally deficient water mains; system improvements and upgrades for underground vaults, above-ground water regulation facility locations and continued installation and upgrading of services and meters for customers. Specifically, work will begin on the design phase of Water Main Replacement (WMR) Project 23 and the construction phase of WMR Project 22 as well as the coating improvements to the water reservoirs. Due to the critical need to ensure sufficient water supplies during emergency situations, CPAU has accelerated the implementation of the recommendations of the 1999 Water Wells, Regional Storage, and Distribution Study. This study was commissioned to evaluate ways to improve the operation and reliability of the City's water distribution system, particularly during emergency situations. Phase II of the study projects was initiated after Council certified the Environmental Impact Report (EIR) in 2006-07 and voters overwhelmingly approved the November 2007 ballot measure for the use of space beneath El Camino Park for a new reservoir, pump station and well. Design of the Phase II projects will run concurrently with the design and construction of the reservoir, pumps and wells. Construction of two new emergency wells will also start during 2008-09. Significant funding increases are expected to appear in the 2009-10 budgets, with the expectation of bond financing in the future.

Supply

Palo Alto's water supplier, the San Francisco Public Utilities Commission (SFPUC), has provided rate projections indicating that the City's wholesale costs will steadily increase over the next 10 years. This is due to the planned construction program to repair and upgrade the SFPUC's regional water delivery system. Palo Alto has supported these system improvements and has advocated for prompt implementation of the SFPUC's Water System Improvement Project (WSIP) program.

A Water Integrated Resource Plan (WIRP) to evaluate all available supply alternatives has been completed. The alternatives examined in the WIRP include increased conservation, an expanded recycled water program, connection to the Santa Clara Valley Water District's treated water pipeline, and use of groundwater in droughts or on an ongoing basis. All alternatives were evaluated on the basis of cost, reliability, and availability during droughts, enhancement to emergency preparedness, and water quality impacts. At this stage, staff has concluded that SFPUC supplies are sufficient in normal water years, but that additional supplies are needed in droughts. Other options are under evaluation.

Sales and Marketing

Water efficiency continues to play an important role in the goals for CPAU. The cost sharing water efficiency contract will continue with the Santa Clara Valley Water District to continue the vast array of water efficiency projects that are currently available to Palo Alto customers. In particular, an emphasis will be placed in reducing outdoor irrigation watering, to help increase conservation, and alleviate Bay Area-wide and statewide water concerns.

Rates

For the Water Utility, an 8 percent rate increase is planned for 2008-09.

Water Fund

Reserves

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in commodity costs and other operating expenses. The aim is to reduce the frequency of rate adjustments and absorb any sudden cost increases. The reserves are not used to solve long-term financial needs or to address major catastrophic events. Rates are established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves exceed the maximum guideline, the excess is usually applied toward a rate reduction, customer rebate, or financial obligation. In the event reserves fall below the minimum guideline, a rate increase is typically instituted.

In 2007, Council approved recommendations to change certain utilities reserve guidelines and reflect risk assessments in the target guidelines. Target levels for the Water RSRs are based on a risk assessment that includes potential revenue shortfalls from falling sales levels and funding requirements for Capital Improvement Programs.

With a water rate increase of 8 percent in 2008-09, the Rate Stabilization Reserve (RSR) ending balance is projected to be approximately \$6.9 million, which is above the minimum guideline level of \$5.3 million.

PROGRAM UPDATE

In partnership with the Santa Clara Valley Water District (SCVWD), CPAU is participating in several water conservation "Best Management Practices" (BMP) programs. These programs enable Palo Alto to meet its water efficiency obligations. BMPs include residential, commercial, industrial, and institutional efficiency measures for domestic water use, process use, and irrigation. In addition, staff will administer the "Landscape Standards" of the Palo Alto Municipal Code, and expand promotion of dedicated irrigation water meters for use by commercial customers.

The average cost of water is expected to be (as of January 2008) approximately \$1.47/CCF in 2008-09. Sales figures are based on the sale of 5,381 million CCFs of water. Each CCF is 100 cubic feet or 748 gallons of water. CCFs are the billing units for utility bills.

COUNCIL PRIORITY IMPLEMENTATION

Libraries/Community Center and Public Safety Building

Water utility personnel continue to be active participants in Green Building charettes and design efforts for the proposed Public Safety Building and Library.

Environmental Protection

All of the Water Fund's demand-side management programs and incentives contribute to the Council's Top Four Priority of Environmental Protection, and are consistent with the Green Ribbon Task Force's recommendations. Since the City is also a top customer for these programs, water efficiency programs contribute as well to the Council priority "Economic Health," since City facilities and Parks costs are lowered. Funding for demand side management programs is based on 1 percent of revenue sales at \$0.3 million for the period of 2008-09.

In the Water Fund, there are programs for both residential and commercial customers. Almost all of the programs include a cost sharing arrangement with the Santa Clara Valley Water District (SCVWD). The exceptions are the Twilight Concert funding and the Palo Alto Unified School District (PAUSD) grant.

For 2008-09 Residential programs include:

- Water-Wise House Call Program
- Evapotranspiration (ET) Controller Rebate Program
- Residential High Efficiency Toilet Rebate Program
- Residential Clothes Washer Rebate Program
- Landscape Rebate Program (cash for grass)
- New construction programs, "Build it Green" to start in the spring of 2008

For 2008-09 Commercial programs include:

- Commercial Clothes Washer Rebate Program
- Irrigation Technical Assistance Program (ITAP)
- Commercial High-Efficiency Toilet/Urinal Installation Program
- Large Commercial Indoor Water Survey Program
- Landscape Rebate Program (cash for grass)
- Institutional programs to pursue energy and water audits for all reasonable facilities. This also qualifies for the Council Priority "Economic Health," as the City facilities are audited to lower utility bills.
- Water efficiency technologies
- Irrigation System Hardware Rebate Program (SCVWD pays all costs)
- Weather-based Irrigation Controller Program
- PAUSD Grant Program (\$50,000 for energy efficiency education)
- New construction programs, "Build it Green" to start in the spring of 2008

Water Fund

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	23,052,538	24,525,948	27,087,951	26,516,951	1,991,003	8%
Interest Income	1,080,450	946,200	946,200	1,015,200	69,000	7%
Other Income	2,137,988	1,199,100	1,087,434	977,434	(221,666)	(18%)
Bond Proceeds	0	0	35,000,000	35,000,000	35,000,000	0%
TOTAL FUND REVENUES	\$26,270,976	\$26,671,248	\$64,121,585	\$63,509,585	\$36,838,337	138%
Administration	1,729,700	2,273,949	2,267,652	2,386,272	112,323	5%
Resource Management						
Purchases	7,805,709	8,001,753	7,698,000	8,701,000	699,247	9%
Operations	396,265	427,379	428,191	638,539	211,160	49%
Customer Marketing and Financial Services	1,206,334	1,264,637	1,304,322	1,404,206	139,569	11%
Distribution System						
Systems Improvement(CIP)	4,298,457	10,809,999	13,602,000	13,861,999	3,052,000	28%
Customer Design and Connection Services(CIP)	447,239	333,000	342,999	343,000	10,000	3%
Operations	2,971,983	4,448,670	4,522,950	4,974,620	525,950	12%
Debt Service	447,016	775,851	776,059	776,059	208	0%
Equity Transfer	2,513,862	2,589,278	2,666,956	2,666,956	77,678	3%
Rent	1,780,913	1,787,894	1,787,894	1,919,052	131,158	7%
Operating Transfers Out	463,914	863,098	626,594	1,131,019	267,921	31%
TOTAL FUND EXPENDITURES	\$24,061,392	\$33,575,508	\$36,023,617	\$38,802,722	\$5,227,214	16%
TO/FROM RESERVES	\$2,209,584	\$(6,904,260)	\$28,097,968	\$24,706,863	\$31,611,123	

Water Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Utility Purchases and Charges	7,805,709	8,001,753	7,698,000	8,701,000
Salaries and Benefits	3,547,352	4,591,050	4,577,733	5,221,419
Contract Services	(95,019)	329,169	456,456	490,456
Supplies and Materials	335,969	441,700	441,700	438,700
Facilities and Equipment Purchases	261	11,610	10,010	10,010
General Expense	215,797	276,222	282,342	249,008
Rents and Leases	1,865,629	1,883,720	1,883,720	2,004,878
Allocated Charges	2,215,206	2,669,058	2,659,048	2,908,218
Debt Service	447,016	775,851	776,059	776,059
Equity Transfer	2,513,862	2,589,278	2,666,956	2,666,956
Capital Improvement Program	4,745,696	11,142,999	13,944,999	14,204,999
Operating Transfers Out	463,914	863,098	626,594	1,131,019
TOTAL EXPENDITURES	\$24,061,392	\$33,575,508	\$36,023,617	\$38,802,722
Total Full Time Positions	43.22	44.19	44.08	45.74
Total Temporary Positions	1.94	1.99	1.31	1.94

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Average cost per 100 Cubic Feet (CCF)	\$1.07	\$1.36	\$1.47
2. The revenue bond credit rating is AA-. (SP-F2.1)	AA-	AA-	AA-
3. Average speed of answer - time (seconds) to answer calls. Total delay/ total number of calls	91 sec	75 sec	70 sec
4. Number of participants in the Rate Assistance Program (RAP)	1,283	1,000	1,000
5. Amount of annual assistance for RAP	\$390,000	\$380,000	\$380,000
6. Number of service orders (for high meter reads, meter problem, and customer issues that require a field visit)	10,230	12,000	12,000
7. Number of service orders for field service representatives	14,529	12,500	12,500
8. Reading accuracy for meter reading will be equivalent or higher than industry standards	99.88%	99.88%	99.88%
9. Water Surveys for Single-and- Multi Family Residential Customers (# surveys)- SF Audits	262	275	280
10. Water Surveys for Single-and- Multi Family Residential Customers (# surveys)- MF Audits	19	25	30

Water Fund

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Efficiency:			
1. A comparison of the annual CPAU water system losses (unaccounted-for losses) with the national average will be less than 0% (revised due to data availability)	0.2%	<0%	<0%
2. Reduce longest annual wait time to less than 20 minutes	27.7 min	<20 minutes	<20 minutes
3. Bank Drafting- Increase the participating customers to greater than 25% of total	20%	23%	>25%
Effectiveness:			
1. The customer satisfaction rating from an outside rating agency, measured against other California utilities will be equal to or greater than the state average. The scale is from one to ten with ten being the highest. (SP-C1.1)	7.7	8.6	8.0
2. The citizen survey rating for good or excellent water services will be equal to or greater than the prior year's rating. (SEA)	85%	79%	>75%
3. The percent of water main breaks responded to within one hour will be 95 percent or greater. (revised due to data availability)	100%	95%	95%
4. Compliance with all required California Department of Health Services and EPA testing for water quality will be 100 percent. This indicates that the Water System Operators (Class 5) have a perfect record. (SEA)	100%	100%	100%
5. Percentage of uncollectible accounts per revenue dollars will be equal to or less than APPA average by customer class size. (New)	N/A	N/A	0.0026
6. Reduce days lost due to workplace injury to 5 or less	<5%	<5%	<5%
7. 95 percent of Key/Major/Institutional customers contacted each quarter	N/A	95%	95%

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	11,561	(4,643)	6,918	5,321 -13,303
Bond Proceeds (Restricted)	0	29,350	29,350	
Debt Service Reserve	780		780	
TOTAL RESERVES	\$13,341	\$24,707	\$38,048	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	1,988		1,988
Increase interest income	69		69
Increase other income	13		13
Increase bond proceeds (Note 3)		35,000	35,000
TOTAL REVENUE CHANGES	\$2,070	\$35,000	\$37,070
Adjustments (Note 1)		(232)	(232)
NET REVENUE CHANGES	\$2,070	\$34,768	\$36,838
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Add 0.29 FTE Sr. Technologist for SAP Basis Administration and migration of utility billing system	46		46
Add 0.29 FTE Technologist for SAP Basis Administration and migration of utility billing system	43		43
Salary Adjustments	259		259
Personnel Benefits Costs Increase (Note 4)	266		266
Total Salary and Benefits Changes	\$614	\$0	\$614
Non-Salary			
Increase water commodity	699		699
Increase in program and project consultants for water conservation programs	21		21
Increase rent and leases	131		131
Decrease demand-side management incentives	(33)		(33)
Increase operating transfer to Technology Fund (Note 5)	330		330
Decrease operating transfer to Capital Projects Fund	(40)		(40)
Increase operating transfer to Gas Fund	13		13
Increase rate of return transfer to General Fund	78		78
Increase capital improvement program (Note 6)	3,078		3,078
Allocated Charges Increase (Note 7)	239		239
Total Non-Salary Changes	\$4,516	\$0	\$4,516
TOTAL EXPENDITURE CHANGES	\$5,130	\$0	\$5,130
Adjustments (Note 1)		97	97
NET EXPENDITURE CHANGES	\$5,130	\$97	\$5,227

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included

Water Fund

from this year's budget as planned.

Note 2: Increase in net sales is due to an 8 percent rate increase in 2008-09.

Note 3: Bond proceeds are for the Emergency Supply Water Project.

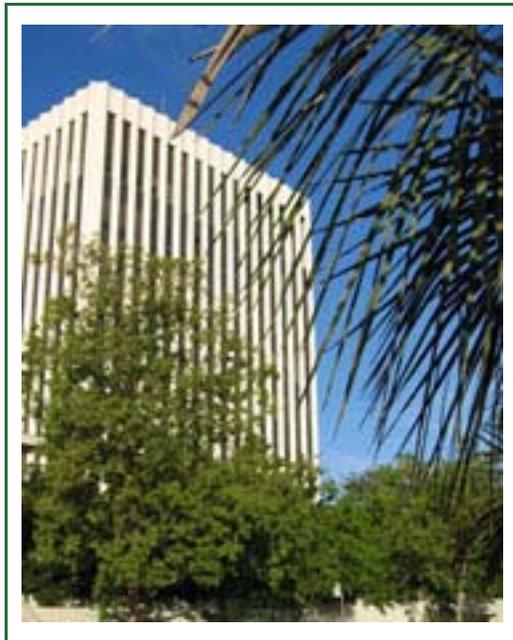
Note 4: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 5: Increase in operating transfer to the Technology Fund is primarily for the SAP upgrade/Utilities billing system.

Note 6: Capital Improvement Program expenditures include project costs for emergency water supply, water main replacements, and other distribution system improvements.

Note 7: Increase in allocated charges is primarily due to an increase in utilities administration and vehicle replacement charges.

Refuse Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

To manage the solid, hazardous waste, and street sweeping programs to minimize waste generation and maximize recycling to not only comply with all regulatory requirements but also to far exceed them in pursuit of the Zero Waste goals.

OVERVIEW

In 2008-09, a 10 percent rate increase will be necessary due to the following: Implementation of the Zero Waste Operational Plan; increased costs for services provided by Palo Alto Sanitation Company (PASCO); increased costs at the Sunnyvale Materials Recovery and Transfer (SMaRT) Station related to a new operators contract and debt service owed on the equipment replacement project; the development of the Los Altos treatment plant site; additional processing cost needed to process materials at the City composting operation; relocation of existing City landfill facilities to allow for landfill closure to continue; and the need to maintain the target reserve balance set by Council.

The current solid waste and recyclable materials collection and processing agreement with PASCO is scheduled to end in June 2009. City staff is striving to award the next agreement in September 2008. This will allow the potential new contractor a transition period of nine months.

The Zero Waste Operational Plan (ZWOP) was approved by Council in September 2007. Initial implementation projects include expanding the use of recycling receptacles in the downtown areas, hiring needed staffing to meet Zero Waste goals, expanding the Zero Waste outreach campaign, and creating a grant program to promote reuse and recycling for local businesses.

Several projects are planned to enhance the Construction and Demolition Ordinance that include: Increasing the amount of materials salvaged for reuse; increasing the diversion percentage required for demolition permits from 50 percent to 75 percent; and increasing the number of projects that are covered by the ordinance.

Additional outside grinding and screening services for the City compost operation are needed. The request for additional funding will allow the City to better handle the increased feedstock now being received at the compost area and to comply with state regulations requiring a shorter period to process these materials.

COUNCIL PRIORITY IMPLEMENTATION

Environmental Protection

- The ZWOP was approved by Council in September 2007. Initial implementation projects include expanding the use of recycling receptacles in the downtown areas, hiring needed staffing to meet zero waste goals, expanding the Zero Waste outreach campaign, and creating a grant program to promote reuse and recycling for businesses locally
- Minimize hazardous waste in the City through collection of City-generated and household hazardous waste
- Minimize solid waste through waste reduction and recycling programs

Refuse Fund

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	20,682,827	25,066,660	25,066,660	27,573,660	2,507,000	10%
Interest Income	563,118	500,600	500,600	485,800	(14,800)	(3%)
Other Income	5,094,292	4,281,470	4,283,353	4,775,235	493,765	12%
TOTAL FUND REVENUES	\$26,340,237	\$29,848,730	\$29,850,613	\$32,834,695	\$2,985,965	10%
Administration	1,519,610	1,559,241	1,559,464	1,620,315	61,074	4%
Solid Waste						
Systems Improvement(CIP)	0	1,000,000	800,000	2,050,000	1,050,000	105%
Operations	4,937,057	6,007,405	6,152,021	6,882,657	875,252	15%
Collection, Hauling and Disposal						
Payment to PASCO	7,824,562	10,063,130	10,063,130	10,428,914	365,784	4%
Operations	4,149,805	5,376,609	4,817,515	5,735,239	358,630	7%
Street Sweeping	1,781,128	1,866,369	1,888,101	2,077,688	211,319	11%
Debt Service	375,877	398,126	398,126	398,126	0	0%
Rent	4,288,747	4,288,747	4,288,747	4,288,747	0	0%
Operating Transfers Out	263,098	1,052,733	509,018	701,657	(351,076)	(33%)
TOTAL FUND EXPENDITURES	\$25,139,884	\$31,612,360	\$30,476,122	\$34,183,343	\$2,570,983	8%
TO/FROM RESERVES	\$1,200,353	\$(1,763,630)	\$(625,509)	\$(1,348,648)	\$414,982	

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Utility Purchases and Charges	7,824,562	10,063,130	10,063,130	10,428,914
Salaries and Benefits	3,544,701	3,898,709	3,951,239	4,006,526
Contract Services	2,801,445	6,684,041	6,294,041	7,552,412
Supplies and Materials	259,332	376,596	356,596	484,596
Facilities and Equipment Purchases	38,091	19,800	19,800	19,300
General Expense	2,648,758	344,995	334,995	384,995
Rents and Leases	4,301,268	4,310,447	4,310,447	4,310,447
Allocated Charges	3,082,752	3,463,783	3,438,730	3,846,370
Debt Service	375,877	398,126	398,126	398,126
Capital Improvement Program	0	1,000,000	800,000	2,050,000
Operating Transfers Out	263,098	1,052,733	509,018	701,657
TOTAL EXPENDITURES	\$25,139,884	\$31,612,360	\$30,476,122	\$34,183,343
Total Full Time Positions	34.70	34.45	34.70	34.88
Total Temporary Positions	0.18	0.43	0.50	0.43

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. SOLID WASTE: Tons of total waste diverted at all locations (landfill, SMaRT, others)	120,432	97,000	97,000
2. SOLID WASTE: Number of households serviced through Household Hazardous Waste Program	4,789	3,500	3,500
3. COLLECTION, HAULING & DISPOSAL: Number of complaints regarding PASCO service	317	0	0
4. COLLECTION, HAULING & DISPOSAL: Tons of waste recycled through SMaRT	48,229	50,000	50,000
5. STREET SWEEPING: Number of residential curb miles swept (SEA)	14,718	14,289	14,289
6. STREET SWEEPING: Number of business curb miles swept annually	3,271	3,030	3,030
Efficiency:			
1. SOLID WASTE: Percent of total waste diverted	62	>50	>50
2. SOLID WASTE: Percent of households serviced through Household Hazardous Waste Program (26,048 from 2000 census)	18.4	13	13
3. COLLECTION, HAULING & DISPOSAL: Number of complaints resolved within 24 hours	317	all	all
4. COLLECTION, HAULING & DISPOSAL: Percent of total waste processed through SMaRT Station that was recycled.	18%	18%	18%
5. STREET SWEEPING: Percent of residential curb miles swept	93%	90%	90%
6. STREET SWEEPING: Percent of business curb miles swept	100%	95%	95%
Effectiveness:			
1. SOLID WASTE: Number of years diversion goals met or exceeded since 2000	7	8	9
2. SOLID WASTE: Tons of HHW diverted from illegal dumping through HHW collection events	156	125	125
3. COLLECTION, HAULING & DISPOSAL: Percentage of residents rating PASCO service as excellent	92%	100%	100%
4. COLLECTION, HAULING & DISPOSAL: Tons of recyclables diverted from landfill	8,914	9,000	9,000
5. STREET SWEEPING: Cubic yards of debris removed from street along residential curbs	13,438	12,213	12,213
6. STREET SWEEPING: Cubic yards of debris removed from street along business curbs	1,418	937	937

Refuse Fund

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Rate Stabilization Reserve	2,514	(1,486)	1,028	2,757 - 5,515
Landfill closure and postclosure care reserve	7,217	137	7,354	
Water Resources Board Reserve	590		590	
TOTAL RESERVES	\$10,321	\$(1,349)	\$8,972	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (000)			
Increase net sales (Note 2)	2,507		2,507
Decrease interest income	(15)		(15)
Increase other income (Note 3)	431		431
Increase in operating transfer from Wastewater Collection Fund (Note 8)	63		63
TOTAL REVENUE CHANGES	\$2,986	\$0	\$2,986
EXPENDITURE CHANGES (000)			
Salary and Benefits			
Add 0.11 FTE Sr. Technologist for SAP Basis Administration and migration of utility billing system	17		17
Add 0.11 FTE Technologist for SAP Basis Administration and migration of utility billing system	16		16
Salary Adjustments	44		44
Personnel Benefit Costs Increase (Note 4)	31		31
Total Salary and Benefits Changes	\$108	\$0	\$108
Non-Salary			
Increase contract services for compost grinding and screening services	150		150
Increase contract services for Zero Waste consultant	200		200
Increase contract services for Zero Waste outreach	103	25	128
Increase grants for incentive program to encourage reuse and recycling	50		50
Increase PASCO contract - compensation for CPI adjustment and operating ratio adjustment	366		366
Increase contract services - Palo Alto share of SMaRT Station costs	908		908
Increase operating transfer to Technology Fund (Note 5)	39		39
Increase capital improvement program (Note 6)	1,050		1,050

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Allocated Charges Increase (Note 7)	382		382
Total Non-Salary Changes	\$3,248	\$25	\$3,273
TOTAL EXPENDITURE CHANGES	\$3,356	\$25	\$3,381
Adjustments (Note 1)		(810)	(810)
NET EXPENDITURE CHANGES	\$3,356	\$(785)	\$2,571

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Increase in net sales is due to a 10 percent rate increase in 2008-09.

Note 3: Other income includes increases in disposal fee revenue.

Note 4: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 5: Increase in operating transfer to the Technology Fund is primarily for the SAP upgrade/Utilities billing system.

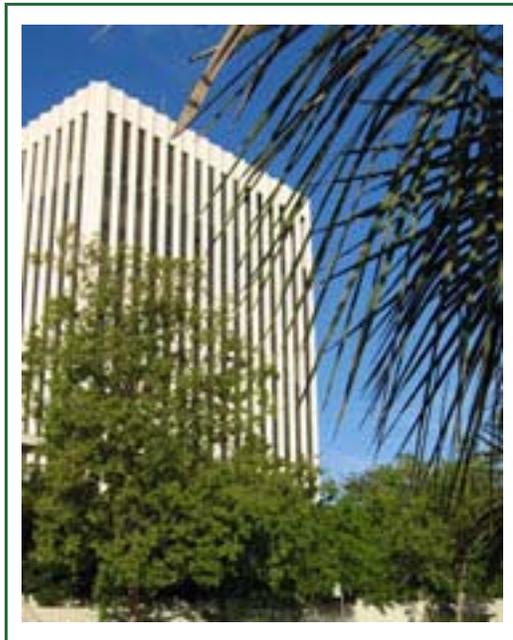
Note 6: Capital Improvement Program expenditures include activities for the relocation of landfill facilities, flare relocation, and Byxbee Park gas collection systems upgrade, among other projects.

Note 7: Increase in allocated charges is due to increases in interest payments to the General Fund for landfill rent, information technology charges, and vehicle replacement charges.

Note 8: Increase in operating transfer from Wastewater Collection Fund represents a reimbursement for CIP RF-10003 Drying Beds, Material Storage and Transfer Area.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Storm Drainage Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Storm Drainage Fund

To operate, maintain, replace, and augment the storm drainage system to ensure adequate local drainage and storm water quality protection for discharge to creeks and the San Francisco Bay.

OVERVIEW

In 2008-09, staff will continue to implement the enhanced storm drain program, which includes storm drain maintenance, urban runoff pollution prevention, and storm drain system capital improvements. These activities are funded by the Storm Drainage Fee increase approved by property owners in April 2005. In 2008-09, engineering staff will focus on the construction of Alma Street Storm Drain Improvements, which will be coordinated with the Alma Street pavement resurfacing, and the continuing implementation of City-wide storm drain system repairs. Staff will also implement a rebate program for residents and businesses that install rain barrels, cisterns, green roofs, and pervious pavement in order to reduce storm water runoff.

Staff will continue to meet with the Council-appointed Storm Drain Oversight Committee each year to review proposed operating and capital budgets and to verify that Fund expenditures are consistent with the approved ballot measure. The Committee has noted that the Fund will likely experience capital project funding shortfalls in the upcoming years. The shortfalls are a result of the discrepancy between rapidly rising construction costs and the modest Storm Drainage Fee increases allowed by the ballot measure (based on annual increases in the local Consumer Price Index (CPI) or 6 percent, whichever is less). Since construction costs recently have been rising 10-15 percent per year, while local CPI increases have only been 2-4 percent per year, most likely there will be insufficient funds to complete the original 12-year capital improvement program outlined in the ballot measure. Staff and the Committee have developed strategies to maximize the use of available funds, including focusing on completion of the highest priority projects and incrementally reducing the scope of some projects in order to free up funds for other projects. Funds were borrowed from the General Fund in 2007-08 to help pay for the high-priority San Francisquito Creek Storm Water Pump Station project. This loan will be paid back over the next three years.

Staff will continue to coordinate with the Santa Clara Valley Water District (SCVWD) and the Federal Emergency Management Agency on flood control and flood insurance issues. Staff will also assist with review of land development applications to ensure compliance with storm water quality and stream protection regulations. Staff will work with its partner agencies in the Santa Clara Valley Urban Runoff Pollution Prevention program to implement a new Bay Area-wide National Pollutant Discharge Elimination System (NPDES) permit from the Regional Water Quality Control Board for discharge of storm water to local creeks and the San Francisco Bay. The new permit requires more rigorous and costly activities by municipal staff, including implementation of updated best management practices, inspection and enforcement at construction sites and commercial facilities, public outreach, installation of trash controls, and water quality monitoring, to protect storm water quality. In addition, staff will actively participate in the San Francisquito Creek Joint Powers Authority's partnership with the US Army Corps of Engineers to identify a comprehensive solution to creek and tidal flooding problems in the watershed. Operations staff will continue to conduct an enhanced level of storm drain maintenance which has been made possible by the Storm Drainage Fee increase.

Storm Drainage Fund

COUNCIL PRIORITY IMPLEMENTATION

Environmental Protection

- Staff will work with its partner agencies in the Santa Clara Valley Urban Runoff Pollution Prevention program to implement a new National Pollutant Discharge Elimination System (NPDES) permit from the Regional Water Quality Control Board for discharge of storm water to local creeks and the San Francisco Bay.
- Staff will implement a rebate program for residents and businesses that install rain barrels, cisterns, green roofs, and pervious pavement in order to reduce storm water runoff and water pollution.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	5,161,724	5,415,315	5,327,170	5,366,376	(48,939)	(1%)
Interest Income	165,089	175,450	175,450	228,850	53,400	30%
Other Income	18,934	2,716,251	81,500	81,500	(2,634,751)	(97%)
TOTAL FUND REVENUES	\$5,345,747	\$8,307,016	\$5,584,120	\$5,676,726	\$(2,630,290)	(32%)
Administration	546,202	500,380	504,266	522,365	21,985	4%
Systems Improvements						
Systems Improvement(CIP)	1,884,611	6,666,480	2,320,953	2,494,974	(4,171,506)	(63%)
Operations	121,498	136,579	138,014	141,974	5,395	4%
Operations & Maintenance	1,174,370	1,374,778	1,389,936	1,434,869	60,091	4%
Debt Service	605,225	947,185	951,260	951,260	4,075	0%
Operating Transfers Out	11,435	670,009	53,591	154,895	(515,114)	(77%)
TOTAL FUND EXPENDITURES	\$4,343,341	\$10,295,411	\$5,358,020	\$5,700,337	\$(4,595,074)	(45%)
TO/FROM RESERVES	\$1,002,406	\$(1,988,395)	\$226,100	\$(23,611)	\$1,964,784	

Storm Drainage Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	882,155	970,989	987,662	997,120
Contract Services	341,799	357,879	365,379	377,879
Supplies and Materials	41,741	95,300	95,300	95,300
Facilities and Equipment Purchases	8,171	11,621	11,621	11,621
General Expense	5,433	10,900	10,900	10,900
Rents and Leases	50	6,000	6,000	6,000
Allocated Charges	562,721	559,048	555,354	600,388
Debt Service	605,225	947,185	951,260	951,260
Capital Improvement Program	1,884,611	6,666,480	2,320,953	2,494,974
Operating Transfers Out	11,435	670,009	53,591	154,895
TOTAL EXPENDITURES	\$4,343,341	\$10,295,411	\$5,358,020	\$5,700,337
Total Full Time Positions	9.50	9.50	9.50	9.52
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of industrial storm water inspections conducted	361	180	250
2. Linear feet of storm drain pipelines cleaned annually	287,957	100,000	100,000
3. Total dollar value of storm drain improvements completed- (capital expenditures)	\$1,447,080	\$2,000,000	\$2,172,000
Efficiency:			
1. Number of industrial storm water inspections per FTE	361	180	250
2. Pounds of debris removed by hydroflushing pipelines	124,180	150,000	150,000
3. Total dollar value of storm drain improvements per FTE	\$725,000	\$950,000	\$950,000
Effectiveness:			
1. Percent of industrial sites in compliance with storm water regulations	71%	90%	70%
2. Number of resident calls regarding ponding problems	4	100	100
3. Percent of storm drain improvement projects completed within planned budget	100%	100%	100%

Storm Drainage Fund

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Distribution RSR	363	(24)	339	N/A
TOTAL RESERVES	\$363	\$(24)	\$339	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	194		194
Increase interest income	53		53
Decrease sales to City (Note 3)	(243)		(243)
Decrease operating transfer from General Fund (Note 4)	(934)		(934)
TOTAL REVENUE CHANGES	\$(930)	\$0	\$(930)
Adjustments (Note 1)		(1,700)	(1,700)
NET REVENUE CHANGES	\$(930)	\$(1,700)	\$(2,630)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Add 0.02 FTE Sr. Technologist for SAP Basis Administration and migration of utility billing system	2		2
Add 0.02 FTE Technologist for SAP Basis Administration and migration of utility billing system	1		1
Salary Adjustments	21		21
Personnel Benefit Costs Increase (Note 5)	21		21
Total Salary and Benefits Changes	\$45	\$0	\$45
Non-Salary			
Increase debt service expense	4		4
Increase contract services (Note 6)	20		20
Increase operating transfer to Technology Fund (Note 7)	85		85
Decrease capital improvement program (Note 8)	(4,190)		(4,190)
Allocated Charges Increase	41		41
Total Non-Salary Changes	\$(4,040)	\$0	\$(4,040)
TOTAL EXPENDITURE CHANGES	\$(3,995)	\$0	\$(3,995)
Adjustments (Note 1)	0	(600)	(600)
NET EXPENDITURE CHANGES	\$(3,995)	\$(600)	\$(4,595)

Storm Drainage Fund

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Increase in net sales is due to the storm drainage fee increase adjusted for inflation as allowed by the approved ballot measure.

Note 3: Decrease in sales to the City reflects prior years' pre-payment of storm drainage fees for current year on City-owned General Fund properties as specified by the approved ballot measure.

Note 4: Decrease in transfer from General Fund reflects the end of pre-payments of storm drainage fees on City-owned General Fund properties as specified by the approved ballot measure.

Note 5: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

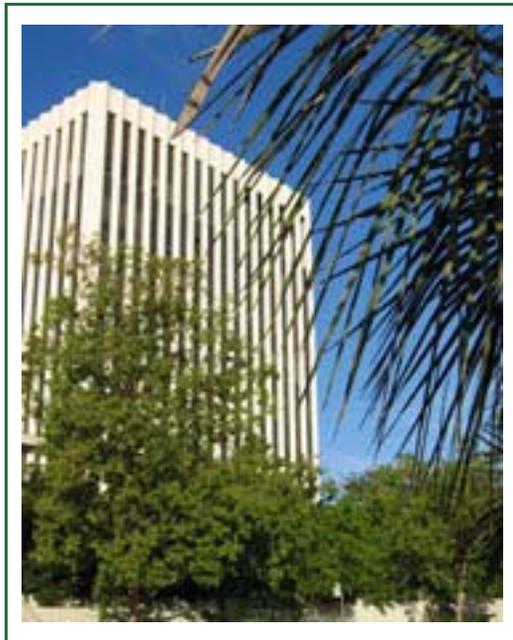
Note 6: Increase for the City's required contribution to the Santa Clara Valley Urban Runoff Pollution Prevention Program.

Note 7: Increase in operating transfer to the Technology Fund is primarily for the SAP upgrade/Utilities billing system.

Note 8: Projected CIP expenditures for the Storm Drainage Fund are \$2.2 million in 2008-09. Amounts exclude salaries and benefits.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Wastewater Treatment Fund



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Wastewater Treatment Fund

To operate, maintain, and monitor the Regional Water Quality Control Plant (RWQCP) 24 hours a day, every day; to treat all wastewater from the five partner cities' regional service area (Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto), and to ensure the maximum feasible compliance with regulations protecting the San Francisco Bay and the environment.

OVERVIEW

In 2007-08, mercury levels in the Regional Water Quality Control Plant's (RWQCP) influent were substantially less as a result of the new program to reduce mercury from dental offices. An ongoing program for the collection of pharmaceutical waste was established in cooperation with local businesses. City staff also worked at the Bay Area level on these efforts, resulting in three new pollution prevention awards in 2007-08. Visits to restaurants were increased as staff worked successfully to reduce grease blockages and the associated sanitary sewer overflows.

In 2007-08, the RWQCP successfully converted the effluent disinfection system to chloramine, yielding an 80 percent reduction in chlorodibromomethane concentration in the plant effluent. Chlorodibromomethane is a toxic contaminant newly identified and regulated by the State.

In 2008-09 plant operations, maintenance, and engineering staff will focus on the final design, financing, and construction of a state-of-the-art ultraviolet disinfection facility that will provide operational cost savings, safer operation, reduction in greenhouse gases, and improved effluent and reclaimed water quality. In 2008-09, construction on the \$20 million reclaimed water pipeline to Mountain View will be completed. The pipeline will be tested and the first customers will gradually be brought on line. Staff is implementing a "best practice" asset management program to maximize the life of plant facilities and equipment. A number of rehabilitation projects are under way including valve replacement, clarifier drive replacement, and re-location of the landfill flare.

In 2008-09, the rate stabilization reserve is expected to have a negative ending balance of \$11.3 million due to timing issues. The reserve had been adversely impacted by the delay in construction for the reclaimed water pipeline project. The delay was primarily due to construction bids coming in over budget. Revenues from grants, state revolving fund loan, and partners are being recognized against the reclaimed water pipeline construction expenses and are offsetting the negative balance. However, when the construction contract for the ultraviolet disinfection system is encumbered, the reserve will again become negative until contracted State revolving fund loan revenues for the UV system are received and recognized.

COUNCIL PRIORITY IMPLEMENTATION

Environmental Protection

- The RWQCP and Environmental Compliance section are continually exploring possible program changes to protect the climate.
- The Disinfection Facility Improvement Program project will replace the use of chlorine for disinfection of plant effluent.
- Continuing process optimizations to conserve electricity and natural gas including use of landfill gas.

Economic Health

- Staff will continue to pursue grant options to help finance projects.

Wastewater Treatment Fund

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Net Sales	16,870,280	19,347,121	19,347,121	20,551,692	1,204,571	6%
Interest Income	760,573	607,000	607,000	600,200	(6,800)	(1%)
Other Income	82,713	1,060,645	24,360,645	20,098,272	19,037,627	1,795 %
TOTAL FUND REVENUES	\$17,713,566	\$21,014,766	\$44,314,766	\$41,250,164	\$20,235,398	96%
Administration	20,250	2,071,414	2,087,192	2,189,668	118,254	6%
Operations						
Systems Improvement(CIP)	1,704,381	4,196,300	25,500,000	22,499,999	18,303,699	436%
Operations	12,974,305	11,191,820	11,742,214	12,156,195	964,375	9%
Environmental Compliance	4,169,885	2,761,761	2,777,261	2,854,798	93,037	3%
Debt Service	475,933	820,309	816,190	816,190	(4,119)	(1%)
Operating Transfers Out	1,020,630	362,512	269,717	133,503	(229,009)	(63%)
TOTAL FUND EXPENDITURES	\$20,365,384	\$21,404,116	\$43,192,574	\$40,650,353	\$19,246,237	90%
TO/FROM RESERVES	\$(2,651,818)	\$(389,350)	\$1,122,192	\$599,811	\$989,161	

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	7,653,112	8,399,952	8,770,504	8,967,891
Contract Services	1,296,877	1,811,890	1,811,890	1,936,890
Supplies and Materials	1,161,021	1,326,850	1,326,850	1,711,850
Facilities and Equipment Purchases	0	41,000	41,000	41,000
General Expense	171,926	154,450	154,450	154,450
Rents and Leases	0	17,500	17,500	17,500
Allocated Charges	6,881,504	4,273,353	4,484,473	4,371,080
Debt Service	475,933	820,309	816,190	816,190
Capital Improvement Program	1,704,381	4,196,300	25,500,000	22,499,999
Operating Transfers Out	1,020,630	362,512	269,717	133,503
TOTAL EXPENDITURES	\$20,365,384	\$21,404,116	\$43,192,574	\$40,650,353
Total Full Time Positions	68.45	67.20	68.45	68.02
Total Temporary Positions	0.83	1.50	1.16	1.50

Wastewater Treatment Fund

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. OPERATIONS: Millions of gallons treated	8,853	8,800	8,800
2. OPERATIONS: Tons of solids incinerated	8,767	8,400	8,400
3. OPERATIONS: Number of samples analyzed	13,504	10,000	10,000
4. ENVIRONMENTAL COMPLIANCE: Number of industries regulated	93	101	101
5. ENVIRONMENTAL COMPLIANCE: Number of permits issued	51	33.7	33.7
6. ENVIRONMENTAL COMPLIANCE: Number of industrial discharge tests	10,182	13,000	7,000
Efficiency:			
1. OPERATIONS: Treatment cost in \$/MG treated (total O&M cost; exclude CIP)	\$1,241	\$1,324	\$1,412
2. OPERATIONS: Solids disposal \$/ton	\$180	\$190	\$200
3. OPERATIONS: Number of employees per millions of gallons per day treated	2.26	2.26	2.26
4. ENVIRONMENTAL COMPLIANCE: Number of businesses regulated per FTE (#/6 FTE)	15.5	16.8	16.8
5. ENVIRONMENTAL COMPLIANCE: Number of permits issued per FTE (#/6 FTE)	8.5	5.6	5.6
6. ENVIRONMENTAL COMPLIANCE: Number of industrial discharge tests per FTE (#/6 FTE)	1,697	2,166	1,166
Effectiveness:			
1. OPERATIONS: Fish toxicity (Percent survival)	100%	95%	95%
2. OPERATIONS: Compliance with discharge permit (percent compliance)	100%	95%	95%
3. OPERATIONS: Reclaimed water delivered (million gallons per year)	104	100	140
4. ENVIRONMENTAL COMPLIANCE: Percent of dental offices in compliance	100%	95%	95%
5. ENVIRONMENTAL COMPLIANCE: Percent of commercial businesses in compliance	98%	98%	98%
6. ENVIRONMENTAL COMPLIANCE: Percent of discharge tests in compliance	99.4%	98%	98%

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Emergency Plant Replacement	1,337	200	1,537	1,547 (max.)
Distribution RSR	(11,739)	400	(11,339)	3,236 - 6,472

Wastewater Treatment Fund

RESERVES

(\$000)	2008-09 Projected Beginning Balance	2008-09 Changes	2008-09 Projected Ending Balance	2008-09 Reserve Guideline Range
Bond Proceeds (Restricted)	9		9	
TOTAL RESERVES	\$(10,393)	\$600	\$(9,793)	

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES (\$000)			
Increase net sales	1,095		1,095
Decrease interest income	(7)		(7)
Increase in reimbursements for CIP costs from State and local agencies		19,000	19,000
Increase in septic tank hauling fees	110		110
Increase in services to other Utility Funds	8		8
Operating transfer from Technology Fund (Note 5)		29	29
TOTAL REVENUE CHANGES	\$1,206	\$19,029	\$20,235
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Add 0.5 FTE Engineering Tech I to increase position from half-time to full-time; to assist in the implementation of two new water pollution prevention programs mandated by the State.	43		43
Salary Adjustments	154		154
Personnel Benefit Costs Increase (Note 1)	374		374
Total Salary and Benefit Changes	\$571	\$0	\$571
Non-Salary			
Decrease debt service expense	(4)		(4)
Increase capital improvement program (Note 2)	18,301		18,301
Increase in plant operations cost (Note 3)	510		510
Decrease operating transfer to Technology Fund	(229)		(229)
Allocated Charges Increase (Note 4)	97		97
Total Non-Salary Changes	\$18,675	\$0	\$18,675
TOTAL EXPENDITURE CHANGES	\$19,246	\$0	\$19,246

RESOURCE LEVEL NOTES

Note 1: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated

Wastewater Treatment Fund

based on the department's actual experience from the prior year.

Note 2: Net change includes project for the disinfection facility improvement program. Projected expenditures for this project are \$20.0 million in 2008-09.

Note 3: Increase in plant operations cost includes increases for ash hauling and disposal, chemical supplies, and spare parts and assemblies.

Note 4: Allocated charges are increasing primarily due to increases in electric charges.

Note 5: Reimbursement for prior year's overpayment for share of SAP upgrade.

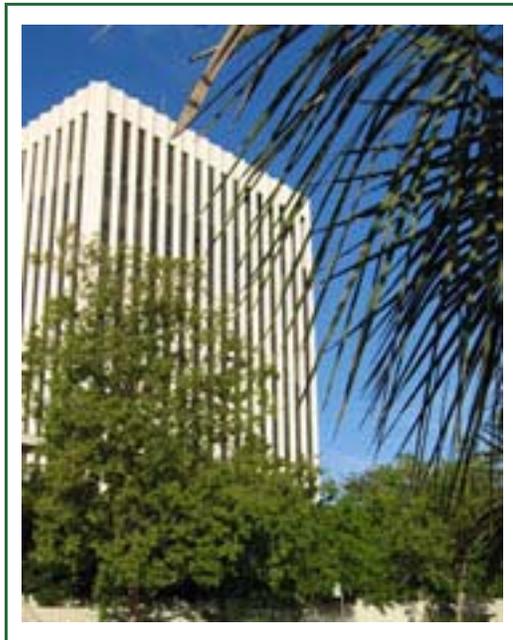
THIS PAGE IS INTENTIONALLY LEFT BLANK.

OTHER FUNDS



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Special Revenue Funds



THIS PAGE IS INTENTIONALLY LEFT BLANK.



Special Revenue Funds Overview

An Overview

Special Revenue Funds comprise revenues that have either restrictions on their use or special reporting requirements, such as development impact fees for parks, community centers, and libraries; gas tax revenues from the state; housing mitigation fees assessed on commercial and industrial projects; in-lieu fees for the City's Below Market Rate (BMR) housing program; transportation mitigation fees paid by developers; and parking in-lieu fees from commercial projects in the downtown area. Also included are parking permit revenues and Community Development Block Grants (CDBG) from the federal government.

Community Development Funds

Revenue in this fund comes from development impact fees for parks, community centers, and libraries. The development impact fees collected from new developments provide funding for the City's infrastructure related to parks, community centers, libraries, and the Charleston-Arastradero Corridor. The projected revenue for development impact fees is \$0.7 million for 2008-09.

Street Improvement Funds (SIF)

Revenue in this fund comes from the state gas tax and from federal and state grants earmarked for street improvements. The SIF provides funds for transportation and traffic-related capital projects. Based on projected gas tax revenues and interest income, revenues are estimated to be \$1.43 million for 2008-09.

Federal and State Revenue Funds

The Federal and State Revenue Fund consists primarily of CDBG monies. CDBG funds are used for a wide variety of community projects such as affordable housing and public services. Project expenditures are also supported by program income. CDBG project expenditures continue to draw upon program income and prior year allocations that have been left unspent. For 2008-09, there is a decrease of \$35,884 in Federal Grant funding from the Department of Housing and Urban Development (HUD).

Housing In-lieu Funds

In-lieu housing revenues come from fees required of commercial, industrial, and residential developers. These fees are used to provide housing for the City's Subsidized Housing Program. Any new projects are brought to the Council for specific appropriation. Other revenue includes

Special Revenue Funds Overview

proceeds from the anticipated sale of BMR housing units. In 2008-09, there is a \$3.0 million proposed acquisition planned for the 801 Alma Street property.

Special Districts Funds

Revenue in this fund comes from parking permits and is used for maintenance of parking facilities within the University and California Avenue business districts. Parking permit fees will not change from the 2007-08 adjusted budget.

Traffic Mitigation and Parking In-Lieu Funds

Traffic mitigation fee revenue is derived from fees paid by developers of new, non-residential projects to alleviate resulting additional traffic congestion. Parking in-lieu fees result from commercial projects in assessment district areas which contribute a fee for future parking spaces in lieu of providing the required spaces within the project area itself.

Public Benefit Funds

Revenue in these funds is a result of both a senior housing project on Hamilton Avenue and contributions and mitigation fees paid for Planned Community Zone approvals. The Hamilton Avenue funds will continue to be used by Avenidas (formerly Senior Coordinating Council) to provide services to seniors.

Downtown Business Improvement District (BID)

The Downtown Business Improvement District was established by an ordinance adopted in January 2004, to promote the downtown business community through events, marketing, beautification, and advocacy programs.

The BID surveyed its member businesses to determine what its priorities should be. The top two priorities identified were street cleanliness and issues related to the homeless in the downtown area. In response to these issues, the Palo Alto Business and Professional Association (which operates the BID under contract with the City) has initiated the Downtown Streets Team, a national model, empowering the homeless to care for the streets and take responsibility for cleanliness of the area. In addition, twice a year there is a marketing effort for restaurants, Dine Downtown, providing a fixed price menu for dining. The BID has also participated in several City-sponsored and Destination Palo Alto efforts including the Amgen Tour of California, Stanford Stadium re-opening and Stanford Admit Weekend, representing the interests of Downtown businesses. If approved by City Council during the BID's annual reauthorization in May 2008, the Palo Alto Business and Professional Association will continue to operate the Downtown Palo Alto BID for 2008-09.

Special Revenue by Fund

FUND SUMMARY

(\$000)	Community Develop. Funds	Street Improve- ment Funds	Federal & State Revenue Funds	Housing In-Lieu Funds	Special Districts Funds	Traffic Mitigation & Parking In-Lieu Funds	Public Benefits Funds	BID Funds	Total Special Revenue Funds
Revenues									
Gas Tax		1,431							1,431
Federal and State Grants			676	1,000					1,676
Parking Permit/In-Lieu Fees				1,220	1,165	480			2,865
Development Impact Fees	553								553
Interest Income	130	7	8	225	27	66	26	1	490
Operating Transfers			5						5
Other Revenue			681	554					1,235
Business Improvement District (BID) Special Assessment								160	160
Loan Payoff				230					230
TOTAL SOURCE OF FUNDS	\$683	\$1,438	\$1,370	\$3,229	\$1,192	\$546	\$26	\$161	\$8,645
Expenditures									
CDBG Project Expenditures			1,693						1,693
CDBG Administration Cost Recovery			167						167
Planning / Public Works Department Transfer for Street Improvement Cost Recovery		292							292
Community Development Funds CIP Transfer	320								320
Charleston-Arastradero Funds CIP Transfer	82								82
Street Improvement Fund CIP Transfer		1,170							1,170
Parking Facilities Debt Service Transfer					80				80
Parking Garage Maintenance/ Operations Transfer to General Fund					1,054				1,054
Parking Lot Sweeping Transfer to Refuse Fund					116				116
CDBG Projects Transfer from HIP Revenues			5						5
Below Market Rate (BMR) Pro- gram Management Contract				125					125
BMR Loan Program				350					350
Residential Housing In-Lieu				2,115					2,115
Commercial Housing In-Lieu				3,120					3,120
Senior Services Grant							59		59
BID Operating Expense								160	160
TOTAL USE OF FUNDS	\$402	\$1,462	\$1,865	\$5,710	\$1,250	\$0	\$59	\$160	\$10,909
NET TO (FROM) RESERVES	\$281	\$(24)	\$(495)	\$(2,481)	\$(58)	\$546	\$(33)	\$1	\$(2,264)

Consolidated Special Revenue Funds

FUND SUMMARY

(\$000)	2006-07 Actual	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Revenues					
Gas Tax	1,137	1,135	1,135	1,431	296
Federal and State Grants	121	150	0	1,000	850
Federal CDBG	448	712	712	676	(36)
Housing In-Lieu	2,799	400	400	1,220	820
Traffic Mitigation Fees	183	282	282	282	0
Developer Impact Fees	1,419	553	553	553	0
Parking Mitigation Fees	868	1,044	1,044	1,168	124
BID Assessment	141	160	160	160	0
Interest Income	392	370	370	491	121
Other Revenue	1,439	711	711	1,660	949
SUBTOTAL REVENUES	\$8,947	\$5,517	\$5,367	\$8,642	\$3,125
Operating Transfers From:					
Housing Improvement	10	5	5	5	0
SUBTOTAL OPERATING TRANSFERS IN	\$10	\$5	\$5	\$5	\$0
TOTAL SOURCE OF FUNDS	\$8,958	\$5,522	\$5,372	\$8,647	\$3,125
Expenses					
General Expense	4,118	2,003	1,910	7,790	5,787
Operating Transfers To:					
General Fund	995	1,394	1,302	1,346	(48)
CDBG	10	5	5	5	0
Debt Service	80	80	80	80	0
CIP	1,252	1,965	1,572	1,572	(394)
Refuse	246	115	116	116	1
SUBTOTAL OPERATING TRANSFERS	\$2,584	\$3,559	\$3,075	\$3,119	\$(441)
TOTAL USE OF FUNDS	\$6,702	\$5,562	\$4,985	\$10,909	\$5,347
NET TO (FROM) RESERVES	\$2,256	\$(40)	\$387	\$(2,262)	\$(2,222)

Community Development Block Grant

2008-09 FUNDING

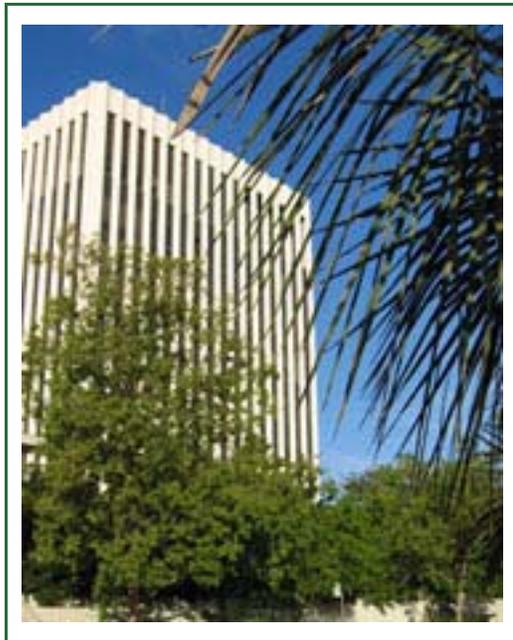
	2007-08 Adopted Budget	2008-09 Agency Requests	2008-09 Adopted Budget
SOURCE OF FUNDS			
Housing & Urban Development	712,032		676,148
Prior Year Excess/Reallocation (1)	43,492		457,706
Program Income			
Housing Improvement Program	5,000		5,000
Palo Alto Housing Corporation	40,000		60,000
Caravan House Loan Repayment	0		114,252
Estimated Sheridan Apartments and Loan Repayment	0		165,000
Estimated Palo Alto Gardens Loan Repayment	0		335,000
TOTAL SOURCE OF FUNDS	\$800,524	\$0	\$1,813,106
USE OF FUNDS			
Public Service			
Emergency Housing Consortium - Palo Alto HOMES project	7,500	10,000	7,500
Emergency Housing Consortium - Off the Streets project	7,500	15,000	7,500
Palo Alto Housing Corporation - SRO Resident Support Services	25,000	42,245	30,000
Catholic Charities - Long-Term Care Ombudsman	7,500	7,800	7,800
Catholic Charities - Housing Search Services	0	20,000	0
Shelter Network - Haven Family House	8,500	30,000	8,500
Clara Mateo Alliance - Single/Couple Shelter	17,500	35,000	17,500
Clara Mateo Alliance - Family Shelter	17,500	25,000	17,500
Urban Ministry - Drop in Center	30,000	30,000	30,000
Peninsula Association for Retarded Children & Adults	0	10,000	application withdrawn
Day Worker Center of Mountain View - Day Worker Center	0	15,000	0
Mid-Peninsula Alano Club - MPAC Operations	0	10,000	0
SUBTOTAL: PUBLIC SERVICE (2)	\$121,000	\$250,045	\$126,300
Planning and Administration			
City of Palo Alto - CDBG Administration includes 1.20 FTE CDBG Administrative Staff	124,536	186,900	121,429
Fair Housing - Project Sentinel	26,800	26,800	26,800
SUBTOTAL: PLANNING AND ADMINISTRATION (2)	\$151,336	\$213,700	\$148,229
Housing, Economic Development & Capital Projects			
Eden Housing/Community Housing Alliance	0	500,000	0

Community Development Block Grant

2008-09 FUNDING

	2007-08 Adopted Budget	2008-09 Agency Requests	2008-09 Adopted Budget
Economic and Social Opportunities	0	60,000	0
Stevenson House - Interior Common Area Renovation	144,259	270,284	0
Bridge Housing- Fabian Way Senior Housing	383,929	0	0
Lytton Gardens- New Shower Enclosures	0	103,300	0
Palo Alto Housing Corporation: 488 W. Charleston Road Housing Project	0	3,000,000	1,538,577
SUBTOTAL: HOUSING, ECONOMIC DEVELOPMENT & CAPITAL PROJECTS (2)	\$528,188	\$3,933,584	\$1,538,577
TOTAL USE OF FUNDS	\$800,524	\$4,397,329	\$1,813,106
(1) Funds received in excess of revenue estimate for local program income (2007-08 and prior)			
(2) The funding will be made at the three primary program activity levels			

Debt Service Funds



THIS PAGE IS INTENTIONALLY LEFT BLANK.



Debt Service Funds Overview

An Overview

Expenses for non-utilities debt service are included in these funds and are broken down into general and special assessment debt service.

General debt service is funded by revenues and the General Fund (GF). It also includes repayment of funds borrowed for improvements to the Golf Course, structural improvements to the Civic Center, and for the new commercial building adjacent to lots S and L parking structure on Bryant and Florence. The estimated General debt service expense is \$1.2 million for 2008-09.

Debt service for the Golf Course Renovations and Civic Center Retrofit is funded by an operating transfer from the GF. The University Avenue Parking Permit fund transfers \$80,000 annually to support the parking district's share of the Civic Center debt.

The table below describes the three debt issues currently serviced by the GF: 1998 Golf Course improvement, 2002A and 2002B Certificates of Participation (COPS)

General Fund Debt Service			
	1998 Golf Course COP	Series 2002 A (Tax Exempt)	Series 2002B (Taxable)
Issued Date	Feb. 1999	Jan. 2002	Jan. 2002
Principal Issued	\$7,750,000	\$3,500,000	\$2,674,048
Annual Debt Service Payment	\$555,686	\$424,355	\$234,640
Final Payment Date	Sep. 2018	Mar. 2012	Mar. 2022
Estimated Debt Outstanding as of 7/1/2008	\$4,075,000	\$1,540,000	\$2,115,000
Total Interest over life of Debt	\$4,183,244	\$726,625	\$2,243,950

The Golf Course COPS improvement bond was issued in August 1998 to retire the 1978 Golf Course Lease Revenue Bonds and to finance infrastructure improvements at the Golf Course. Funding for this debt service comes from a transfer from the GF and is paid for by Golf Course receipts.

The 2002A Civic Center Refinancing COPS was issued in January 2002 to refinance the City's 1992 COPS at a lower interest rate. The refinancing resulted in an overall debt service savings of \$372,000 and an economic gain of \$191,000.

The 2002B Downtown Parking Improvement Project COPS was also issued in January 2002 to fund the construction of a two-story, above-ground structure as an extension to the new parking garage on lots S and L. In January 2005, the City established an escrow account to partially defease

Debt Service Funds Overview

the Series 2002B COPS. The original principal issued was \$3,555,000. The table above reflects the new principal outstanding of \$2,674,048. The defeasance resulted in an overall debt service savings of \$1,511,000 and an economic gain of \$462,000.

Special assessment debt includes debt service on the University and California Avenue parking facilities. This debt is paid by annual assessments on property owners within each of the parking districts.

City of Palo Alto Debt Policy

The City of Palo Alto recognizes the need for spending a prudent amount every year for ongoing capital replacement and rehabilitation needs. Because an ongoing capital improvement plan is vital to ensure the future viability of services, the City will always place first priority on funding its regular and ongoing capital needs on a pay-as-you-go basis. There are special or extraordinary capital improvement projects in which it is appropriate to consider debt financing.

A set of guidelines is included below in order to support the decision-making process. These guidelines were adopted by the City Council on May 13, 1997 (City Manager's Report 210:97).

Debt financing is only appropriately considered for capital improvements and not for operating budget items. Annual debt service payments should not exceed 10 percent of the annual expenditure budget of the General Fund. The term of the debt issuance should not exceed the useful life expectancy of the asset acquired, constructed, or improved.

It is appropriate to consider debt financing under the following circumstances:

- The project financing can be paid for directly by the users of the facility. One example is capital improvements made to the City's golf course, where debt service payments can be made from the green fees paid by golfers. A second example is capital improvements paid for by assessments to property owners, such as a parking assessment for a downtown parking garage.
- For Enterprise Funded projects, if a significant backlog of capital improvements has developed and if that backlog cannot be addressed through the ongoing capital budget without having a significant impact on utility rates.
- If funding for a large project (or grouping of similar projects) would have a significant negative impact on the availability of funding for other ongoing capital needs.
- Capital leases may be considered for purchases of large pieces of equipment.

Debt Service Funds Overview

Legal Debt Limit

In accordance with the California Government Code Section 43605, the legal debt margin limit is 15 percent of the assessed value of all real and personal property of the City. However, the Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25 percent of market value. Thus, the limit is calculated at 3.75 percent, which is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value. This legal debt margin only applies to General Obligation debt, of which the City has none.

Based upon the assessed valuation of \$17.6 billion for the fiscal year ending June 30, 2007, the City is limited to general obligation indebtedness of \$0.6 billion. As of June 30, 2007, the amount of debt applicable to the debt limit totaled \$0.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Debt Service Funds

FUND SUMMARY

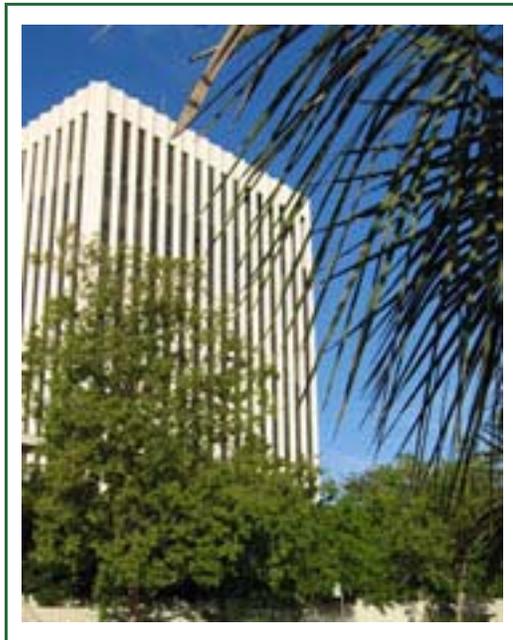
(\$000)	2006-07 Actual	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Revenues					
Other - Interest	21	54	54	52	(1)
SUBTOTAL REVENUES	\$21	\$54	\$54	\$52	\$(1)
General Fund Operating Transfers					
Golf Course Corporation	525	528	523	526	(2)
Public Improvement Corp. (Civic Center)	338	329	332	332	3
Parking 2002B COPS Taxable	230	226	226	225	(1)
University Avenue Permit Fund Transfer	80	80	80	80	0
SUBTOTAL OPERATING TRANSFERS IN	\$1,172	\$1,162	\$1,161	\$1,162	\$0
TOTAL SOURCE OF FUNDS	\$1,194	\$1,216	\$1,215	\$1,215	\$(1)
Expenses					
Debt Service:					
Golf Course Corporation - Principal	310	325	335	335	10
Golf Course Corporation - Interest	248	235	221	221	(14)
Public Improvement Corporation - Principal	340	350	365	365	15
Public Improvement Corporation - Interest	82	71	59	59	(12)
Parking 2002B COPS Taxable - Principal	90	95	100	100	5
Parking 2002B COPS Taxable - Interest	145	140	135	135	(5)
TOTAL USE OF FUNDS	\$1,215	\$1,216	\$1,215	\$1,215	\$(1)
NET TO (FROM) RESERVES	\$(22)	\$0	\$0	\$0	\$0

Special Assessment Debt Service

FUND SUMMARY

(\$000)	2006-07 Actual	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Revenues					
Special Assessments	125	119	0	0	(119)
TOTAL SOURCE OF FUNDS	\$125	\$119	\$0	\$0	\$(119)
Expenses					
Debt Service	123	119	0	0	(119)
TOTAL USE OF FUNDS	\$123	\$119	\$0	\$0	\$(119)
NET TO (FROM) RESERVES	\$2	\$0	\$0	\$0	\$0

Internal Service Funds



THIS PAGE IS INTENTIONALLY LEFT BLANK.



Internal Service Funds Overview

An Overview

Internal Service Funds provide services to City departments and recover their costs through user charges. These user charges are included in the department/fund budgets under the “allocated charges” expenditure category and do not represent additional expenditure in the City's operating budgets.

Vehicle Replacement and Maintenance Fund

The Vehicle Replacement and Maintenance Fund provides maintenance and replacement of vehicles and equipment used by all City departments. In 2008-09, this fund will continue to focus on its core activities - vehicle and equipment replacement, preventive maintenance, repairs, and fueling - and on improving service to client departments. In 2008-09, fund balance is projected to be \$75,000.

Technology Fund

This fund manages citywide Information Technology (IT) activities. The fund continues to maintain critical desktop, software, and infrastructure replacements and maintenance activities. The Enterprise Funds are now full participants in this fund as their technology systems become further integrated into the citywide technology infrastructure. Staff continues to enhance the functionality in the SAP general ledger, project management system, and Human Resources module. The focus for 2008-09 will be to upgrade the Enterprise version of SAP and migrate the Utilities Customer Information System (billing) to SAP. The 2008-09 fund balance is projected to be \$6.3 million.

Printing and Mailing Services Fund

The Printing and Mailing Services Fund provides central duplicating and printing and mailing services for all City departments. In 2008-09, staff will focus on implementing business management software for the Print Shop, enhancing customer service, and replacing the outdated analog mailing system with state-of-the-art digital technology to increase production for mass mailings and add processing functionality. The 2008-09 fund balance is projected to be \$0.2 million.

General Benefits and Insurance Fund

The General Benefits and Insurance Fund accounts for employee health benefits, retirement pension contributions, and the City's self insured workers' compensation and general liability programs. Citywide benefit expense is increasing 8.3 percent to \$43.6 million in 2008-09. Beginning in 2008-09 the City will pay the employee portion of Public Employees

Internal Service Funds Overview

Retirement System (PERS) cost for the Palo Alto Peace Officers Association (PAPOA), which contributed to the increase.

Staff continues to examine ways to control citywide benefit and insurance costs.

The 2008-09 fund balance is projected to be \$1.4 million.

Retiree Health Benefits Fund

This fund manages the payments associated with, and reserves dedicated to, medical benefits granted to retired employees of the City. In 2007-08, \$30 million was transferred to the California Employer's Retiree Benefit Trust Program (CERBT) to establish a irrevocable trust administered by CalPERS.

The 2008-09 fund balance is projected to be \$0.7 million.

Internal Service Funds

FUND SUMMARY

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Retiree Health Benefit Fund	Total
Revenues						
Operating Revenue	8,329	9,305	1,388	39,017	7,886	65,926
Interest Income	193	638	14	1,692	0	2,536
Other Revenue	311	4,674	2	480	0	5,467
TOTAL SOURCE OF FUNDS	\$8,833	\$14,617	\$1,404	\$41,189	\$7,886	\$73,929
Expenditures						
Operating Expenditures	4,648	10,307	1,481	43,699	7,886	68,022
Capital Improvement Program	2,545	2,387	0	0	0	4,932
TOTAL USE OF FUNDS	\$7,193	\$12,694	\$1,481	\$43,699	\$7,886	\$72,953
NET TO/FROM UNRESTRICTED ASSETS	\$1,640	\$1,923	\$(77)	\$(2,511)	\$0	\$976

Internal Service Funds Unrestricted Assets

FUND SUMMARY

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Retiree Health Benefit Fund	Total
Changes to Unrestricted assets						
JUNE 30, 2008 UNRESTRICTED ASSETS	\$(1,565)	\$4,336	\$312	\$3,955	\$719	\$7,757
2008-09 Projected Changes	1,640	1,923	(77)	(2,511)	0	976
JUNE 30, 2009 UNRESTRICTED ASSETS	\$75	\$6,259	\$235	\$1,445	\$719	\$8,733

Vehicle Replacement Fund

To provide for the timely replacement of vehicles and equipment in accordance with prescribed schedules, to ensure the safe, reliable, and efficient operation of vehicles and equipment through systematic preventive maintenance and cost-effective repairs, and to provide safe, efficient fuel storage and dispensing facilities while pursuing alternative fuel technologies and minimizing the pollution and carbon footprint generated from the City's vehicle fleet.

OVERVIEW

In 2007-08, Public Works focused on core activities, such as vehicle and equipment replacement, preventive maintenance, repairs, and fueling.

During 2008-09, staff will continue to focus on core activities as described above and will oversee a complete renovation of the parts and supplies storeroom facilities, including the installation of an automated lubricant dispensing system. In addition, staff will implement the second phase of a new automated motor pool vehicle reservation system at the Civic Center.

The 2008-09 Budget accounts for vehicle and equipment purchases within the capital improvement program (CIP Project VR-09000); the project cost is captured in the fund.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Operating Revenue	5,672,726	6,304,970	6,300,760	8,329,378	2,024,408	32%
Interest Income	266,285	220,300	220,300	192,700	(27,600)	(13%)
Other Income	501,773	379,009	309,009	311,009	(68,000)	(18%)
TOTAL FUND REVENUES	\$6,440,784	\$6,904,279	\$6,830,069	\$8,833,087	\$1,928,808	28%
Administration	2,214,106	137,693	137,888	151,759	14,066	10%
Vehicle Replacement and Additions	1,444,588	3,837,892	2,845,809	2,805,153	(1,032,739)	(27%)
Vehicle Operations and Maintenance	3,315,224	4,161,583	3,682,080	4,235,706	74,123	2%
TOTAL FUND EXPENDITURES	\$6,973,918	\$8,137,168	\$6,665,777	\$7,192,618	\$(944,550)	(12%)
TO/FROM RESERVES	\$(533,134)	\$(1,232,889)	\$164,292	\$1,640,469	\$2,873,358	

Vehicle Replacement Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	1,650,735	1,827,553	1,854,416	1,899,897
Contract Services	1,128,630	286,488	286,200	286,200
Supplies and Materials	1,206,304	1,682,478	1,265,000	1,665,000
Facilities and Equipment Purchases	2,092,924	26,000	26,000	1,000
General Expense	226,362	3,500	3,500	3,500
Allocated Charges	668,963	793,734	703,246	764,606
Capital Improvement Program	0	3,490,000	2,500,000	2,545,000
Operating Transfers Out	0	27,415	27,415	27,415
TOTAL EXPENDITURES	\$6,973,918	\$8,137,168	\$6,665,777	\$7,192,618
Total Full Time Positions	16.00	16.20	16.20	16.20
Total Temporary Positions	0.00	0.08	0.00	0.08

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of alternatively-fueled vehicles in the city fleet	79	81	84
Efficiency:			
1. Percentage of total fleet fuel consumption that is alternative fuels (CNG, biodiesel). Includes fuel provided to PAUSD and PASCO.	20	20	22
Effectiveness:			
1. Amount of gasoline and diesel fuel consumption avoided (in gallons). Includes fuel provided to PAUSD and PASCO.	72,426	72,500	75,000

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase vehicle maintenance reimbursement from other funds	195,880	843,257	1,039,137
Increase vehicle replacement reimbursement from other funds	328,528	656,743	985,271
Increase operating transfer from General Fund		45,000	45,000
Decrease interest income	(27,600)		(27,600)

Vehicle Replacement Fund

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
TOTAL REVENUE CHANGES	\$496,808	\$1,545,000	\$2,041,808
Adjustments (Note 1)		(113,000)	(113,000)
NET REVENUE CHANGES	\$496,808	\$1,432,000	\$1,928,808
EXPENDITURE CHANGES			
Salary and Benefits			
Salary Adjustments	22,868		22,868
Personnel Benefits Costs (Note 2)	49,476		49,476
Total Salary and Benefits	\$72,344	\$0	\$72,344
Non-Salary			
Decrease capital improvement program	(945,000)		(945,000)
Allocated Charges Increase (Note 3)	70,872		70,872
Total Non-Salary	\$(874,128)	\$0	\$(874,128)
TOTAL EXPENDITURE CHANGES	\$(801,784)	\$0	\$(801,784)
Adjustments (Note 1)		(142,766)	(142,766)
NET EXPENDITURE CHANGES	\$(801,784)	\$(142,766)	\$(944,550)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation is allocated based on the department's actual experience from the prior year.

Note 3: Increase in allocated charges is primarily due to increases in natural gas charges, cost plan charges, and IT support.

Technology Fund

OVERVIEW

In 2008-09, the Technology Fund will continue to deliver information technology services in accordance with the Information Technology (IT) Strategic Plan. The IT Strategic Plan was designed to ensure that a cohesive, citywide management information strategy be in place to address organizational, operational, and technological infrastructure issues. The plan facilitates the development and implementation of citywide priorities including eGovernment, Geographic Information System (GIS), IT Security, and Telecommunications.

Client Services will continue to maintain the City's desktop computers, and has re-instated the 36-month replacement schedule.

Infrastructure Services will focus on: implementing the Telecommunications Master Plan; developing a Wireless Service Strategic Plan; developing and implementing a disaster recovery plan for the City's mission critical systems; conducting an IT security audit; updating the City's existing telephone system; and upgrading the City's network infrastructure.

Project Management and Application will upgrade the SAP Enterprise Resources Planning (ERP) system. Migration and upgrade activities will be the focus in 2008-09. The technical upgrade of the SAP environment to SAP 2005 will be performed prior to the migration of the Utilities Department Customer Information System.

The Information Technology Service Provider program has been discontinued due to its increased costs of doing business. This program offered IT support to neighboring cities.

The Technology Fund reserve was established to fund the replacement of the City's IT infrastructure. Its existence reflects the City's strong commitment to future technology infrastructure needs.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Operating Revenue	8,717,905	9,046,772	9,059,294	9,305,234	258,462	3%
Interest Income	719,371	592,100	592,100	637,900	45,800	8%
Other Income	905,968	3,199,399	1,904,671	4,674,309	1,474,910	46%
TOTAL FUND REVENUES	\$10,343,244	\$12,838,271	\$11,556,065	\$14,617,443	\$1,779,172	14%
Client Services	3,277,033	4,501,154	4,449,768	4,996,718	495,564	11%
Infrastructure Services	2,242,223	1,553,002	1,554,549	1,726,702	173,700	11%
Project Management and Application	2,761,541	3,455,508	3,460,162	3,583,807	128,299	4%
Technology Projects	1,130,640	8,450,330	3,772,632	2,386,844	(6,063,486)	(72%)
TOTAL FUND EXPENDITURES	\$9,411,437	\$17,959,994	\$13,237,111	\$12,694,071	\$(5,265,923)	(29%)
TO/FROM RESERVES	\$931,807	\$(5,121,723)	\$(1,681,046)	\$1,923,372	\$7,045,095	

Technology Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	4,324,040	4,425,515	4,442,258	5,035,312
Contract Services	1,920,967	2,520,300	2,520,300	2,520,300
Supplies and Materials	99,982	260,776	260,776	260,776
Facilities and Equipment Purchases	536,648	818,125	818,125	818,125
General Expense	506,464	565,305	565,305	565,305
Rents and Leases	220,626	235,000	200,000	246,000
Allocated Charges	649,070	621,259	594,331	757,086
Capital Improvement Program	1,130,640	8,450,330	3,772,632	2,386,632
Operating Transfers Out	23,000	63,384	63,384	104,535
TOTAL EXPENDITURES	\$9,411,437	\$17,959,994	\$13,237,111	\$12,694,071
Total Full Time Positions	29.60	29.80	29.80	30.65
Total Temporary Positions	0.72	0.93	0.68	0.68

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of computer workstations (SEA)	1,050	1,100	1,125
2. Provide public video broadcasting for meetings of the City Council, Council Commissions, and Committees (e.g. Finance, Policy & Services, Planning, Public Arts, Library Advisory, etc.)	190	190	190
Efficiency:			
1. Information Technology General Fund operating and maintenance expenditures as a percent of total operating expenditures (SEA)	3.0%	3.0%	3.0%
Effectiveness:			
1. Percent of requests for computer help desk services resolved within 5 days (SEA)	90%	90%	90%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Increase investment income	45,800		45,800

Technology Fund

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Decrease in state grants	(54,000)		(54,000)
Increase reimbursement from City departments	258,462		258,462
Increase reimbursement for CIP projects	1,179,060		1,179,060
Increase other revenue (Stanford)	349,850		349,850
TOTAL REVENUE CHANGES	\$1,779,172	\$0	\$1,779,172
EXPENDITURE CHANGES			
Salary and Benefits			
Unfreeze 1.0 FTE Manager IT	177,645		177,645
Personnel Benefit Costs Increase (Note 2)	432,152		432,152
Total Salary and Benefits	\$609,797	\$0	\$609,797
EXPENDITURE CHANGES			
Non-Salary			
Decrease CIP project costs	(2,948,000)		(2,948,000)
Increase operating transfer to the Wastewater Treatment Fund	29,772		29,772
Increase in other rents and leases	46,000		46,000
Increase operating transfers	11,379		11,379
Allocated Charges Increase	135,827		135,827
Total Non-Salary	\$(2,725,022)	\$0	\$(2,725,022)
TOTAL EXPENDITURE CHANGES	\$(2,115,225)	\$0	\$(2,115,225)
Adjustments (Note 1)		(3,150,698)	(3,150,698)
NET EXPENDITURE CHANGES	\$(2,115,225)	\$(3,150,698)	\$(5,265,923)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

SERVICE LEVEL CHANGES

Information Technology staff is continually adjusting to an increasing workload. The effect on management and staff has been an increase in additional project management responsibilities. Due to the increased workload, it will be necessary to contract for consulting services for any enterprise application upgrades.

Highlights of service level changes are as follows:

Technology Fund

- Enterprise level applications will be maintained at the current level. Any new initiatives will require the contracting of consulting services.
- GIS data updating will be maintained. New projects will require additional staff resources.
- An interim document imaging system has been implemented which provides basic functionality. Implementation of an enterprise-wide SAP document imaging module will be delayed approximately 2 years.
- The SAP upgrade and CIS migration will be performed with the assistance of consulting resources.
- Any new IT initiative(s) will require additional staffing and/or budget for consulting resources.

Printing and Mailing Fund

OVERVIEW

In 2008-09, the Printing and Mailing Fund will continue providing the highest level of customer service through improved product quality, production, and on-time order processing. Continued staff training and development will promote the expertise required to produce high-quality professional reprographic documents. This Fund's portfolio of services will include on-demand black and white and color digital document processing and e-filing storage for rapid in-plant document recall. The Print Shop will also explore offering additional bindery options such as wire binding and shrink wrap packaging. Implementation of a newly installed state-of-the-art digital color copier will assist staff in meeting the increased demand for color copies. The Print Shop's use of management software will improve estimating, job costing, and reporting capabilities for customers.

In addition, Mailing Services will explore extending document processing service to non-utility City departments via the new state-of-the-art digital document processing system. The increased functionality will relieve departments of the need to manually prepare large volumes of mail for distribution to the public. The City will continue to utilize a mailing services provider to transport and meter all outgoing mail, including customer utility bills, at no additional cost to the City.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Operating Revenue	1,190,807	1,365,657	1,377,816	1,388,188	22,531	2%
Interest Income	29,119	24,000	24,000	13,700	(10,300)	(43%)
Other Income	5,571	2,000	2,000	2,000	0	0%
TOTAL FUND REVENUES	\$1,225,497	\$1,391,657	\$1,403,816	\$1,403,888	\$12,231	1%
Printing and Mailing	1,343,966	1,438,714	1,363,070	1,481,277	42,563	3%
TOTAL FUND EXPENDITURES	\$1,343,966	\$1,438,714	\$1,363,070	\$1,481,277	\$42,563	3%
TO/FROM RESERVES	\$(118,469)	\$(47,057)	\$40,746	\$(77,389)	\$(30,332)	

Printing and Mailing Fund

INPUTS

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget
Salaries and Benefits	415,498	415,908	361,291	425,289
Contract Services	156,819	190,233	129,511	167,011
Supplies and Materials	49,241	65,758	81,758	81,758
General Expense	341,393	361,635	392,357	399,357
Rents and Leases	278,539	269,385	269,385	269,385
Allocated Charges	102,476	127,573	120,546	130,255
Operating Transfers Out	0	8,222	8,222	8,222
TOTAL EXPENDITURES	\$1,343,966	\$1,438,714	\$1,363,070	\$1,481,277
Total Full Time Positions	4.60	4.65	4.05	4.05
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted Budget
Workload Outputs:			
1. Number of utilities bills mailed per day	1,550	1,600	1,600
Efficiency:			
1. Accommodate 85 percent of late printing requests for inclusion in the weekly City Council packet	95%	98%	98%
Effectiveness:			
1. Percent of utilities bills mailed each day	100%	100%	100%

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
REVENUE CHANGES			
Decrease interest income	(10,300)		(10,300)
Decrease mailing services	(24,619)		(24,619)
Increase printing services	47,150		47,150
TOTAL REVENUE CHANGES	\$12,231	\$0	\$12,231
EXPENDITURE CHANGES			
Salary and Benefits			

Printing and Mailing Fund

RESOURCE LEVEL CHANGES

	2008-09 Ongoing	2008-09 One-Time	2008-09 Total
Personnel Benefit Costs Increase (Note 2)	9,383		9,383
Total Salary and Benefits	\$9,383	\$0	\$9,383
Non-Salary			
Increase postage expense	7,000		7,000
Increase other contract services	36,000		36,000
Increase instruction and training	1,500		1,500
Allocated Charges Increase	2,680		2,680
Total Non-Salary	\$47,180	\$0	\$47,180
TOTAL EXPENDITURE CHANGES	\$56,563	\$0	\$56,563
Adjustments (Note 1)		(14,000)	(14,000)
NET EXPENDITURE CHANGES	\$56,563	\$(14,000)	\$42,563

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time budget changes from the prior year that were removed and included from this year's budget as planned.

Note 2: Personnel benefit costs changes are primarily due to the inclusion of future retiree medical costs (GASB 45), and changes to the allocation of expense for workers' compensation. Workers' compensation expense is allocated based on the department's actual experience from the prior year.

General Benefits and Insurance Fund

OVERVIEW

The General Benefits and Insurance Funds are jointly managed by Administrative Services and Human Resources Department staff and accounts for health benefits, the City's self-insured workers' compensation, and general liability programs.

The table below reflects an expense increase of \$3.3 million citywide from 2007-08 adjusted budget totals. Beginning in 2008-09 the City will pay the employee portion of PERS for the Palo Alto Peace Officers Association (PAPOA), which contributed to the increase.

The increase in costs is also a result of a 10 percent increase in rates for employee healthcare plans.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Operating Revenue	2,464,452	1,112,000	1,112,000	1,182,200	70,200	6%
Interest Income	1,704,131	1,663,500	1,663,500	1,691,800	28,300	2%
Other Income	33,999,572	37,574,500	37,778,500	38,314,700	740,200	2%
TOTAL FUND REVENUES	\$38,168,155	\$40,350,000	\$40,554,000	\$41,188,700	\$838,700	2%
Operating Expense	37,954,878	40,350,000	40,554,000	43,699,200	3,349,200	8%
TOTAL FUND EXPENDITURES	\$37,954,878	\$40,350,000	\$40,554,000	\$43,699,200	\$3,349,200	8%
TO/FROM RESERVES	\$213,277	\$0	\$0	\$(2,510,500)	\$(2,510,500)	

Retiree Health Benefit Fund

OVERVIEW

The Retiree Health Benefit Fund manages the payments associated with and reserves dedicated to medical benefits granted to retired employees of the City. In 2008-09, retiree health benefit expense is estimated to be \$7.8 million.

In this 2008-09 Budget, there is expense funding for the future liability of retiree medical costs. General Fund expense in 2008-09 is increased by \$0.5 million from the 2008-09 adopted-in-concept budget, for the retiree medical liability. The funds will contribute to the City's reserve for retiree medical and will satisfy the government accounting standard board's (GASB 45) requirement for realizing the expense.

FUND SUMMARY

	2006-07 Actuals	2007-08 Adjusted Budget	2008-09 Adopted-in- Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change	% Chg
Interest Income	1,315,290	0	0	0	0	0%
Other Income	7,140,304	6,894,833	6,894,833	7,886,163	991,330	14%
TOTAL FUND REVENUES	\$8,455,594	\$6,894,833	\$6,894,833	\$7,886,163	\$991,330	14%
Operating Expense	4,240,303	6,894,833	6,894,833	7,886,163	991,330	14%
TOTAL FUND EXPENDITURES	\$4,240,303	\$6,894,833	\$6,894,833	\$7,886,163	\$991,330	14%
TO/FROM RESERVES	\$4,215,291	\$0	\$0	\$0	\$0	

Average Salary & Benefits

AVERAGE SALARY & BENEFITS PER EMPLOYEE — BY UNIT

CATEGORY	MGMT	IAFF	FCA	PAPOA	SEIU
FTE	277	112	5	84	597
% OF City	26%	10%	0%	8%	56%
SALARY	\$107,033	\$94,145	\$112,039	\$103,938	\$70,632
Overtime*	\$0	\$17,390	\$0	\$16,571	\$3,309
VMC *	\$4,346	\$0	\$6,364	\$0	\$0
IN-LIEU HOLIDAY	\$0	\$4,886	\$0	\$5,394	\$3,666
MGMT LEAVE	\$4,117	\$0	\$0	\$0	\$0
PERS EMPLOYER	\$18,201	\$23,077	\$27,463	\$25,477	\$12,011
PERS EMPLOYEE	\$6,422	\$8,473	\$10,084	\$9,354	\$4,238
MEDICAL	\$10,700	\$10,700	\$10,700	\$10,700	\$10,700
DENTAL	\$1,506	\$1,506	\$1,506	\$1,506	\$1,506
WORKER'S COMP	\$1,478	\$8,960	\$0	\$10,727	\$1,478
LIFE/LTD/SUI/EAP	\$705	\$705	\$705	\$705	\$705
NON-SAL. BENEFITS	\$4,394	\$1,394	\$4,394	\$1,394	\$1,394
2008-09 TOTAL SALARY/ BENEFITS	\$158,901	\$171,236	\$173,254	\$185,767	\$109,638
* Average employee eligible for benefit					

THIS PAGE IS INTENTIONALLY LEFT BLANK.

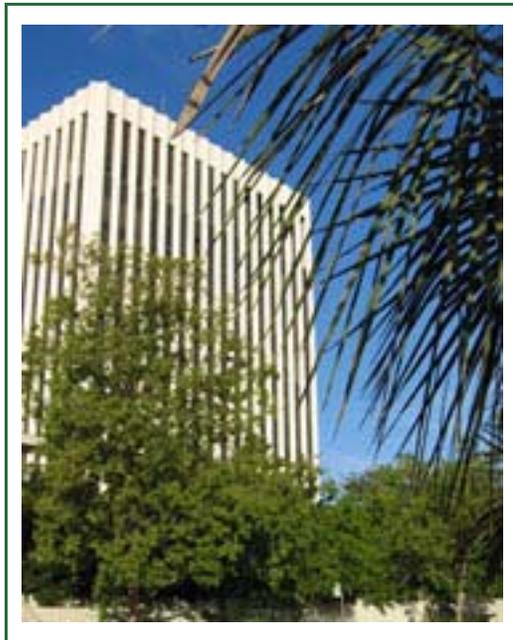


STAFFING



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Staffing



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Summary of Position Changes

	FTE
GENERAL FUND	
2007-08 ADOPTED BUDGET	651.25
2007-08 BAO Position Adjustments	
Coordinator, Recycling (MGR)	0.25
Environmental Specialist (MGR)	0.25
Manager, Energy Risk (MGR)	0.25
Sr. Financial Analyst (MGR)	0.13
Sr. Financial Analyst (ASD)	(0.13)
Administrative Associate I (FIR)	(1.00)
Administrative Associate II (FIR)	1.00
Executive Assistant (FIR)	(1.00)
OES Coordinator (FIR)	1.00
Assistant Director - Human Resources (HRD)	1.00
Manager, Risk and Benefits (HRD)	(1.00)
Human Resources Assistant-Conf. (HRD)	0.40
Public Safety Dispatcher I (POL)	2.00
Public Safety Dispatcher II (POL)	(2.00)
Administrative Associate II (PWD)	0.33
2007-08 ADJUSTED TOTAL	652.73
2008-09 New Positions	
Facilities Mechanic (PWD)	1.00
Community Service Officer (POL)	1.00
2008-09 Total New Positions	2.00
Reallocated Positions	
MGR reallocation to Enterprise Funds	(0.75)
ASD reallocation to Technology Fund	(0.05)
FIR reallocation to Enterprise Funds	(0.31)
2008-09 Total Reallocated Positions	(1.11)
2008-09 Eliminated Positions	
Accounting Specialist (ASD)	(1.00)
Senior Financial Analyst (ASD)	(0.40)
Open Space Assistant (CSD)	(0.75)
2008-09 Total Eliminated Positions	(2.15)
2008-09 TOTAL PROPOSED GENERAL FUND POSITIONS	651.47

Summary of Position Changes

	FTE
ENTERPRISE FUNDS	
2007-08 ADOPTED BUDGET	353.35
2007-08 BAO Position Adjustments	
Coordinator, Recycling (Refuse)	(0.25)
Environmental Specialist (Refuse)	(0.25)
Manager, Energy Risk (Electric, Gas)	(0.25)
Administrative Associate II (UTL)	1.00
Program Assistant I (UTL)	(1.00)
Senior Resource Planner (UTL)	2.00
Manager, Supply Resources	(1.00)
Manager, Utility Rates	(1.00)
Utilities Install/Repair -Welding (UTL)	(1.00)
Utilities Install/Repair Lead -Welding (UTL)	1.00
2007-08 ADJUSTED TOTAL	352.60
2008-09 New Positions	
Engineering Technician I (PWD)	0.50
Technologist (PWD)	0.13
Electrical Assistant I (UTL)	1.00
Lineperson/Cable Splicer	1.00
Technologist (UTL)	0.87
2008-09 Total New Positions	3.50
Reallocated Positions	
MGR reallocation to PWD	0.50
FIR reallocation to PWD	0.14
MGR reallocation to UTL	0.25
FIR reallocation to UTL	0.17
External Services reallocation to Technology Fund	(0.80)
2008-09 Total Reallocated Positions	0.26
2008-09 Eliminated Positions	
Administrative Associate II (UTL)	(1.00)
Technologist (External Services)	(5.00)
2008-09 Total Eliminated Positions	(6.00)
2008-09 TOTAL PROPOSED ENTERPRISE FUND POSITIONS	350.36

Summary of Position Changes

	FTE
OTHER FUNDS	
2007-08 ADOPTED BUDGET	71.85
2007-08 BAO Position Adjustments	
Motor Equip Mech -Lead (Equipment)	(1.00)
Senior Fleet Svc Coordinator (Equipment)	1.00
Administrative Associate I (Capital)	(0.33)
2007-08 ADJUSTED TOTAL	71.52
2008-09 New Positions	
Project Engineer (Capital Fund)	1.00
2008-09 Total New Positions	1.00
2008-09 Reallocated Positions	
External Services reallocation to Technology Fund	0.80
ASD reallocation to Technology Fund	0.05
2008-09 Total Reallocated Positions	0.85
Eliminated Positions	
Senior Financial Analyst (Printing and Mailing)	(0.60)
2008-09 Total Eliminated Positions	(0.60)
2008-09 TOTAL PROPOSED OTHER FUNDS POSITIONS	72.77

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
GENERAL FUND					
City Attorney					
Assistant City Attorney	1.00	1.00	1.00	1.00	0.00
City Attorney	1.00	1.00	1.00	1.00	0.00
Claims Investigator	0.60	0.60	0.60	0.60	0.00
Legal Administrator	1.00	1.00	1.00	1.00	0.00
Legal Secretary - Confidential	2.00	0.00	0.00	0.00	0.00
Secretary to City Attorney	1.00	1.00	1.00	1.00	0.00
Senior Assistant City Attorney	2.00	2.00	2.00	2.00	0.00
Senior Deputy City Attorney	2.00	2.00	2.00	2.00	0.00
Senior Legal Secretary	0.00	2.00	2.00	2.00	0.00
TOTAL CITY ATTORNEY	10.60	10.60	10.60	10.60	0.00
City Auditor					
Administrative Assistant	1.00	1.00	1.00	1.00	0.00
City Auditor	1.00	1.00	1.00	1.00	0.00
Senior Auditor	2.00	2.00	2.00	2.00	0.00
TOTAL CITY AUDITOR	4.00	4.00	4.00	4.00	0.00
City Clerk					
Administrative Associate III	0.00	3.00	3.00	3.00	0.00
Assistant City Clerk	1.00	1.00	1.00	1.00	0.00
City Clerk	1.00	1.00	1.00	1.00	0.00
Deputy City Clerk	1.00	1.00	1.00	1.00	0.00
Executive Secretary	3.00	0.00	0.00	0.00	0.00
Parking Examiner	0.75	0.75	0.75	0.75	0.00
TOTAL CITY CLERK	6.75	6.75	6.75	6.75	0.00
City Manager					
Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I	0.00	1.50	1.50	1.50	0.00
Administrative Associate II	0.00	1.00	1.00	1.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Assistant City Manager	1.00	1.00	1.00	1.00	0.00
Assistant to City Manager	2.00	2.00	2.00	2.00	0.00
City Manager	1.00	1.00	1.00	1.00	0.00
Coordinator Recycling (1) **	0.00	0.25	0.00	0.00	-0.25
Deputy City Manager - Special Projects	0.00	0.00	0.00	0.00	0.00
Environmental Specialist (2) **	0.00	0.25	0.00	0.00	-0.25
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	0.00
Manager, Communications *	0.00	1.00	1.00	1.00	0.00
Manager, Energy Risk (3) **	0.00	0.25	0.00	0.00	-0.25
Office Specialist	1.50	0.00	0.00	0.00	0.00
Public Communication Manager *	1.00	1.00	1.00	1.00	0.00
Senior Administrator	0.00	1.00	1.00	1.00	0.00
Senior Financial Analyst (4) **	0.00	0.13	0.00	0.00	-0.13
TOTAL CITY MANAGER	8.50	12.38	11.50	11.50	-0.88

Due to funding constraints, the City Manager Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Manager, Communications.

Administrative Services Department

Accounting Specialist (5)	12.00	12.00	12.00	11.00	-1.00
Accounting Specialist - Lead	5.00	5.00	5.00	5.00	0.00
Administrative Assistant	0.93	0.93	0.93	0.93	0.00
Administrative Associate II (6)	0.00	0.96	0.96	0.00	-0.96
Administrative Associate III (6)	0.00	0.00	0.00	0.96	0.96
Asst. Director, Administrative Services	0.65	0.60	0.60	0.60	0.00
Business Analyst	0.10	0.10	0.10	0.10	0.00
Buyer	1.95	1.95	1.95	1.95	0.00
Contracts Administrator	2.00	2.00	2.00	2.00	0.00
Deputy Director, Administrative Services	1.00	1.00	1.00	1.00	0.00
Director, Administrative Services (7)	0.55	0.55	0.55	0.50	-0.05
Graphic Designer	1.00	1.00	1.00	1.00	0.00
Manager, Accounting	1.00	1.00	1.00	1.00	0.00
Manager, Budget	1.00	1.00	1.00	1.00	0.00
Manager, Purchasing/Contract Admin.	1.00	1.00	1.00	1.00	0.00
Manager, Real Property	1.00	1.00	1.00	1.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Payroll Analyst	2.00	2.00	2.00	2.00	0.00
Senior Accountant	4.00	4.00	4.00	4.00	0.00
Senior Business Analyst	0.10	0.20	0.20	0.20	0.00
Senior Financial Analyst (4) (8) **	8.41	8.18	7.91	7.91	-0.27
Staff Accountant	3.00	3.00	3.00	3.00	0.00
Staff Secretary	0.96	0.00	0.00	0.00	0.00
Storekeeper	1.00	1.00	1.00	1.00	0.00
Storekeeper - Lead	1.00	1.00	1.00	1.00	0.00
Warehouse Supervisor	1.00	1.00	1.00	1.00	0.00
TOTAL ADMINISTRATIVE SERVICES	50.65	50.47	50.20	49.15	-1.32

Community Services Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I	0.00	2.50	2.50	2.50	0.00
Administrator Special Events	1.00	0.00	0.00	0.00	0.00
Arts and Culture Division Manager	1.00	1.00	1.00	1.00	0.00
Building Serviceperson	4.00	4.00	4.00	4.00	0.00
Building Serviceperson-Lead	2.00	2.00	2.00	2.00	0.00
Coordinator, Child Care	1.00	1.00	1.00	1.00	0.00
Coordinator, Recreation Programs	3.00	5.00	4.00	5.00	0.00
Cubberley Center and Human Services Division Manager	1.00	1.00	1.00	1.00	0.00
Director, Community Services	1.00	1.00	1.00	1.00	0.00
Division Manager, Recreation & Golf	0.00	1.00	1.00	1.00	0.00
Golf and Parks Division Manager	1.00	0.00	0.00	0.00	0.00
Golf Course Equipment Mechanic	1.00	1.00	1.00	1.00	0.00
Golf Course Maintenance Person	5.00	5.00	5.00	5.00	0.00
Inspector, Field Services	2.00	2.00	2.00	2.00	0.00
Jr. Museum & Zoo Lead Instructor	0.00	2.25	2.25	2.25	0.00
Management Assistant	1.00	1.00	1.00	1.00	0.00
Manager, Arts	2.00	2.00	2.00	2.00	0.00
Office Specialist	5.50	0.00	0.00	0.00	0.00
Open Space Division Manager (9)	1.00	1.00	1.00	0.00	-1.00
Open Space and Parks Division Manager (9)	0.00	0.00	0.00	1.00	1.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Park Maintenance Lead	1.00	1.00	1.00	1.00	0.00
Park Maintenance Person	11.00	11.00	11.00	11.00	0.00
Park Ranger	5.00	5.00	5.00	5.00	0.00
Parks and Open Space Assistant (22)	0.75	0.75	0.75	0.00	-0.75
Parks Crew - Lead	3.00	3.00	3.00	3.00	0.00
Producer Arts/Science Programs	12.25	12.25	12.25	12.25	0.00
Program Assistant I	9.00	9.75	9.75	9.75	0.00
Program Assistant II	0.00	3.00	3.00	3.00	0.00
Recreation and Youth Sciences Div Mgr	1.00	0.00	0.00	0.00	0.00
Senior Administrator	1.00	1.00	1.00	1.00	0.00
Senior Ranger	1.00	1.00	1.00	1.00	0.00
Sprinkler System Repairer	5.00	5.00	5.00	5.00	0.00
Staff Secretary	3.00	0.00	0.00	0.00	0.00
Superintendent, Golf Course	1.00	1.00	1.00	1.00	0.00
Superintendent, Parks	1.00	1.00	1.00	1.00	0.00
Supervisor, Junior Museum	1.00	1.00	1.00	1.00	0.00
Supervisor, Open Space	1.00	1.00	1.00	1.00	0.00
Supervisor, Parks	2.00	1.00	1.00	1.00	0.00
Supervisor, Recreation Program	5.00	4.00	4.00	4.00	0.00
Theater Specialist	1.00	1.00	1.00	1.00	0.00
Volunteer Coordinator	0.75	0.75	0.75	0.75	0.00
TOTAL COMMUNITY SERVICES	99.25	97.25	96.25	96.50	-0.75

Due to funding constraints, the CSD Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Program Assistant I.

Fire

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I *	0.00	0.00	1.00	0.00	0.00
Administrative Associate II *	0.00	4.00	3.00	4.00	0.00
Battalion Chief	3.00	3.00	3.00	3.00	0.00
Deputy Fire Chief/Fire Marshal (10) (11)	1.00	1.00	1.00	0.84	-0.16
Deputy Fire Chief EMT	2.00	2.00	2.00	2.00	0.00
EMS Chief	1.00	1.00	1.00	1.00	0.00
EMS Coordinator	1.00	1.00	1.00	1.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
EMT Basic	3.00	3.00	3.00	3.00	0.00
Executive Assistant*	1.00	0.00	1.00	0.00	0.00
Fire Apparatus Operator	30.00	30.00	30.00	30.00	0.00
Fire Captain	27.00	27.00	27.00	27.00	0.00
Fire Chief	1.00	1.00	1.00	1.00	0.00
Fire Fighter	45.00	45.00	45.00	45.00	0.00
Fire Inspector	3.00	3.00	3.00	3.00	0.00
Hazardous Materials Inspector (12) (13)	2.00	2.00	2.00	1.90	-0.10
Hazardous Materials Specialist (14) (15)	1.00	1.00	1.00	0.95	-0.05
OES Coordinator*	0.00	1.00	0.00	1.00	0.00
Office Specialist	4.00	0.00	0.00	0.00	0.00
Training Captain	1.00	1.00	1.00	1.00	0.00
TOTAL FIRE	127.00	127.00	127.00	126.69	-0.31

Due to funding constraints, the Fire Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE EMS Chief.

Human Resources Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrator, Human Resources	5.00	5.00	5.00	5.00	0.00
Assistant Director Human Resources*	0.00	1.00	0.00	1.00	0.00
Director, Human Resources	1.00	1.00	1.00	1.00	0.00
Human Resources Assistant - Conf *	2.60	4.00	3.60	4.00	0.00
Human Resources Rep	1.00	2.00	2.00	2.00	0.00
Manager, Employee Relations	1.00	1.00	1.00	1.00	0.00
Manager, Human Resources & Development	1.00	0.00	0.00	0.00	0.00
Manager, Risk and Benefits*	1.00	0.00	1.00	0.00	0.00
Office Specialist	1.00	0.00	0.00	0.00	0.00
Senior Administrator	1.00	1.00	1.00	1.00	0.00
TOTAL HUMAN RESOURCES	15.60	16.00	15.60	16.00	0.00

Library Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Assistant Director, Library Services	1.00	1.00	1.00	1.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Coordinator, Library Programs	3.00	3.00	3.00	3.00	0.00
Director, Libraries	1.00	1.00	1.00	1.00	0.00
Division Head, Library Services	1.00	1.00	1.00	1.00	0.00
Librarian	6.00	5.00	5.00	5.00	0.00
Library Assistant	5.50	5.50	5.50	5.50	0.00
Library Associate	4.00	4.00	4.00	4.00	0.00
Library Specialist	8.00	8.00	8.00	8.00	0.00
Management Assistant	0.00	1.00	1.00	1.00	0.00
Office Specialist	0.50	0.00	0.00	0.00	0.00
Senior Librarian	9.25	9.25	9.25	9.25	0.00
Supervisor, Librarian	4.00	4.00	4.00	4.00	0.00
TOTAL LIBRARY DEPARTMENT	44.25	43.75	43.75	43.75	0.00

Planning Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I	0.00	2.00	2.00	2.00	0.00
Administrative Associate II	0.00	4.80	4.80	4.80	0.00
Administrative Associate III	0.00	1.00	1.00	1.00	0.00
Administrator, Planning & Comm. Env.	1.00	1.00	1.00	1.00	0.00
Assistant Building Official	1.00	1.00	1.00	1.00	0.00
Assistant Director, PCE	1.00	1.00	1.00	1.00	0.00
Associate Engineer	1.00	1.00	1.00	1.00	0.00
Building Inspector	4.00	4.00	4.00	4.00	0.00
Building Inspector Specialist	3.00	3.00	3.00	3.00	0.00
Building/Planning Technician (16)	4.00	4.00	4.00	3.00	-1.00
Chief Building Official	1.00	1.00	1.00	1.00	0.00
Chief Planning and Transportation Official	1.00	1.00	1.00	1.00	0.00
Code Enforcement Officer	2.00	2.00	2.00	2.00	0.00
Coordinator, Transp. System Mgmt.	0.50	0.50	0.50	0.50	0.00
Director, Planning and Comm. Env.	1.00	1.00	1.00	1.00	0.00
Engineer (19)	2.00	2.00	2.00	1.00	-1.00
Engineering Technician II	1.00	1.00	1.00	1.00	0.00
Executive Secretary	1.00	0.00	0.00	0.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Manager, Economic Resources	1.00	1.00	1.00	1.00	0.00
Manager, Planning	2.00	2.00	2.00	2.00	0.00
Managing Arborist	1.00	1.00	1.00	1.00	0.00
Office Specialist	2.00	0.00	0.00	0.00	0.00
Permit Specialist (16)	0.00	0.00	0.00	1.00	1.00
Planner (17)	7.00	7.00	7.00	6.00	-1.00
Plan Checking Engineer	3.00	3.00	3.00	3.00	0.00
Project Engineer (19)	0.00	0.00	0.00	1.00	1.00
Senior Planner (17)	6.00	5.00	5.00	6.00	1.00
Staff Secretary	4.80	0.00	0.00	0.00	0.00
Supervisor, Building Inspection	1.00	1.00	1.00	1.00	0.00
Transportation Manager	1.00	1.00	1.00	1.00	0.00
TOTAL PLANNING AND COMMUNITY ENVIRONMENT	54.30	53.30	53.30	53.30	0.00

Police Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate II	0.00	3.00	3.00	3.00	0.00
Animal Control Officer	4.50	4.50	4.50	4.50	0.00
Animal Services Specialist	1.00	1.00	1.00	1.00	0.00
Animal Services Specialist II	1.00	1.00	1.00	1.00	0.00
Assistant Chief of Police	0.00	1.00	1.00	1.00	0.00
Business Analyst	1.00	1.00	1.00	1.00	0.00
Code Enforcement Officer	1.50	1.50	1.50	1.50	0.00
Communication Technician	1.00	1.00	1.00	1.00	0.00
Community Service Officer (20) (23)	3.00	9.00	9.00	9.00	0.00
Community Service Officer - Lead	0.00	1.00	1.00	1.00	0.00
Coordinator, Police Technical Services	1.00	1.00	1.00	1.00	0.00
Court Liaison Officer	1.00	1.00	1.00	1.00	0.00
Crime Analyst	1.00	1.00	1.00	1.00	0.00
Police Agent	19.00	19.00	19.00	19.00	0.00
Police Captain	2.00	2.00	2.00	2.00	0.00
Police Chief	1.00	1.00	1.00	1.00	0.00
Police Lieutenant	6.00	5.00	5.00	5.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Police Officer	51.00	51.00	51.00	51.00	0.00
Police Records Specialist	10.00	0.00	0.00	0.00	0.00
Police Records Specialist II	0.00	9.00	9.00	9.00	0.00
Police Records Specialist - Lead	0.00	1.00	1.00	1.00	0.00
Police Sergeant	14.00	14.00	14.00	14.00	0.00
Program Assistant I (20)	1.00	0.00	0.00	1.00	1.00
Program Assistant II	0.00	1.00	1.00	1.00	0.00
Property and Evidence Technician	2.00	2.00	2.00	2.00	0.00
Public Safety Dispatcher I**	16.00	2.00	0.00	2.00	0.00
Public Safety Dispatcher II**	0.00	14.00	16.00	14.00	0.00
Public Safety Dispatcher - Lead	5.00	5.00	5.00	5.00	0.00
Senior Administrator	1.00	1.00	1.00	1.00	0.00
Staff Secretary	3.00	0.00	0.00	0.00	0.00
Superintendent, Animal Services	1.00	1.00	1.00	1.00	0.00
Supervisor, Animal Services	1.00	1.00	1.00	1.00	0.00
Supervisor, Police Services	2.00	2.00	2.00	2.00	0.00
Veterinarian	1.00	1.00	1.00	1.00	0.00
Veterinarian Technician	2.00	2.00	2.00	2.00	0.00
Volunteer Coordinator	1.00	1.00	1.00	1.00	0.00
TOTAL POLICE	156.00	163.00	163.00	164.00	1.00

Public Works Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I	0.00	3.50	3.50	3.50	0.00
Administrative Associate II **	0.00	2.00	1.67	2.00	0.00
Administrative Associate III	0.00	1.00	1.00	1.00	0.00
Administrator, Public Works	1.00	1.00	1.00	1.00	0.00
Assistant Director Public Works (24)	0.85	0.85	0.85	1.10	0.25
Associate Engineer	0.10	0.10	0.10	0.10	0.00
Building Serviceperson	4.00	4.00	4.00	4.00	0.00
Building Serviceperson - Lead	2.00	2.00	2.00	2.00	0.00
Deputy Director, PW Operations (24)	0.25	0.25	0.25	0.00	-0.25
Director, Public Works/City Engineer	1.00	1.00	1.00	1.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Electrician	1.00	1.00	1.00	1.00	0.00
Engineer	1.20	1.20	1.20	1.20	0.00
Engineering Technician III	4.20	4.20	4.20	4.20	0.00
Equipment Operator	2.55	3.46	3.46	3.46	0.00
Facilities Carpenter	1.00	1.00	1.00	1.00	0.00
Facilities Maintenance - Lead	2.00	2.00	2.00	2.00	0.00
Facilities Mechanic (18)	5.00	5.00	5.00	6.00	1.00
Facilities Painter	2.00	2.00	2.00	2.00	0.00
Heavy Equipment Operator	1.90	1.90	1.90	1.90	0.00
Heavy Equipment Operator - Lead	0.85	0.85	0.85	0.85	0.00
Inspector, Field Services	1.00	1.00	1.00	1.00	0.00
Manager, Facilities Maintenance	0.80	0.80	0.80	0.80	0.00
Manager, Maintenance Operations	0.12	0.12	0.12	0.12	0.00
Managing Arborist	1.00	1.00	1.00	1.00	0.00
Office Specialist	3.50	0.00	0.00	0.00	0.00
Project Engineer	1.20	1.20	1.20	1.20	0.00
Project Manager	1.75	1.75	1.75	1.75	0.00
Senior Administrator	0.90	0.90	0.90	0.90	0.00
Senior Engineer	0.30	0.30	0.30	0.30	0.00
Senior Project Manager	1.00	1.00	1.00	1.00	0.00
Staff Secretary	2.67	0.00	0.00	0.00	0.00
Superintendent, PW Operations	0.60	0.60	0.60	0.60	0.00
Supervisor, Building Services (21)	1.00	1.00	1.00	0.00	-1.00
Supervisor, Facilities Management (21)	0.95	0.95	0.95	1.95	1.00
Supervisor, Inspection/Surveying, PW	0.80	0.80	0.80	0.80	0.00
Surveying Assistant	0.78	0.78	0.78	0.78	0.00
Surveyor, Public Works	0.78	0.78	0.78	0.78	0.00
Traffic Control Maintainer- Lead	1.00	1.00	1.00	1.00	0.00
Traffic Control Maintenance I	1.94	1.94	1.94	1.94	0.00
Traffic Control Maintenance II	3.00	3.00	3.00	3.00	0.00
Tree Maintenance Person	0.00	1.00	1.00	1.00	0.00
Tree Trimmer/Line Clearer	9.00	8.00	8.00	8.00	0.00
Tree Trimmer/Line Clearer - Lead	1.00	1.00	1.00	1.00	0.00
Truck Driver	0.91	0.00	0.00	0.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
TOTAL PUBLIC WORKS	67.90	68.23	67.90	69.23	1.00
GENERAL FUND AUTHORIZED POSITIONS	644.80	652.73	649.85	651.47	-1.26

Footnotes:

* These positions were adjusted in 2007-08 through a Budget Amendment Ordinance

** These reallocations were inadvertently omitted from the 2007-08 Budget Amendment Ordinance

- 1 Transfer 0.25 FTE Coordinator Recycling to the Public Works - Enterprise Fund
- 2 Transfer 0.25 FTE Environmental Specialist to the Public Works - Enterprise Fund
- 3 Transfer 0.25 FTE Manager, Energy Risk to the Utilities - Enterprise Fund
- 4 Transfer 0.13 FTE Senior Financial Analyst to Administrative Services
- 5 Elimination of 1.0 FTE Accounting Specialist due to budget constraints
- 6 Reclassification of 0.96 FTE Administrative Associate II to Administrative Associate III
- 7 Transfer 0.05 FTE Director, Administrative Services to the Technology Fund
- 8 Elimination of 0.40 FTE Senior Financial Analyst due to budget constraints
- 9 Reclassification of 1.0 FTE Open Space Div Mgr to Open Space and Parks Div Mgr
- 10 Transfer 0.08 FTE Deputy Chief/Fire Marshal to the Public Works - Enterprise Fund
- 11 Transfer 0.08 FTE Deputy Chief/Fire Marshal to the Utilities - Enterprise Fund
- 12 Transfer 0.04 FTE Hazardous Materials Inspector to the Public Works - Enterprise Fund
- 13 Transfer 0.06 FTE Hazardous Materials Inspector to the Utilities - Enterprise Fund
- 14 Transfer 0.02 FTE Hazardous Materials Specialist to the Public Works - Enterprise Fund
- 15 Transfer 0.03 FTE Hazardous Materials Specialist to the Utilities - Enterprise Fund
- 16 Reclassification of 1.0 FTE Building/Planning Technician to Permit Specialist
- 17 Reclassification of 1.0 FTE Planner to Senior Planner
- 18 Add 1.0 FTE Facilities Mechanic - for building module of the IMP
- 19 Reclassification of 1.0 FTE Engineer to Project Engineer
- 20 Reclassification of 1.0 FTE Community Service Officer to Program Assistant I
- 21 Reclassification of 1.0 FTE Supervisor, Building Services to Supervisor, Facilities Management
- 22 Eliminate 0.75 FTE Open Space Assistant - Best Bets
- 23 Add 1.0 FTE Community Service Officer - Best Bets
- 24 Reclassification of 0.25 FTE Deputy Director, PW Operations to Assistant Director Public Works

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
ENTERPRISE FUNDS					
Public Works Department					
Refuse, Storm Drainage and Wastewater Treatment					
Assistant Director, Public Works (25)	0.15	0.15	0.15	0.75	0.60
Administrative Associate II	0.00	3.00	3.00	3.00	0.00
Assistant Manager, WQCP	1.00	1.00	1.00	1.00	0.00
Associate Engineer	3.30	3.30	3.30	3.30	0.00
Associate Planner	1.00	1.00	1.00	1.00	0.00
Business Analyst	0.00	1.00	1.00	1.00	0.00
Buyer	1.00	1.00	1.00	1.00	0.00
Chemist	3.00	3.00	3.00	3.00	0.00
Coordinator Recycling (1) **	2.00	1.75	2.00	2.00	0.25
Deputy Fire Chief/Fire Marshal (2)	0.00	0.00	0.00	0.08	0.08
Deputy Director Public Works Operations (25)	0.60	0.60	0.60	0.00	-0.60
Electrician	3.00	3.00	3.00	3.00	0.00
Electrician - Lead	2.00	2.00	2.00	2.00	0.00
Engineer	1.10	1.10	1.10	1.10	0.00
Engineering Technician I (3)	0.50	0.50	0.50	1.00	0.50
Engineering Technician III	1.50	1.50	1.50	1.50	0.00
Environmental Specialist (4) **	2.00	1.75	2.00	2.00	0.25
Equipment Operator	0.45	0.54	0.54	0.54	0.00
Executive Assistant	2.00	2.00	2.00	2.00	0.00
Hazardous Materials Inspector (5)	0.00	0.00	0.00	0.04	0.04
Hazardous Materials Specialist (6)	0.00	0.00	0.00	0.02	0.02
Heavy Equipment Operator**	6.10	5.90	6.10	5.90	0.00
Heavy Equipment Operator - Lead**	2.95	3.15	2.95	3.15	0.00
Industrial Waste Inspector	1.00	1.00	1.00	1.00	0.00
Industrial Waste Investigator	2.00	2.00	2.00	2.00	0.00
Laboratory Technician, WQCP	2.50	2.50	2.50	2.50	0.00
Landfill Technician	1.00	1.00	1.00	1.00	0.00
Maintenance Mechanic	7.00	7.00	7.00	7.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Manager, Environmental Compliance	1.00	1.00	1.00	1.00	0.00
Manager, Environmental Control Program	3.00	3.00	3.00	3.00	0.00
Manager, Laboratory Services	1.00	1.00	1.00	1.00	0.00
Manager, Maintenance Operations	1.38	1.38	1.38	1.38	0.00
Manager, Solid Waste	1.00	1.00	1.00	1.00	0.00
Manager, WQC Plant	1.00	1.00	1.00	1.00	0.00
Office Specialist	2.00	0.00	0.00	0.00	0.00
Program Assistant I	1.00	2.00	2.00	2.00	0.00
Program Assistant II	0.00	1.00	1.00	1.00	0.00
Programmer Analyst	1.00	0.00	0.00	0.00	0.00
Project Engineer	2.00	2.00	2.00	2.00	0.00
Refuse Disposal Attendant	4.00	4.00	4.00	4.00	0.00
Senior Administrator	0.10	0.10	0.10	0.10	0.00
Senior Chemist	1.00	1.00	1.00	1.00	0.00
Senior Engineer	2.45	2.45	2.45	2.45	0.00
Senior Mechanic, Water Quality Control	1.00	1.00	1.00	1.00	0.00
Senior Operator, Water Quality Control	6.00	6.00	6.00	6.00	0.00
Staff Secretary	3.00	0.00	0.00	0.00	0.00
Storekeeper*	2.00	1.00	2.00	1.00	0.00
Street Maintenance Assistant	2.00	2.00	2.00	2.00	0.00
Street Sweeper Operator	7.00	7.00	7.00	7.00	0.00
Superintendent, Public Works Operations	0.20	0.20	0.20	0.20	0.00
Supervisor, Public Works	1.00	1.00	1.00	1.00	0.00
Supervisor, Water Quality Control Operations	5.00	5.00	5.00	5.00	0.00
Surveying Assistant	0.11	0.11	0.11	0.11	0.00
Surveyor, Public Works	0.11	0.11	0.11	0.11	0.00
Technologist (7)	0.00	0.00	0.00	0.13	0.13
Traffic Control Maintenance I	0.06	0.06	0.06	0.06	0.00
Truck Driver	0.09	0.00	0.00	0.00	0.00
Water Quality Control Plant Operator II	16.00	16.00	16.00	16.00	0.00
TOTAL PUBLIC WORKS - ENTERPRISE	112.65	111.15	112.65	112.42	1.27

Utilities Department

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Administration, Electric, Gas, Wastewater Collection and Water					
Account Representatives	3.00	3.00	3.00	3.00	0.00
Accounting Specialist	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I (8)	0.00	3.00	3.00	2.00	-1.00
Administrative Associate II * (8) (9)	0.00	7.00	6.00	7.00	0.00
Associate Resource Planner (10)	0.00	0.00	0.00	1.00	1.00
Asst. Director Customer Support Services	1.00	1.00	1.00	1.00	0.00
Asst. Director Utilities/Engineering	1.00	1.00	1.00	1.00	0.00
Asst. Director Utilities/Operations	1.00	1.00	1.00	1.00	0.00
Asst. Director Utilities/Resource Management	1.00	1.00	1.00	1.00	0.00
Business Analyst (23)	0.00	0.00	0.00	1.00	1.00
Cathodic Technician	1.00	1.00	1.00	1.00	0.00
Cement Finisher	1.00	1.00	1.00	1.00	0.00
Communications Specialist (11)	1.00	1.00	1.00	0.00	-1.00
Contracts Administrator	1.00	1.00	1.00	1.00	0.00
Coordinator, Utils. Safety & Security	1.00	1.00	1.00	1.00	0.00
Coordinator, Utility Projects	3.00	3.00	3.00	3.00	0.00
Customer Service Representative	5.00	5.00	5.00	5.00	0.00
Customer Service Specialist	2.00	2.00	2.00	2.00	0.00
Customer Service Specialist-Lead	1.00	1.00	1.00	1.00	0.00
Deputy Fire Chief/Fire Marshal (12)	0.00	0.00	0.00	0.08	0.08
Director, Administrative Services	0.15	0.15	0.15	0.15	0.00
Director, Utilities	1.00	1.00	1.00	1.00	0.00
Electric Project Engineer	3.00	3.00	3.00	3.00	0.00
Electric Underground Inspector	2.00	2.00	2.00	2.00	0.00
Electric Underground Inspector Lead	0.00	1.00	1.00	1.00	0.00
Electrical Assistant I (13)	4.00	4.00	4.00	5.00	1.00
Electrician	14.00	14.00	14.00	14.00	0.00
Electrician-Lead	7.00	6.00	6.00	6.00	0.00
Engineer	4.00	4.00	4.00	4.00	0.00
Engineering Manager, Electric	1.00	1.00	1.00	1.00	0.00
Engineering Manager, WGW	1.00	1.00	1.00	1.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Engineering Technician III	3.00	3.00	3.00	3.00	0.00
Equipment Operator	2.00	2.00	2.00	2.00	0.00
Gas System Technician	2.00	2.00	2.00	2.00	0.00
Hazardous Materials Inspector (14)	0.00	0.00	0.00	0.06	0.06
Hazardous Materials Specialist (15)	0.00	0.00	0.00	0.03	0.03
Heavy Equipment Operator	10.00	10.00	10.00	10.00	0.00
Inspector, Field Services	4.00	4.00	4.00	4.00	0.00
Lineperson/Cable Splicer (16)	10.00	10.00	10.00	11.00	1.00
Lineperson/Cable Splicer-Lead	5.00	4.00	4.00	4.00	0.00
Maintenance Mechanic	2.00	1.00	1.00	1.00	0.00
Maintenance Mechanic - Welding	0.00	1.00	1.00	1.00	0.00
Manager Utilities Telecommunication	1.00	1.00	1.00	1.00	0.00
Manager, Communications	1.00	0.00	0.00	0.00	0.00
Manager, Electric Operations	1.00	1.00	1.00	1.00	0.00
Manager, Energy Risk (17) **	1.00	0.75	1.00	1.00	0.25
Manager, Field and Customer Service	1.00	1.00	1.00	1.00	0.00
Manager, Supply Resources*	1.00	0.00	1.00	0.00	0.00
Manager, Utilities Marketing Services	1.00	1.00	1.00	1.00	0.00
Manager, Utilities Operations WGW	1.00	1.00	1.00	1.00	0.00
Manager, Utilities Rates*	1.00	0.00	1.00	0.00	0.00
Marketing Engineer	1.00	1.00	1.00	1.00	0.00
Meter Reader	5.00	6.00	6.00	6.00	0.00
Meter Reader-Lead	1.00	1.00	1.00	1.00	0.00
Office Specialist	3.00	0.00	0.00	0.00	0.00
Power Engineer	2.00	2.00	2.00	2.00	0.00
Program Assistant I *	4.00	3.00	4.00	3.00	0.00
Project Engineer	6.00	6.00	6.00	6.00	0.00
Project Manager	0.75	1.75	1.75	1.75	0.00
Resource Planner (24)	3.00	3.00	3.00	4.00	1.00
Senior Administrator	1.00	1.00	1.00	1.00	0.00
Senior Business Analyst	1.00	1.00	1.00	1.00	0.00
Senior Electric Project Engineer	4.00	4.00	4.00	4.00	0.00
Senior Utilities Field Services Representative	1.00	1.00	1.00	1.00	0.00
Senior Market Analyst (24)	3.00	3.00	3.00	2.00	-1.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Senior Mechanic	1.00	1.00	1.00	1.00	0.00
Senior Project Engineer	4.00	4.00	4.00	4.00	0.00
Senior Resource Originator	1.00	1.00	1.00	1.00	0.00
Senior Resource Planner*	4.00	6.00	4.00	6.00	0.00
Senior Technologist (11)	0.00	0.00	0.00	1.00	1.00
Senior Water System Operator	2.00	2.00	2.00	2.00	0.00
Staff Secretary	7.00	0.00	0.00	0.00	0.00
Storekeeper *	1.00	2.00	1.00	2.00	0.00
Supervisor Electric Systems	5.00	5.00	5.00	5.00	0.00
Supervisor, Utility Construction	1.00	0.00	0.00	0.00	0.00
Supervisor, Water, Gas, Wastewater	5.00	5.00	5.00	5.00	0.00
Supervisor, Water Transmission	1.00	1.00	1.00	1.00	0.00
Technologist (18)	0.00	0.00	0.00	0.87	0.87
Tree Maintenance Person	1.00	1.00	1.00	1.00	0.00
Truck Driver	1.00	0.00	0.00	0.00	0.00
Utilities Accounting Technician (23)	1.00	1.00	1.00	0.00	-1.00
Utilities Credit/Collection Specialist	1.00	1.00	1.00	1.00	0.00
Utilities Engineer Estimator	5.00	5.00	5.00	5.00	0.00
Utilities Engineer Estimator - Lead	1.00	1.00	1.00	1.00	0.00
Utilities Field Service Representative	7.00	7.00	7.00	7.00	0.00
Utilities Installer/Repairer	15.00	11.00	11.00	11.00	0.00
Utilities Installer/Repairer Assistant	1.00	1.00	1.00	1.00	0.00
Utilities Installer/Repairer -Welding *	0.00	3.00	4.00	3.00	0.00
Utilities Installer/Repairer-Lead	5.00	5.00	5.00	5.00	0.00
Utilities Installer/Repairer-Lead Welding *	0.00	2.00	1.00	2.00	0.00
Utilities Key Account Representative	3.00	3.00	3.00	3.00	0.00
Utilities Locator	3.00	3.00	3.00	3.00	0.00
Utilities Rate Analyst (10)	1.00	1.00	1.00	0.00	-1.00
Utilities System Operator	5.00	5.00	5.00	5.00	0.00
Utility Compliance Technician	2.00	2.00	2.00	2.00	0.00
Utility Compliance Tech.-Lead	1.00	1.00	1.00	1.00	0.00
Water Meter/Cross Connection Technician	2.00	2.00	2.00	2.00	0.00
Water System Operator II	5.00	5.00	5.00	5.00	0.00
TOTAL UTILITIES	236.90	235.65	234.90	237.94	2.29

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
CPA External Services					
Administrative Associate II (19)	0.00	0.25	0.25	0.00	-0.25
Director, Administrative Services (20)	0.05	0.05	0.05	0.00	-0.05
Manager, Information Technology (21)	0.70	0.50	0.50	0.00	-0.50
Staff Secretary	0.25	0.00	0.00	0.00	0.00
Technologist (22)	5.00	5.00	5.00	0.00	-5.00
TOTAL CPA EXTERNAL FUND	6.00	5.80	5.80	0.00	-5.80
TOTAL ENTERPRISE FUNDS POSITIONS	355.55	352.60	353.35	350.36	-2.24

Footnotes:

* These positions were adjusted in 2007-08 through a Budget Amendment Ordinance

** These reallocations were inadvertently omitted from the 2007-08 Budget Amendment Ordinance

- 1 Transfer 0.25 FTE Coordinator Recycling to Public Works from General Fund
- 2 Transfer 0.08 FTE Deputy Chief/Fire Marshal to Public Works from General Fund
- 3 Add 0.50 FTE Engineering Technician I - for mandatory water pollution programs
- 4 Transfer 0.25 FTE Environmental Specialist to Public Works from General Fund
- 5 Transfer 0.04 FTE Hazardous Materials Inspector to Public Works from General Fund
- 6 Transfer 0.02 FTE Hazardous Materials Specialist to Public Works from General Fund
- 7 Add 0.13 FTE Technologist - for new utility billing system
- 8 Reclassification of 1.0 FTE Administrative Associate I to Administrative Associate II
- 9 Drop 1.0 FTE Administrative Associate II
- 10 Reclassification of 1.0 FTE Utilities Rate Analyst to Associate Resource Planner
- 11 Reclassification of 1.0 FTE Communications Specialist to Senior Technologist
- 12 Transfer 0.08 FTE Deputy Chief/Fire Marshal to Utilities from General Fund
- 13 Add 1.0 FTE Electrical Assistant 1- for full coverage and succession planning
- 14 Transfer 0.06 FTE Hazardous Materials Inspector to Utilities from General Fund
- 15 Transfer 0.03 FTE Hazardous Materials Specialist to Utilities from General Fund
- 16 Add 1.0 FTE Lineperson/Cable Splicer- for succession planning
- 17 Transfer 0.25 FTE Manager, Energy Risk to Utilities from General Fund
- 18 Add 0.87 FTE Technologist - for new utility billing system
- 19 Transfer 0.25 FTE Administrative Associate II to Technology Fund

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
20					
21					
22					
23					
24					
25					

OTHER FUNDS

Printing and Mailing Services

Asst. Director, Administrative Services	0.05	0.00	0.00	0.00	0.00
Buyer	0.05	0.05	0.05	0.05	0.00
Mailing Services Specialist	1.00	1.00	1.00	1.00	0.00
Offset Equipment Operator	1.00	1.00	1.00	1.00	0.00
Offset Equipment Operator - Lead	1.00	1.00	1.00	1.00	0.00
Senior Financial Analyst (1)	0.50	0.60	0.00	0.00	-0.60
Supervisor Reproduction and Mailing	1.00	1.00	1.00	1.00	0.00
TOTAL PRINTING AND MAILING SERVICES	4.60	4.65	4.05	4.05	-0.60

Technology

Administrative Assistant	0.07	0.07	0.07	0.07	0.00
Administrative Associate II (2) (3)	0.00	0.79	0.79	1.00	0.21
Administrative Associate III (3)	0.00	0.00	0.00	0.04	0.04
Asst. Director, Administrative Services	0.30	0.40	0.40	0.40	0.00
Business Analyst	0.90	0.90	0.90	0.90	0.00
Chief Information Officer	1.00	1.00	1.00	1.00	0.00
Desktop Technician	5.00	5.00	5.00	5.00	0.00
Director, Administrative Services (4) (5)	0.25	0.25	0.25	0.35	0.10
Manager, Information Technology (6)	2.30	2.50	2.50	3.00	0.50
Senior Business Analyst	1.90	1.80	1.80	1.80	0.00
Senior Technologist	15.00	15.00	15.00	15.00	0.00
Senior Financial Analyst	0.09	0.09	0.09	0.09	0.00
Staff Secretary	0.79	0.00	0.00	0.00	0.00
Technologist	2.00	2.00	2.00	2.00	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
TOTAL TECHNOLOGY	29.60	29.80	29.80	30.65	0.85
Equipment Management					
Administrative Associate III	0.00	1.00	1.00	1.00	0.00
Assistant Fleet Manager	1.00	1.00	1.00	1.00	0.00
Equipment Maintenance Service Person	2.00	2.00	2.00	2.00	0.00
Fleet Manager	1.00	1.00	1.00	1.00	0.00
Fleet Services Coordinator	2.00	2.00	2.00	2.00	0.00
Mobile Service Technician	1.00	1.00	1.00	1.00	0.00
Motor Equipment Mechanic	7.00	0.00	0.00	0.00	0.00
Motor Equipment Mechanic I/II	0.00	7.00	7.00	7.00	0.00
Motor Equipment Mechanic-Lead *	1.00	0.00	1.00	0.00	0.00
Project Engineer	0.00	0.10	0.10	0.10	0.00
Senior Engineer	0.00	0.10	0.10	0.10	0.00
Senior Fleet Services Coordinator*	0.00	1.00	0.00	1.00	0.00
Staff Secretary	1.00	0.00	0.00	0.00	0.00
TOTAL EQUIPMENT MANAGEMENT	16.00	16.20	16.20	16.20	0.00
Special Revenue					
Administrative Associate II *	0.00	0.20	0.20	0.20	0.00
Planner	1.00	1.00	1.00	1.00	0.00
Staff Secretary	0.20	0.00	0.00	0.00	0.00
TOTAL SPECIAL REVENUE	1.20	1.20	1.20	1.20	0.00
Capital					
Assistant Director, Public Works (8)	0.00	0.00	0.00	0.15	0.15
Administrative Associate I **	0.00	0.00	0.33	0.00	0.00
Associate Engineer	0.60	0.60	0.60	0.60	0.00
Cement Finisher	3.00	3.00	3.00	3.00	0.00
Cement Finisher- Lead	1.00	1.00	1.00	1.00	0.00
Deputy Director, PW Operations (8)	0.15	0.15	0.15	0.00	-0.15
Engineer	3.70	3.70	3.70	3.70	0.00
Engineering Technician III	2.30	2.30	2.30	2.30	0.00

Table of Organization

	2006-07 Actual Budget	2007-08 Adjusted Budget	2008-09 Adopted- in-Concept Budget	2008-09 Adopted Budget	2008-09 Budget Change
Heavy Equipment Operator **	0.00	0.00	0.00	0.20	0.20
Heavy Equipment Operator - Lead **	0.20	0.20	0.20	0.00	-0.20
Manager, Facilities Maintenance	0.20	0.20	0.20	0.20	0.00
Manager, Maintenance Operations	0.50	0.50	0.50	0.50	0.00
Landscape Architect Park Planner	1.00	1.00	1.00	1.00	0.00
Program Assistant I	1.00	1.00	1.00	1.00	0.00
Project Engineer (7)	1.80	1.70	1.70	2.70	1.00
Project Manager	1.50	1.50	1.50	1.50	0.00
Senior Engineer	2.25	2.15	2.15	2.15	0.00
Staff Secretary	0.33	0.00	0.00	0.00	0.00
Superintendent, PW Operations	0.20	0.20	0.20	0.20	0.00
Supervisor, Facilities Management	0.05	0.05	0.05	0.05	0.00
Supervisor, Inspection/Surv PW	0.20	0.20	0.20	0.20	0.00
Surveying Assistant	0.11	0.11	0.11	0.11	0.00
Surveyor, Public Works	0.11	0.11	0.11	0.11	0.00
TOTAL CAPITAL	20.20	19.67	20.00	20.67	1.00
TOTAL OTHER FUNDS POSITIONS	71.60	71.52	71.25	72.77	1.25
Footnotes:					
* These positions were adjusted in 2007-08 through a Budget Amendment Ordinance					
** These reallocations were inadvertently omitted from the 2007-08 Budget Amendment Ordinance					
1 Elimination of 0.60 FTE Senior Financial Analyst due to budget constraints					
2 Transfer 0.25 FTE Administrative Associate II from External Services to Technology Fund					
3 Reclassification of 0.04 FTE Administrative Associate II to Administrative Associate III					
4 Transfer 0.05 FTE Director, Administrative Services from General Fund to Technology Fund					
5 Transfer 0.05 FTE Director, Administrative Services from External Services to Technology Fund					
6 Transfer 0.50 FTE Manager, Information Technology from External Services to Technology Fund					
7 Add 1.0 FTE Project Engineer, for the Public Safety Building					
8 Reclassification of 0.15 FTE Deputy Director, PW Operations to Assistant Director Public Works					
TOTAL CITYWIDE POSITIONS	1071.95	1076.85	1074.45	1074.60	-2.25

Authorization is given to create, no more than seven, temporary overstrength positions to facilitate organizational transitions and succession planning in the cases of long-term disability, retirement and critical vacancies. This action responds to the City Auditor's recommendation number four in the Audit of Workers Compensation (Issued 04-09-05).

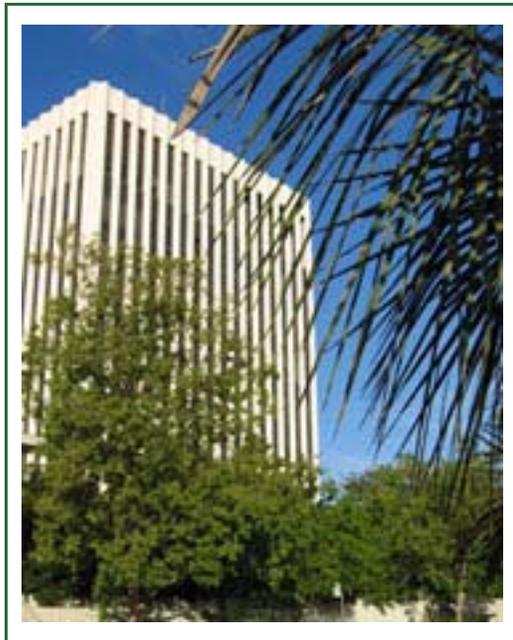


MISCELLANEOUS



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Miscellaneous



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Palo Alto: The City

AN OVERVIEW

Palo Alto is located on the San Francisco Bay Peninsula in a valley between the bay and the coastal mountain range to the west about 40 miles south of San Francisco. The town of approximately 60,000 people, in Santa Clara County, is one of a constellation of towns and cities ringing San Francisco Bay and comprising the greater nine-county San Francisco Bay Region, with a population of approximately six million. While it is not a significant population center, Palo Alto enjoys international name recognition and people from all over the world come to participate in education or research at Stanford University, conduct business with the technology firms of the Silicon Valley area, or receive medical care at the Stanford Medical Center. Palo Alto's historic ties to Stanford University and the various institutions affiliated with it, either formally or loosely, creates a much more cosmopolitan character here than evidenced in many other Bay Area communities of similar size.



Gamble Gardens

Palo Alto's residential neighborhoods are distinctive, each with its own character and ambiance. Most neighborhoods also have resident and homeowner organizations, which provide a forum for interacting with city government on neighborhood issues.

The Palo Alto Unified School District (PAUSD) has an international reputation for excellence. Over 90 percent of PAUSD students enter college and the drop-out rate is approximately 1 percent (PAUSD, Annual District Profile, 2001-02). In addition, District students score well above the average on standardized tests.

Palo Alto enjoys access to medical care unsurpassed almost anywhere in the world. Two medical facilities of national or international stature are located here, the Palo Alto Medical Foundation and the Stanford Medical Center.

Palo Alto is home to a vibrant business community, with over 91,000 jobs and 4,000 businesses located in the city. The local economy is primarily based on banking, insurance, technology, real estate, as well as the wholesale, retail and service industries.

From city-owned parks in the baylands where birds and aquatic life flourish in a natural habitat to the trails and picnic areas in our grassy foothill preserves, Palo Alto is a city that boasts 34 parks. Indeed, one-third of Palo Alto's 26 square miles is open space, which complements Stanford University's thousands of acres of rolling hills and botanical preserves.

www.CityofPaloAlto.org

Reserve Policies

AS REVISED BY CITY COUNCIL ON JUNE 28, 2004

General Fund Reserve Policy

Determination of the appropriate level of General Fund reserves is a policy decision. Some general guidelines have been suggested by the literature in the government finance field. The Government Finance Officers Association (GFOA) recommend that reserve levels be directly related to the degree of uncertainty the local government faces: the greater the uncertainty, the greater the financial resources necessary. Past experience should be used as a guide, with particular attention being paid to the following:

- Diversity of revenue base
- Volatility of revenue structure
- Volatility of political environment
- Consistent operating surpluses/occasional or frequent operation deficits
- Uneven cash flows, requiring short-term borrowing

Diversity of Revenue Base: Palo Alto has a comparatively diverse revenue base with, almost half of General Fund revenue coming from non-tax sources. This means that in periods of economic recessions, Palo Alto is somewhat more resilient to revenue reductions than cities in which tax revenue makes up the overwhelming majority of their revenue base. (In contrast, for all cities in California of Palo Alto's size, taxes make up roughly two-thirds of total General Fund revenue.)

Volatility of Revenue Structure: Tax revenues show the most volatility in terms of growth, although Palo Alto's revenues have been relatively more stable than other cities in Santa Clara County or the Bay Area in general. Sales tax is spread broadly across consumer retail, business-to-business sales, and other sales (transportation, food products, and miscellaneous); however, they are less able to withstand political vagaries.

Political Volatility: While Palo Alto's revenues have shown strength and resilience in relation to the general economy, considerable volatility has been introduced by the inability of the State government to deal with its own budget problems. In 1990-91, the State gave counties authority, through SB 2557, to charge cities for the cost of booking prisoners and for property tax administration; this action cost Palo Alto approximately half a million dollars on an annual basis. In 1991-92, the State shifted 47 percent of cities' cigarette tax away to fund trial courts. In addition, the State took half of all non-parking fines and forfeitures attributable to cities. From 1992-94, the State reduced cities' property tax revenues by almost 15 percent, eliminated the balance of

cigarette tax revenues, and extended the definition of booking fees so that counties may potentially double or triple the charges they assess. In November 1996, voters passed Proposition 218, the Right to Vote on Taxes initiative. It further limits the City's ability to raise new funds.

The State has further targeted property tax revenues as an offset to its 2004 and 2005 budget balancing activities. Approximately \$1.5 million (10 percent) in Palo Alto property tax revenues have been targeted for inclusion in the Educational Revenue Augmentation Fund (ERAF) in 2004-05.

Of all the factors to be considered in setting reserve levels, none appears more critical than political volatility in the current economic environment.

Operating Surplus/Operating Deficit: The City continues its philosophy of “pay as you go” as its preferred approach to operations. This requires a balanced budget and operating result at yearend, along with not funding operating deficits with reserves. It is important to ultimately have long-term revenue growth rates above those for expenditures.

Uneven Cash Flow: General Fund reserves are invested as part of a pool, which includes idle cash in all City funds, including the Enterprise and the Special Revenue Funds. Cash flow projections for the portfolio reflect no need for short-term borrowing, and the City has not experienced this need in the past.

Budget Stabilization Reserve (BSR)

Events in recent years have left little doubt that the City's budget planning can be completely negated by the actions of the State Legislature and the Governor in Sacramento. The General Fund requires a BSR to serve as a repository for unspent operating funds at yearend, as well as pay for one-time unexpected needs that arise outside of the regular budget planning process. The BSR is not meant to fund ongoing operating expense. A reserve level of no less than 15 percent of General Fund operating expenditures, with a target of 18.5 percent, shall be maintained. At the discretion of the City Manager, reserve balance above this level is transferred to the Infrastructure Reserve within the Capital Fund.

Reserve for Equity Transfer Stabilization

The Reserve for Equity Transfer Stabilization in the General Fund is designated to replace the equity transfer in the event that the Gas and Electric Funds are unable to make the required annual equity transfer to the General Fund. This reserve is funded at the end of each fiscal year by the Gas and Electric Funds based on a Council approved formula. The transfer is dependent on the positive operating results and reserve balances of the funds. Funding of this

Reserve Policies

reserve will cease when Reserve for Equity Transfer Stabilization reaches 30 percent of the combined required annual equity transfer of the current year.

Capital Fund Reserve Policy

Infrastructure Reserve (IR)

The Infrastructure Reserve (IR) was originally created as a mechanism to accumulate funding required to complete a 10 year, \$100 million infrastructure rehabilitation program that would repair or renovate existing buildings and facilities, streets and sidewalks, parks and open space and transportation systems. Because of the need to maintain infrastructure on a systematic basis, it was recognized that the IR would out of necessity never be exhausted but would act in perpetuity as the source of funding for General Fund infrastructure.

From time to time, the Council has used the IR to fund new capital projects. However, the Council has not changed the original policy, adopted when the Infrastructure Management Plan was approved, to prioritize the care and maintenance of existing infrastructure over the acquisition of new infrastructure.

The reserve would therefore be used primarily to fund the projects identified in the original Infrastructure Master Plan, or any other projects not identified in the plan but which are critical to the maintenance of existing infrastructure. Secondly, should Council choose, the IR may be used for major capital projects involving the acquisition or renovation of infrastructure not previously included in the IMP.

Because the IR is to be used for priority capital projects that will be reviewed by the Council, no maximum reserve level is recommended. A \$2 million minimum balance is required to maintain an ongoing commitment to the City's future infrastructure needs.

Unspent monies from IMP projects will be returned to the IR and retained within the Capital Fund. Investment income from this reserve will also be retained within the IR to fund future capital project needs.

Demographic Statistics

LAST TEN FISCAL YEARS

Fiscal Year	City Size Square Miles	Street Miles	City Population	County Population	School Population
1997-98	25.98	193.12	57,900	1,689,900	9,719
1998-99	25.98	193.12	58,300	1,715,400	9,946
1999-00	25.98	193.12	58,500	1,736,700	9,881
2000-01	25.98	193.12	60,200	1,728,680	10,031
2001-02	25.98	193.12	60,500	1,719,565	9,952
2002-03	25.98	193.12	60,465	1,729,917	10,151
2003-04	25.98	193.12	60,569	1,731,422	10,341
2004-05	25.98	193.12	61,674	1,759,585	10,527
2005-06	25.98	193.12	62,148	1,773,258	10,607
2006-07	25.98	193.12	62,615	1,808,056	11,056
2007-08	25.98	193.12		not available	not available

SOURCES:

California Department of Finance
 Palo Alto Unified School District
 Santa Clara County, Planning website: (<http://www.sccplanning.org>)

Estimated Appropriations Limitation

APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION

FOR 2008-09 PROPOSED BUDGET

(\$ IN MILLIONS)

	Combined Funds	General Fund	Capital Projects	Debt Service	Special Revenue
Total Budgeted Appropriations					
2008-09 Proposed Budget (\$ millions)	141.56	116.64	15.05	1.22	8.65
Less: Debt Service Transactions	1.22			1.22	
Capital Outlay	15.05		15.05		
Non-Proceeds of Taxes	45.77	41.40			4.37
Net Proposed Appropriations Subject to Limit	\$79.52	\$75.24	\$0.00	\$0.00	\$4.28
2008-09 Appropriations Limit	113.09				
Under Limit By	33.57				
Computation of Appropriation Limit:					
2007-08 Appropriations Limit:	\$106,683,316				
2008-09 Santa Clara County Population Change (estimated)	1.52%				
2008-09 Per Capita Income Change (estimated)	4.42%				
(1.0152) x (1.0442) x \$106,683,316 =	\$113,091,979				



The City of Palo Alto remains well within its appropriations limit in 2008-09. Future year limit trends can be made based on the average change in regional population and income growth. The appropriations subject to limitation includes proceeds of taxes from the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Improvement Funds. The following is a summary of estimated limits and estimated appropriations subject to the limit.

	<u>Historical Appropriations</u>				
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Appropriations Subject to the Limit	64.13	65.87	70.45	73.30	79.52
Appropriations Limit	89.27	95.68	100.64	106.68	113.09
Under Limit By	25.14	29.81	30.19	33.38	33.57
	<u>Projected Appropriations</u>				
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Estimated Appropriations Subject to Limit	85.88	92.75	100.17	108.19	116.84
Estimated Appropriations Limit	120.27	127.91	136.03	144.67	153.86
Under Limit By	34.39	35.16	35.86	36.49	37.02

RESOLUTION NO 8834
RESOLUTION OF THE COUNCIL OF THE CITY OF PALO
ALTO DETERMINING THE CALCULATION OF THE
APPROPRIATIONS LIMIT FOR FISCAL YEAR 2008-09

WHEREAS, under Article XIII B of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and

WHEREAS, since fiscal year 1990-91, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and

WHEREAS, pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for fiscal year 2008-09, which will be adopted by ordinance of the Council on June 9, 2008; and

WHEREAS, pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 4.42% percent change in California per capita income and a 1.52% percent change in the population growth for the County of Santa Clara; and

WHEREAS, the documentation used in the determination of the Limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and

WHEREAS, according to the final calculation, the City's appropriations subject to limitation are approximately \$33.38 million less than the Limit.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for fiscal year 2008-09, the final calculation of the Appropriations Limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City's appropriations subject to limitation are under the Limit by approximately \$33.38 million.

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for fiscal year 2008-09, a copy of which is attached hereto as Exhibit A

SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED: June 9, 2008

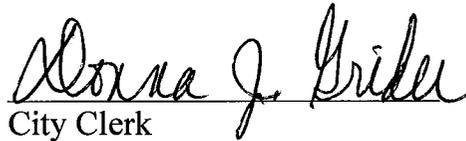
AYES: BARTON, BURT, DREKMEIER, ESPINOSA,
KISHIMOTO, KLEIN, MORTON, SCHMID, YEH

NOES:

ABSENT:

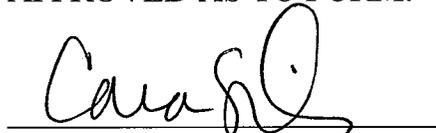
ABSTENTIONS:

ATTEST:



City Clerk

APPROVED AS TO FORM:

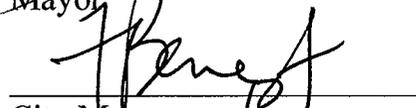


Senior Asst City Attorney

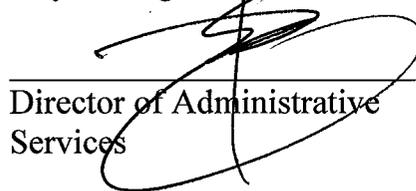
APPROVED:



Mayor



City Manager



Director of Administrative
Services

ORDINANCE NO. 5009

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
ADOPTING THE BUDGET FOR FISCAL YEAR 2008-09

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 6(g) of Article IV of the Charter of the City of Palo Alto and Chapter 2.28 of the Palo Alto Municipal Code, the City Manager has prepared and submitted to the City Council, by letter of transmittal, a budget proposal for fiscal year 2008-09; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 9, 2008, hold a public hearing on the budget after publication of notice in accordance with Section 2.28.070 of the Palo Alto Municipal Code; and

C. In accordance with the provisions of Chapter 8 of Division 1, of Title 7, commencing with Section 66016 of the Government Code, as applicable, the Council did on June 9, 2008, hold a public hearing on the proposed amendments to the Municipal Fee Schedule, after publication of notice and after availability of the data supporting the amendments was made available to the public at least 10 days prior to the hearing.

SECTION 2. Pursuant to Chapter 2.28 of the Palo Alto Municipal Code, the following documents, collectively referred to as "the budget" are hereby approved and adopted for the fiscal year 2008-09:

- (a) The budget document (Exhibit "A") containing the proposed operating and capital budgets submitted on or about May 6, 2008, by the City Manager for fiscal years 2008-09, entitled "City of Palo Alto - City Manager's 2008-09 Proposed Budget" covering General Government Funds, Enterprise Funds and Internal Service Funds, a copy of which is on file in the Department of Administrative Services, to which copy reference is hereby made concerning the full particulars thereof, and by such reference is made a part hereof; and

- (b) The Amendments to the City Manager's 2008-09 Proposed Budget, attached hereto as Exhibit "B," and made a part hereof; and
- (c) The document entitled "2008-09 Proposed Municipal Fee Schedule," attached hereto as Exhibit "C," and made a part hereof; and
- (d) Changes and revised pages in the Table of Organization, attached hereto as Exhibit "D," and made a part hereof; and
- (e) Amendments to the "2008-09 Proposed Municipal Fee Schedule," attached hereto as Exhibit "E," and made a part hereof; and

SECTION 3. The sums set forth in the budget for the various departments of the City, as herein amended, are hereby appropriated to the uses and purposes set forth therein.

SECTION 4. All expenditures made on behalf of the City, directly or through any agency, except those required by state law, shall be made in accordance with the authorization contained in this ordinance and the budget as herein amended.

SECTION 5. Appropriations for the fiscal years 2007-08 that are encumbered by approved purchase orders and contracts for which goods or services have not been received or contract completed, and/or for which all payments have not been made, by the last day of the fiscal year 2007-08 shall be carried forward and added to the fund or department appropriations for fiscal year 2008-09.

SECTION 6. The City Manager is authorized and directed to make changes in the department and fund totals and summary pages of the budget necessary to reflect the amendments enumerated and aggregated in the budget as shown in Exhibit B and the 2007-08 appropriations carried forward as provided in Section 5.

SECTION 7. The Council has reviewed staff's recommendation regarding PASCO's annual compensation for FY 2008-09 and the alternatives proposed by PASCO. The Council finds that staff's proposal is reasonable and hereby approves an annual compensation amount for FY 2008-09 of \$10,930,234.

SECTION 8. As specified in Section 2.04.320 of the Palo Alto Municipal Code, a majority vote of the City Council is required to adopt this ordinance.

SECTION 9. As specified in Section 2.28.140(b) of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby delegates the authority to invest the City's funds to the Director of Administrative Services, as Treasurer, in accordance with the City's Investment Policy for 2008-09.

SECTION 10. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

SECTION 11. As provided in Section 2.04.330 (a)(3) of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption; provided that all new increases in Planning Department fees, more specifically described in Exhibit "C," shall become effective sixty (60) days from the date of adoption.

INTRODUCED AND PASSED: June 09, 2008

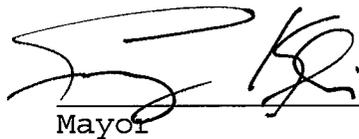
AYES: BARTON, BURT, DREKMEIER, ESPINOSA, KISHIMOTO, KLEIN, MORTON, SCHMID, YEH

NOES:

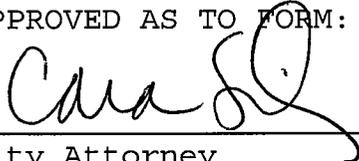
ABSTENTIONS:

ABSENT:

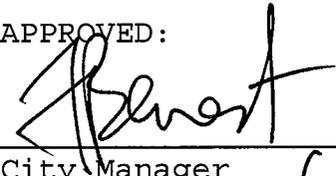

City Clerk


Mayor

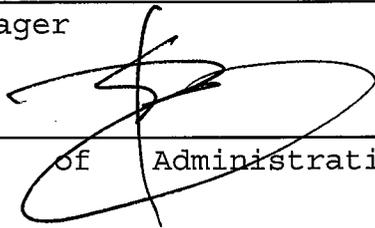
APPROVED AS TO FORM:


City Attorney

APPROVED:


City Manager

Director of Administrative Services



This page is intentionally left blank.

Key Budget Terms

Adjusted Budget: The adjusted budget represents the adopted budget including changes made during the fiscal year.

Adopted Budget: The adopted budget is the annual City budget approved by the City Council on or before June 30.

Appropriation: The allocation of an expense budget for a particular project or program usually for a specific period of time.

Benchmarking Measures: Are included in the budget document and replace the former impact measures. Benchmarks are shown for each department and where available at the division level in each department. The benchmarks show input, output, efficiency, and effectiveness measures. Where possible they are related to the City Auditor's Service Efforts and Accomplishments report.

Capital Budget: A plan of proposed capital outlays and the means of financing them for the current fiscal period. In a two-year budget, the second year of the Capital Improvement Program is adopted-in-concept.

Capital Improvement Program (CIP): The Capital Improvement Fund accounts for projects related to the acquisition, expansion, or rehabilitation of the City's buildings, equipment, parks, streets, and other public infrastructure.

Capital Projects Fund: A fund created to account for all resources to be used for the construction or acquisition of designated fixed assets by a governmental unit except those financed by proprietary or fiduciary funds.

Comprehensive Plan: The Palo Alto Comprehensive Plan contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services. Its policies apply to both public and private properties. Its focus is on the physical form of the City. The Adopted Budget integrates the 1998-2010 Comprehensive Plan into the budget process.

Cost Accounting: The branch of accounting that provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

Enterprise Funds: Enterprise funds account for City operations which are financed and operated in a manner similar to private enterprise. Costs of providing service to the public are covered by user charges, grant funds, and impact fees. The City of Palo Alto owns and operates its own utilities with the exception of refuse hauling and collection, which is contracted with an outside firm.

Glossary

Fiscal Agent: A bank or other corporate fiduciary that performs the function of paying, on behalf of the governmental unit, or other debtor, interest on debt or principal of debt when due.

Fiscal Year: A 12-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of operations.

Fixed Assets: Assets of a long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.

Funds: Local government budgets are made up of funds, which help to organize and account for restricted resources. Each fund is considered a separate accounting entity.

Governmental Funds: A generic classification used to refer to all funds other than proprietary and fiduciary funds. The capital projects fund is one example of the type of funds referred to as “Governmental Funds”.

Infrastructure Assets: Roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems installed for the common good.

Infrastructure Management Plan (IMP): A portion of the General Fund capital improvement program with the focus of rehabilitating the City's infrastructure. In 1998-99, an outside consultant on the City's infrastructure prepared a report known as the Adamson report. Within this report the City's infrastructure was catalogued and ranked based on when the infrastructure needed to be upgraded or replaced and the cost for each item. At that time, the City Council decided to establish a plan using the Adamson report as a guide to both timeline and cost.

Internal Service Funds: These funds provide services to City departments and recover their costs through user charges. The Vehicle Replacement Fund is an Internal Service Fund managing the replacement and maintenance of the City fleet.

Method of Accounting: The City's General Fund budget is developed using a modified accrual basis of accounting, with revenues being recorded when measurable and available, and expenditures recorded when the liability is incurred. Enterprise Funds and Internal Service Funds are budgeted on a generally accepted accounting principles (GAAP) basis, which for Proprietary Funds is on a full accrual accounting basis.

Operating Transfer: Amounts transferred between funds; not considered a revenue or expense. For example, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

Pay-As-You-Go-Basis: A term used to describe the financial policy of a governmental unit that finances all of its capital outlays from current revenues rather than by borrowing.

Proposed Budget: The proposed budget is the budget that is sent to the Finance Committee by the City Manager. The proposed budget, including changes made by the Finance Committee during their review, is approved by the Council and then becomes the adopted budget.

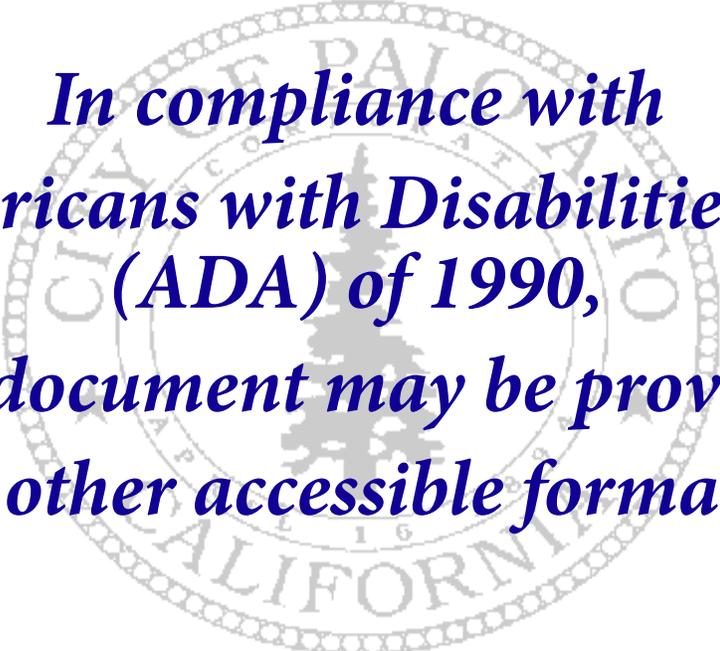
Reimbursements: Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund. For example, the Enterprise Funds reimburse the Technology Fund for CIP projects that the Enterprise Funds benefit from.

Reserve: Represents the portion of fund balance set aside for financing future capital improvements or the outlay of capital projects in any given year, and addressing one-time emergency needs.

Revenues: Revenues include compensation received by the project for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues). An example of internal revenue includes the Electric Fund reimbursing a Technology project for the technological resources that it will provide.

Special Revenue Funds: These funds account for the proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes. The Street Improvement Fund (SIF) is a Special Revenue Fund that derives its funding from state gas tax revenues. Capital appropriations from the SIF must be spent on the construction and maintenance of the road network system of the City.

Americans with Disabilities Act



*In compliance with
Americans with Disabilities Act
(ADA) of 1990,
this document may be provided
in other accessible formats.*

For information contact:

ADA Coordinator
City of Palo Alto
285 Hamilton Avenue
(650) 329-2550

**Visit the City's Website at:
www.CityofPaloAlto.org**